ANNUAL REPORT 2006.

PEAB

CONTENTS

THE YEAR IN BRIEF.

Financial highlights	2006	2005	2004
Net sales, MSEK	30 321	25 501	22 039
Profit before tax, MSEK	1 411	824	521
Return on capital employed, %	25.4	17.1	13.4
Return on equity, %	31.6	28.7	15.4
Earnings per share, SEK	12.37	10.06	4.56
Ordinary dividend per share, SEK [1)]	3.50	3.00	2.50
Extra dividend per share, SEK [1)]	7.50	–	–
Equity/assets ratio, %	19.9	24.4	23.1
Net debt, MSEK	1 534	2 110	1 666

1) For 2006, proposed by the board of directors to the AGM

WELCOME TO THE ANNUAL GENERAL MEETING OF PEAB.

TIME AND PLACE.

The Annual General Meeting (AGM) of Peab AB will be held at 3 pm on Wednesday 16 May 2007 at Grevieparken, Grevie.

NOTIFICATION.

Notification of participation in the meeting must be submitted at the latest by 2 pm on Friday 11 May 2007. Notification may be submitted by telephone to +46 431 890 00, by mail to Peab AB, Information, SE-260 92 Förslöv, or via the company's website at www.peab.com/agm. To participate in the AGM shareholders must be registered in the share register kept at the Swedish Securities Register Centre, VPC AB, by Wednesday 9 May 2007 at the latest. Shareholders who have registered their shares in trust must have registered such shares in their own names at the latest by this date. Shareholders should request trustees to undertake such registering a few days in advance.

DIVIDEND.

The Board of Directors proposes to the AGM an ordinary dividend of SEK 3.50 per share for 2006. The proposed record day is Tuesday 22 May 2007. If the AGM approves the proposals submitted, dividends will be distributed from the VPC on Friday 25 May 2007.

In addition, the board of directors will propose an extra distribution of all the shares in Peab Industri AB to Peab shareholders. As at 31 December 2006, the extra dividend is equivalent to SEK 7.50 per outstanding share. The proposed record date for divestment of the shares in Peab Industri AB is Thursday 27 September 2007.

WE CAN UP THE PACE EVEN MORE.



We are in the middle of a boom which has been going on for some time now and I cannot remember a time when there was such high and sustained demand within the building and construction industry. We are faced with the major challenge of managing the situation in the right way and we are dedicating considerable efforts to utilising our resources in the most efficient manner possible.

Further developing the way in which we work together will enable us to be even more cost effective. Through trust-based contracts we take responsibility for the entire process, guarantee an end price with high quality and provide five-year warranties. The number of trust-based contracts is growing and we know from experience that this is a form of collaboration which is much appreciated by our customers.

EARLY ON IN THE PROJECT.

The earlier the stage at which Peab enters the project, the greater the possibilities for finding simple and efficient solutions. In the majority of cases prefabrication proves to be the best alternative, and we need to be even better at exploiting experience from previous projects. If, for example, we must build five schools in a year, we need not draw up five different sets of drawings when one would be enough. We are increasing the rate at which we are developing mass production techniques and industrial building, and this will greatly contribute to reducing end costs. We can use the same drawing for a building element and still have an endless variety where the final appearance is concerned. Mass production is not synonymous with dreary and uniform design.

There may be cases where we advise our customers to delay implementation of a project. If the customer is able to accept this, we then have time to set up the best possible organisation, the best purchasing options and the best logistics. We also strive to achieve openness in relations both with customers and subcontractors in order to provide the best possible end product for the customer.

The purchase of building materials is a significant part of the total cost of a contract. We are constantly working to enhance the efficiency of the purchasing process and this is an area where there is room for improvement. Firstly, we will chart collaboration with Swedish subcontractors and contractors of Swedish high quality construction materials. If and when Swedish options cannot compete on price and quality, we seek foreign solutions. Our aim is to be able to build at reasonable prices, and entering projects in a variety of ways at an early stage makes this possible.

A LEARNING ORGANISATION.

During the next few years, many of our most experienced and skilled employees will be retiring. As there will be a shortage of skilled builders in the future, many of those about to retire will be offered opportunities to carry on working if they wish to.

Our competitive edge depends on our personnel and their professional skills, and therefore we will be dedicating extensive resources to internal training and skills development in the future. In 2006, we started the Peab school, a high school where young people can acquire theoretical and practical building skills. During the next few years, we hope that together with local government and education authorities we will be starting up more Peab schools around the country. The Peab group is a learning organisation and the customer demand for professional skills increases. Training at all levels within our group is necessary if we are to achieve the goals Peab sets to itself.

PEAB INDUSTRI AB.

The board of directors of Peab have requested the 2007 AGM to resolve on the distribution of the industrial activities to the shareholders. The proposed distribution will take the form of all the shares in Peab Industri AB, which we intend to list on Stockholmsbörsen in the autumn of 2007. Peab AB will remain on the stock exchange with its construction and civil engineering activities. The distribution will provide improved opportunities for specialisation, development and increased competitiveness for both companies.

THE RIGHT TO WELLNESS AT WORK.

Despite the fact that we Swedes are demonstrably physically healthier than ever before, in recent years sick absenteeism has increased disturbingly. For this reason, it is important to understand the reasons for absence through illness, and even more important to chart the causes of absenteeism. Our ambition at Peab is to care for and rehabilitate those of our employees on long sick leaves, and in 2006 we devoted much effort in doing so. In the future, we will improve the way in which we help employees on long sick leave back to work. Within Peab Fritid we are offering our employees wider and wider opportunities for physical fitness and other activities. Moreover, we will also use the annual performance appraisal interviews with our employees to gain an insight into their perceptions of their work. We know that stress, negligence, negative attitudes and deficient communications can be the cause of job dissatisfaction and accidents at our building sites. In 2006, Peab continued its work environment initiative. I am convinced that the continued introduction of result-based salaries, i.e. a fixed salary combined with flexible result-based part for every employee of the group, will help to reduce these negative effects. Our desire to increase job satisfaction knows no bounds and we employers bear a major responsibility for providing the preconditions for our common welfare, for enjoying life and feeling secure in the workplace. We know from experience that precisely these factors are often linked to success and profitability.

Mats Paulsson, Managing Director of Peab

DISTRIBUTION OF PEAB INDUSTRI.

The board of directors of Peab have requested the 2007 AGM to resolve on the distribution of the industrial activities to the shareholders. Distribution will take the form of shares in the subsidiary Peab Industri AB. It is intended to list Peab Industri AB on Stockholmsbörsen in the autumn of 2007.

The Peab group is driven by a powerful spirit of enterprise and innovative force. The group has strong brands, all of which stand for a spirit and culture which focus on the customer with cost effective contracts and high quality.

THE MOTIVE FOR THE DISTRIBUTION.

The distribution of Peab Industri AB will facilitate yet more specialisation, development and growth both for Peab and Peab Industri. The strong customer and supplier bond today found between the construction and civil engineering activities and the industry companies will prove important for both organisations in the future too. This strength will continue to evolve and be managed in close cooperation between the two groups. Collaboration on market terms on an arms length basis will safeguard supplies for the construction process, sustaining high quality in every respect.

SHAREHOLDER VALUE.

It is intended that the shares in Peab Industri AB, divided between A-shares and B-shares respectively, should be distributed in accordance with the so-called “lex Asea”.

Distribution will enable Peab’s shareholders to continue sharing in value creation both within Peab AB and Peab Industri AB. The consolidated value of the net assets proposed for distribution to Peab Industri amounted to SEK 600 million as at 31 December 2006. Before distribution costs this was equivalent to SEK 7.50 per outstanding share. To this must be added during 2007 earned profits up until distribution.

THE COMPANIES IN PEAB INDUSTRI.

Swerock, which manufactures and sells ready-mixed concrete, sells gravel and rock, light and heavy machinery and offers transport services.

Peab Industri Finland, which manufactures and sells ready-mixed concrete, hires out cranes and other machinery, lifting services and sells cranes.

S:t Eriks, which manufactures and sells ground paving products and roof tiling.

Skandinaviska Byggelement, with activities which include the manufacturing of prefabricated modules for housing construction.

Peab Asfalt, which manufactures and lays asphalt.

Lambertsson Sweden, which hires out cranes, machinery, tools and electric power supply equipment. The service includes lifting services and selling cranes.

Lambertsson Norway, which hires out cranes, construction hoists, machinery, tools and electric power supply equipment. The service includes lifting services and selling cranes.

The above companies are identical with the business area Industry set up within the Peab group. Peab Industri will also comprise:

Peab Grundläggning, dedicated to foundation laying work.

Netel, which engages in activities relating to infrastructure for the telecommunications, data and electricity supply network.

MANAGEMENT.

The executive management will be made up of Mats O Paulsson, Managing Director and Niclas Winkvist, Finance Director. In addition to the Excecutive Management, the Management Group consists of some company MD’s and support functions.

TIMETABLE FOR DISTRIBUTION.

First week in May	Information brochure will be published on Peab’s website at www.peab.se
16 May	AGM, distribution resolution
17 September	Listing prospectus public
24 September	Last day of trading including distribution rights
27 September	Record date for divestment
1 October	Stock exchange listing of Peab Industri AB B-shares

THE PEAB SHARE.

The Peab B-share is noted on Stockholmsbörsen – Large Cap. As at 31 December 2006, the price of the Peab share was SEK 162.50, which is an increase of 59 per cent during the year. During the year, the Swedish stock market increased by 25 per cent according to Affärsvärlden's general index. During 2006, the Peab share was quoted at a maximum of SEK 170.50 and a minimum of SEK 93.50.

TRADING IN THE PEAB SHARE.

During 2006, 25.9 million shares (17.8) were traded, equivalent to 102,000 shares per trading day (71,000). At the end of 2006, the market price of the Peab B-share was SEK 162.50 (102.00), which is equivalent to a market value of SEK 14,169 million (8,894). A number of analysts monitor and make analyses of Peab. A list of these analysts can be found on page 84 and on our website at www.peab.com/analysts.

DIVIDEND POLICY.

The dividend should be in reasonable proportion both to the long-term evolution in profits and the company's consolidation requirements, liquidity and financial position in general. Peab's financial objective is that the dividend to shareholders should amount to 50 per cent of profit after tax An ordinary dividend of SEK 3.50 per share (3.00) is proposed for 2006. Calculated as a share of the group's reported profit after tax, the proposed dividend amounts to 27 per cent (31). Excluding the 7,315,000 B-shares owned by Peab AB, which do not entitle to dividend, the proposed dividend is equivalent to a total dividend distribution of SEK 280 million (262). The proposed dividend is equivalent to a direct return of 2.2 per cent based on the closing price on 13 February 2006.

In addition, the board of directors will propose an extra distribution of all the shares in Peab Industri AB to the Peab shareholders. As at 31 December 2006, this extra dividend amounted to SEK 600 million, which is equivalent to SEK 7.50 per outstanding share. In total, the proposed dividends will amount to SEK 11.00 per outstanding share.

INCENTIVE PROGRAM.

Peab has no share-related or option-related incentive program.

CHANGED TERMS FOR CONVERTIBLE PERSONEL DEBENTURES.

The Peab Annual General Meeting on 12 May 2005 resolved to offer convertible debentures to all employees. A total of 5.5 million convertible debentures were issued for a sum of SEK 478.5 million. The convertible debentures run from 16 June 2005 to 15 June 2008 with options during certain conversion windows to subscribe to a B-share for SEK 87 for each debenture. The board of directors intends to ask the 2007 Annual General Meeting to resolve that Peab's convertible debentures should be adjusted as follows:

- An extra conversion window should be opened between 18 June and 2 July 2007
- The final date for distribution rights should be deferred
- The first ordinary conversion period of 1 – 15 October 2007 should be deferred until 26 November – 12 December 2007

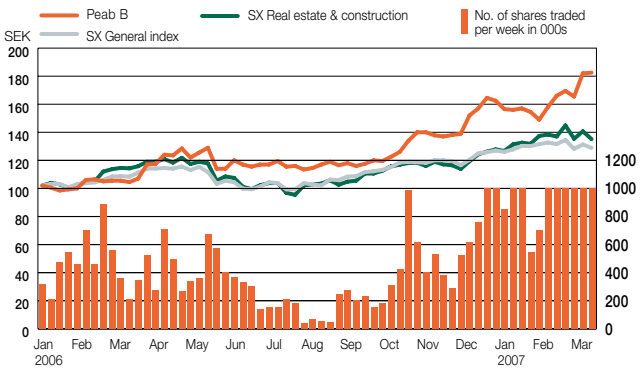
The intention of the proposed adjustments is to give those employees who subscribed to convertible debentures in 2005 the option of participating in the distribution of Peab Industri AB. According to the Swedish Securities Council the proposed changes is in accordance with good stock market practice.

In order to retain the same number of registered shares unchanged after a possible conversion in 2006 Peab bought back the required number of shares.

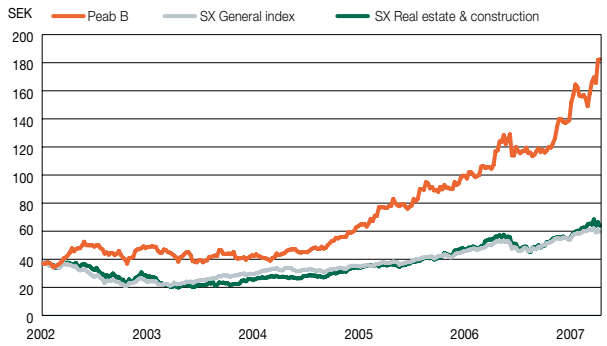
HOLDINGS OF OWN SHARES.

At the start of 2006, Peab's holding of own shares amounted to 2,093,200 B-shares, corresponding to 2.4 per cent of the total number of shares. On 17 May 2006, the Peab Annual General Meeting resolved to authorise the board of directors to buy back a maximum of 8,700,000 shares in Peab AB up until the next Annual General Meeting. In May 2006, based on this authorisation Peab's board of directors decided to buy back an additional maximum of 1,000,000 B-shares. In December 2006, the board of directors decided to buy back an additional maximum of 5,750,000 B-shares. During the January to December period, 5,364,400 B-shares to a value of SEK 822 million were bought back. During the same period, 142,600 B-shares to a value of SEK 20 million were divested as part payment for company acquisitions. As at 31 December 2006, Peab's holding of own shares amounted to 7,315,000 B-shares, corresponding to 8.4 per cent of the total number of shares.

Change in the price of the Peab share since 2006



Change in the price of the Peab share since 2002



Data per share

	2006	2005	2004
Earnings, SEK	12.37	10.06	4.56
– after complete conversion	11.79	9.84	4.56
Equity, SEK	41.02	39.34	30.84
– after complete conversion	43.99	42.24	30.84
Cash flow before financing, SEK	29.10	6.33	3.62
– after complete conversion	27.46	6.12	3.62
Share price at year-end, SEK	162.50	102.00	65.00
Share price/equity, %	396	259	211
Ordinary dividend, SEK [1]	3.50	3.00	2.50
Extra dividend, SEK [1]	7.50	––	–
Yield, % [2]	2.2	2.9	3.8
P/E ratio [2]	13	10	14

1) For 2006, proposed by the Board to the AGM
2) Based on closing price at year-end

Changes in share capital between 1974-2006

Year		Change, MSEK	Total, MSEK
1974	New share issue	0.1	0.1
1978	Bonus issue 9:1	0.9	1.0
1983	Bonus issue 7:1	7.0	8.0
1986	Split 10:1	–	8.0
1986	Bonus issue 1:4	2.0	10.0
1987	New share issue 1:2	5.0	15.0
1989	Bonus issue 2:1	30.0	45.0
1992	Directed new share issue	63.0	108.0
1993	Directed new share issue	25.0	133.0
1994	New share issue 3:1	398.9	531.9
1997	New share issue 3:10	159.6	691.5
2000	Conversion	148.7	840.2
2000	Subscribtion	1.2	841.4
2002	Subscribtion	30.6	872.0

List of shareholders 28 February 2007

Shareholder	A-shares	B-shares	Total no. of shares	Prop. of capital, per cent [1]	Prop. of votes, per cent [1]
Mats Paulsson with companies	2 787 117	9 613 055	12 400 172	14.2	21.4
Erik Paulsson with family and companies	3 487 890	5 699 514	9 187 404	10.5	23.1
Karl-Axel Granlund with companies		5 100 000	5 100 000	5.8	2.9
Fredrik Paulsson with family and companies	1 201 171	1 686 450	2 887 621	3.3	7.8
Stefan Paulsson with family and companies	1 201 172	1 671 056	2 872 228	3.3	7.8
Swedbank Robur Funds		1 904 120	1 904 120	2.2	1.1
Skandia Life		1 507 600	1 507 600	1.7	0.9
Handelsbanken Funds		1 489 516	1 489 516	1.7	0.8
Svante Paulsson with family and companies	491 688	728 880	1 220 568	1.4	3.2
Länsförsäkringar Funds		1 084 600	1 084 600	1.3	0.6
Fourth AP-fund		966 350	966 350	1.1	0.6
Sara Paulsson Karlsson with family and companies	508 040	348 019	856 059	1.0	3.1
Other	128 624	38 276 082	38 404 706	44.1	22.5
Total outstanding shares	**9 805 702**	**70 075 242**	**79 880 944**		
Peab AB	0	7 315 000	7 315 000	8.4	4.2
Total registered shares	**9 805 702**	**77 390 242**	**87 195 944**	**100.0**	**100.0**

Source: VPC, Peab
1) Of total registered shares

Shareholder agreement

As far as the Board is aware, there are no shareholder agreements between Peab AB shareholders.

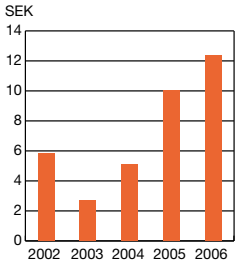
Distribution of shareholdings 28 February 2007

Number of shares	Number of shareholders	Proportion of capital, per cent	Proportion of votes, per cent
1– 500	9 036	2.2	1.1
501– 1 000	3 642	3.5	1.7
1 001– 5 000	2 919	8.0	4.0
5 001– 10 000	413	3.6	1.8
10 001– 15 000	117	1.7	0.9
15 001– 20 000	63	1.3	0.7
20 001–	252	79.7	89.8
	16 442	**100.0**	**100.0**

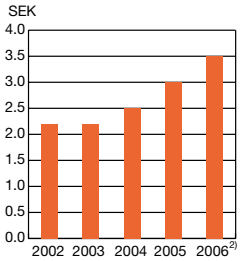
Distribution of shareholdings 28 February 2007

Share class	Number	Number of votes	Proportion of capital, per cent	Proportion of votes, per cent
A	9 805 702	10	11.2	55.9
B	77 390 242	1	88.8	44.1
	87 195 944		**100.0**	**100.0**

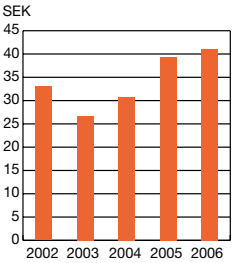
Earnings per share [1]



Ordinary dividend per share

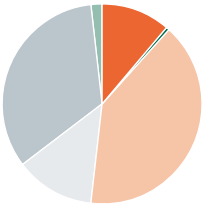


Equity per share [1]



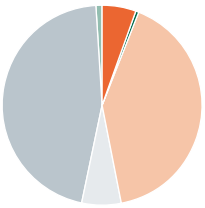
1) For 2001-2003, not adjusted in accordance with the IFRS
2) For 2006, proposed by the Board to the AGM

Owner categories, proportion of capital 28 February 2007



Financial companies and trust funds	11.2%
Central and local government	0.2%
Other Swedish legal entities	40.3%
Foreign resident owners	12.9%
Swedish private persons	33.7%
Other	1.8%

Owner categories, proportion of votes 28 February 2007

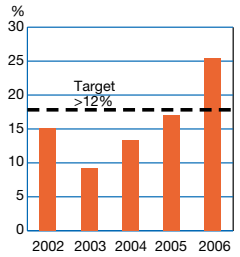


Financial companies and trust funds	5.5%
Central and local government	0.1%
Other Swedish legal entities	41.1%
Foreign resident owners	6.4%
Swedish private persons	45.9%
Other	1.0%

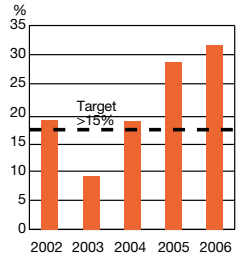
Source: VPC

FINANCIAL OBJECTIVES.

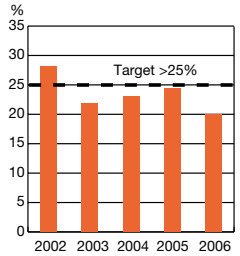
Return on capital employed [1)]



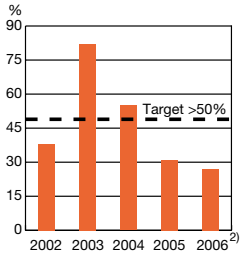
Return on equity [1)]



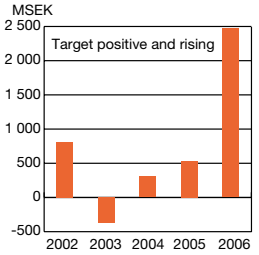
Equity/assets ratio [1)]



Dividend/profit after tax [2)]



Cash flow before financing[1)]



1) For 2001-2003, not adjusted in accordance to the IFRS

2) For 2006, proposed by the board of directors to the AGM

Peab's financial objectives apply from and including 2005. These objectives are an expression of the company's financial goals as a dedicated construction and civil engineering company with supporting industrial companies.

FINANCIAL OBJECTIVES.

- Return on capital employed of at least 12 per cent
- Return on equity of at least 15 per cent
- The equity/assets ratio in excess of 25 per cent
- Dividend to shareholders of at least 50 per cent of profit after tax
- Cash flow before financing positive and increasing

Profitability is the overriding objective of the Group. Expressing profitability in the form of return on capital employed, takes the differences in tied capital in the Group's operations and the differences in tied capital depending on the type of project into consideration. For internal control, this objective is complemented by profitability requirements in the form of operating margin targets. The return on capital employed amounted to 25.4 per cent (17.1) in 2006. Return on equity is used as a key ratio at group level and amounted to 31.6 per cent (28.7) in 2006.

The equity/assets ratio target is in excess of 25 per cent, which is a suitable capital structure for Peab as a construction and engineering company with supporting industrial companies. If the equity/assets ratio is expected to exceed this level on a permanent basis, the capital should be transferred to the shareholders in the appropriate form. As per 31 December 2006, the equity/assets ratio amounted to 19.9 per cent (24.4).

Dividend should be in a reasonable proportion to evolution in Peab's profit and consolidation requirements. An increased ordinary dividend of SEK 3.50 per share (3.00) is proposed for 2006. In addition, the board of directors will propose an extra distribution in the form of all the shares in Peab Industri AB to Peab shareholders. As at 31 December 2006, this extra dividend amounted to SEK 600 million, which is equivalent to SEK 7.50 per outstanding share. In total, the proposed dividends will amount to approximately SEK 11.00 per outstanding share. Calculated as a share of the group's reported profit after tax, the proposed ordinary dividend amounted to 27 per cent (31). The ordinary dividend proposed for 2006 calculated as a proportion of the group's reported profit after tax excluding the effect of SEK 224 million of the valuation of shareholdings in Brinova at fair value amounted to 34 per cent.

Cash flow before financing should be positive and rising. The cash flow generated should either be reinvested in the business or distributed to shareholders. Annual cash flow before financing amounted to SEK 2,462 million (538). The improvement in cash flow stems from the increased profitability of company business and a positive change in working capital.

From the point of view of the investor, Peab's objective is for shareholders to enjoy high returns on invested capital in the form of value growth and dividends.

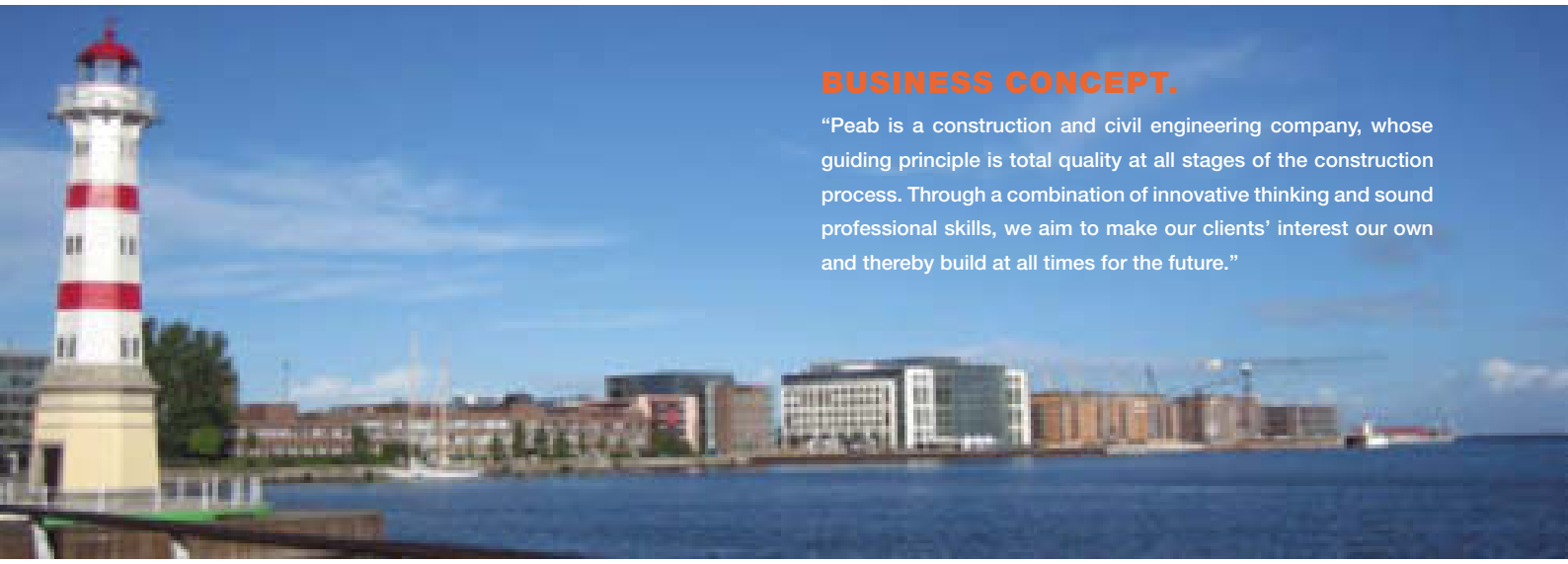
REVIEW OF FINANCIAL OBJECTIVES.

As a result of the proposed distribution of shares in Peab Industri AB, in future Peab's activities will consist of construction and civil engineering operations. As a result financial objectives must be reviewed. We will be publishing the results of the review at the latest in conjunction with the publication of Peab's first quarterly report, which will be on 16 May 2007.

	Target	2006	2005	2004	2003 [1)]	2002 [1)]
Return on capital employed	>12%	25.4	17.1	13.4	9.2	15.1
Return on equity	>15%	31.6	28.7	15.4	9.2	18.8
Equity/assets ratio	>25%	19.9	24.4	23.1	21.8	28.2
Dividend [2)]	At least 50% of after tax profit	27	31	55	82	38
Cash flow before financing	Positive and increasing	2 462	538	307	–379	808

1) For 2002-2003, not translated in accordance with IFRS

2) For 2006, proposed by the board of directors to the AGM



BUSINESS CONCEPT.

"Peab is a construction and civil engineering company, whose guiding principle is total quality at all stages of the construction process. Through a combination of innovative thinking and sound professional skills, we aim to make our clients' interest our own and thereby build at all times for the future."

Since the start in 1959 Peab has been characterised by a real spirit of enterprise. This spirit has thrived based on the personal dedication and the way of working together which have created many, stable customer relations over the years. Cooperation, professional skills and openness build trust, create growth and financial strength and, by no means least, strengthen the brand.

VALUE CREATION.

Today the Peab group has all the resources required to compete in the construction and civil engineering market. We have a good spirit of enterprise and nationwide familiarity with local markets. Thus Peab is a local contractor with all the possibilities a major group can offer, and we can focus closely on customers while at the same time still have the resources for further developing the actual construction process.

The construction process is Peab's core business and its goal is to strengthen competitiveness by giving staff improved opportunities for skills development. Peab's keenest competitive weapon is the skill and dedication of its employees. Continuing to sustain the values today possessed by the group and also creating opportunities for growth makes great demands on skills, efficiency and total quality at all stages of the construction process.

By proposing the distribution of the group's industry companies to shareholders to the 2007 AGM Peab is creating opportunities for further refining and developing both the groups. The distribution of Peab Industri AB is expected to result in increased competitiveness, the building of strong brands, good returns and financial stability. The B-shares in the new company will be listed on Stockholmsbörsen 1 October 2007 and Peab will then continue as an out-and-out construction and civil engineering company.

PEAB CUSTOMER RELATIONS.

Within Peab we make the interests of customers our own and thus always build for the future. Offering processes and high quality enables us to hand over a good end product to our customers. The attention we pay to customers and suppliers in our day-to-day dealings is extremely important and in many cases crucial to the quality we deliver. We know that satisfied customers come back again and again and that satisfied customers make for the best possible marketing.

In a trust-based contract the customer, Peab, the architect, consultants and subcontractors all sit around the same table at an early stage to together produce the best basis for the project. By being involved from the start, Peab is better abled to inject its knowledge and expertise into the project to the benefit of the customer both with regard to overall price and quality. The construction time can also be shortened by planning as early as possible. Traditional tenders do not always involve Peab's expertise as a builder being fully exploited. Savings cannot be implemented as the project design is at too late a stage and this limits flexibility. Any changes needed during completion of the project must be treated as extra work with the consequent major risk of disputes. Experience has shown us that trust-based contracts are a way of working together much appreciated by customers. In trust-based contracts Peab is brought in at the earliest possible stage

and then performs the project with open books and with the customer as closely involved as possible. Building based on trust has been a significant factor for Peab right from the founding of the company.

Peab also engages in Partnering, which is a common phenomenon out in Europe. Partnering is a type of extended collaboration which requires whole-hearted participation from two or more equal partners during all the phases of the construction process. Partners are involved at an earlier stage than in conventional collaboration forms. The procurement stage in particular requires more work than a normal project. Partnering is an established way of working, especially within the public sector. As in the case of trust-based contracts, this way of working together promotes attentiveness to needs and creativity exceeding all expectations and results in long-term customer relations.

MASS PRODUCED BUILDING.

Mass produced building together with efficient purchasing and increased cooperation helps reduce the costs of the construction process. Mass produced building is an effective and cost conscious construction process. By learning for previous projects we continually improve the construction process. This transfer of experience reduces end costs while retaining the same high quality.

Mass-produced building involves a systematic approach. An efficient workplace is essential if mass produced components are to come into their own. Mass production in building must also be underpinned by a qualified and efficient purchasing function and effective logistics.

In 2007, Peab will continue developing the work with what we refer to in Swedish as PGS (Peab Gemensamt System or Peab Joint System). PGS develops and supplies a complete construction system for apartment blocks, comprising product development, manufacturing, delivery and assembly. Homes will be built in an entirely new way which will result in improved quality and considerably lower costs.

It is Peab's goal to be at the forefront when it comes to developing new concepts, methods and knowledge concerning mass-produced building. Together with Skandinaviska Byggelement, which will be one of the companies within Peab Industri and which manufactures high quality elements for the construction process, Peab will continue to supply cost effective and high quality building structures.

IMPROVED PURCHASING PROCESS BOOSTS COMPETITIVENESS.

The efficiency of the purchasing process is affected by a variety of factors, not the least of which is the fact that the actual purchasing process must ensure a continuous flow of the right products at the right time to the various building sites. Improved logistics will result in more efficient production and a better work environment. By working on purchasing and supply strategies the trend is towards a smaller number of materials suppliers and subcontractors. Closer collaboration between Peab and its suppliers is helping reduce sales costs for the suppliers, that result in reduced purchase prices for Peab and increased safety at workplaces. All parties will benefit from experience-based and continuously increasing knowhow of the materials supplied to and used in the construction process.

Environmental issues play an important role in the purchasing process. Ensuring that the materials used in the construction process are suitable for sustainable building also contributes to building for the future.

Implementation of the PIA electronic purchasing and ordering system has boosted the benefits we enjoy from agreements signed. We have opportunities for further optimising our purchasing costs.

In 2006, the market moved towards increased international trading both of goods and services. Firstly, we chart the range offered by Swedish subcontractors and Swedish high quality construction materials. If and when Swedish options cannot compete on price and quality, we seek foreign solutions.

OUR EMPLOYEES, OUR MOST IMPORTANT RESOURCE.

Peab is a service company and we compete based on the professional skills of our employees. By offering our employees opportunities for training and development, we hone our competitive edge. Market demands for professional skills will increase. We will also see that our customers will seek control and influence over the Peab employees performing the work. Tailoring an organisation for a special product will be an important future competitive parameter.

Trust-based contracts and Partnering clearly demonstrate the increased focus on more concept-based sales with soft values, which largely depend on the ability to function in a project-based environment.

As part of the strategic work of training, developing and attracting motivated staff the Peab School was started in 2006. This involves the three-year high school education of craftsmen and is located in Ängelholm. The courses have been designed to give each individual pupil customised training and comprise comprehensive practical training periods, which principally take place at Peab's building sites under the supervision of Peab instructors.

THE NORDIC BUILDING AND CONSTRUCTION MARKET.

Peab is established in Sweden, Norway and Finland. One important reason for this is that the building and construction market in these countries is increasingly spilling over national boundaries, largely as a result of Finnish, Norwegian and Swedish companies setting up in neighbouring companies.

The housing market in the respective countries is more local but certain experience and knowledge can be transferred from one country to another, even if various regulations hinder more extensive integration.

OPERATIONAL STRUCTURE.

To increase coordination and minimise costs while retaining high quality and market presence the company works with an operational organisation. Focus is on production, and for this reason support functions and resources are located as far out in the organisation as possible.

OPERATIONAL BUSINESS

Construction business area	Civil Engineering/Industry business area
Sweden	
Division South	Civil Engineering Division
Division West	Swerock
Division Bostad	Skandinaviska Byggelement
Division Stockholm Hus	S:t Eriks
Division North East	Peab Asfalt
Division Project development	Lambertsson
Abroad	
Norway	
Finland	

REPORTING STRUCTURE.

The group reports three business areas: Construction and Civil Engineering, Industry and Trust/Management.

REVIEW OF THE REPORTING STRUCTURE.

As a result of the proposed distribution of shares in Peab Industri AB, Peab's future activities will consist of construction and civil engineering operations. As a result, financial objectives and the external reporting structure will be reviewed. We will be publishing the results of the review at the latest in conjunction with the publication of Peab's first quarter report, which will be on 16 May 2007.

Net sales and operating profit per business area

	Net sales			Operating profit			Operating margin, per cent		
MSEK	**2006**	2005	2004	**2006**	2005	2004	**2006**	2005	2004
Construction and Civil Engineering									
Sweden	22 922	18 920	16 494	865	586	412	3.8	3.1	2.5
Abroad	3 756	3 510	2 775	–6	–88	12	–0.2	–2.5	0.4
Total	**26 678**	**22 430**	**19 269**	**859**	**498**	**424**	**3.2**	**2.2**	**2.2**
Industry									
Swerock/Asphalt	4 727	3 870	3 550	320	247	185	6.8	6.4	5.2
Machinery/Crane	787	650	580	207	133	123	26.3	20.5	21.2
Total	**5 514**	**4 520**	**4 130**	**527**	**380**	**308**	**9.6**	**8.4**	**7.5**
Trust/Management	**154**	**95**	**64**	**–135**	**–131**	**–155**			
Elimination	–2 025	–1 544	–1 424						
Group total	**30 321**	**25 501**	**22 039**	**1 251**	**747**	**577**	**4.1**	**2.9**	**2.6**

PEAB BUILDS ON ITS BRAND.

Peab has during the past year carried out a major branding campaign, which was the first of its kind for the group and which started in April. The theme of the campaign was “Peab is proud to present”.

We started internally. We used a combination of channels to communicate what was to be done, why, how and when. Next, we embarked upon the external work. A range of exciting projects, many interesting employees and examples of many other things Peab can be proud of where shown in full-page adverts and in a brochure named “Peab’s Little Showplace Book”, which was inserted as a supplement in several major dailies. Our objective was to put Peab on the map as a personal collaborative partner and attractive employer and to create a sense of pride within the company. The campaign was followed up by a market survey in which the target groups gave high marks both to Peab and the campaign. In November, a new campaign left the stocks in which Peab proudly presented its customers, who spoke of their experiences of cooperating with Peab and the benefits of Trust-based contracts.

PLANNED BRAND BUILDING.

Peab needs to recruit anything up to 1,000 new employees per year over the next five years. The fact that the entire sector and most companies within Swedish industry are facing a major generation change played an important part in Peab’s decision to build its brand in a more active and planned manner, among other things putting efforts into a campaign. In addition, it should also be viewed as the start of a well thought-out strategy for persevering in the strengthening of the brand. Peab has during 2007 established a brand council.

A NEW TYPE OF COMMUNICATIONS.

The modern imagery and personal tone of voice of the campaign distinguished it from traditional communications within the industry. Peab’s core values of down-to-earth, developmental, personal and reliable were important points of departure for communications.

CREATING A UNIFORM IMAGE.

Brand building is a constant process, and it does not just consist of advertising - it’s about acting consistently and uniformly in all communications. Coordinated and consistent image creation is important to the continued development of the brand. Every employee plays an important role in this work and contributes to the overall outcome. Understanding and accepting these issues is a question of knowledge, and for this reason a practical brand management tool has been produced to help everyone at Peab to improve their knowledge and become better at communicating the Peab image in a clear and uniform manner.

PEAB'S EMPLOYEES.

TO BE THE BEST WORKPLACE IN THE SECTOR IS OUR AIM.

Human resource work is an integral part of management control and development of the group. The motto is simple – by improving staff we improve the company.

Peab's vision is to be the best workplace in the sector. This vision has now evolved into a clearer long-term goal whereby Peab is to be the "Best Company in the Sector by 2009".

THE VALUE BASE.

Peab's shared value base is made up of the core values Down-to-Earth, Developmental, Personal and Reliable. These pervade the entire organisation and all work performed by Peab staff and managers must conform with their interpretation of the purport. During the last two years all managers have undergone a skills development program which has brought the value base to life and embedded it in their work. Subsequently, the managers have been responsible for introducing the core values and ensuring that all employees throughout the various Peab departments live according to them. All newly recruited staff are specially introduced to the value base during the first year of their employment.

STAFF SURVEY.

We carried out "Handslaget", the Peab group's first common staff survey, in the autumn of 2006. The result is a good point of departure for Peab's continued progress towards being the "best Workplace in the Sector". 86 per cent of the 9,100 questioned responded.

We have taken a number of initiatives in the human resource area based on the Handshake Survey and the group's other strategic planning work.

SECURE PERSONNEL CARE.

The challenge Peab is facing in the personnel care area is to meet the forthcoming and now incipient generation change with new well trained and motivated employees. In addition, it is extremely important in a project-oriented environment that staffing within the organisation conforms with the volume growth brought by new projects and activities. Given Peab's continuing eagerness for growth, it is quite natural for resources and skills to be of crucial strategic importance.

In 2006, Peab promoted its brand in the external market in three different campaigns in a way that among other things was highly appreciated in order to attract new employees.

By establishing a method of working involving the drawing up of annual personnel care plans based on market terms at all organisational levels within Peab, annual stocktaking of potential managers and performance appraisal interviews with individual self improvement plans Peab will continue to ensure high levels of personnel care in the future too. Comparisons of the age distribution of employees during recent years show that Peab is now well on the way to achieving a long-term normal distribution of all age categories.

DEVELOPING STRONG LEADERSHIP.

In conjunction with the Handshake survey, all managers received documentation of their employees' assessments of them and their leadership qualities. The assignment for 2006 was to reconnect with the employees and embark upon dialogue as to how to proceed further and improve the company, its leadership and relations between the work groups.

In the run-up to 2007, a job preparatory skills development program was set up which is intended to prepare staff at the various levels of the Peab organisation for the next step in their development within the profession or job or for the next step in their managerial career.

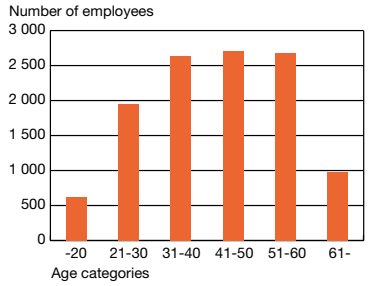
PROMOTING GOOD HEALTH AND SYSTEMATIC WORK ENVIRONMENT WORK.

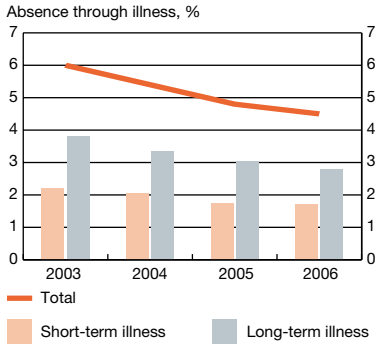
A more tightly connected and coordinated organisational structure has been set up within the work environment area. The assignment for responsible managers is to further improve the level of employee skills and awareness of the importance of safe workplaces and to ensure that all employees and health and safety officers are involved even more closely in preparedness work.

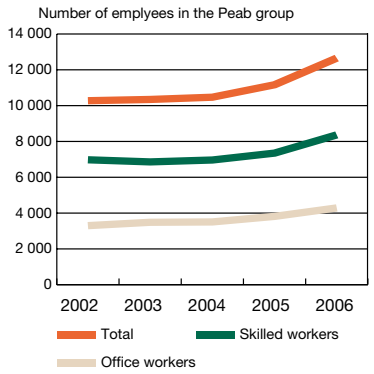
Operational action plans with clearly measurable objectives have been drawn up under the group name of Health and Work Environment Year 2007. Objectives include:

- And entirely new type of learning work environment review consisting of follow-up, analysis and decisions concerning improvement measures.
- Risk assessment and risk reducing action for Peab staff and requirements for sub and adjacent contractors.
- Compliance by all players with applicable order and health and safety rules at our workplaces.
- Qualitative supplier cooperation to ensure that employees have safe and ergonomically correct equipment and to ensure it is handled correctly.
- Preventive measures to reduce repetitive strain injuries.
- Commitment to managerial training in the work environment area.

Peab has a unique preventive healthcare concept to promote good health among its employees - this involves comprehensive action within Peab Leisure whereby employees on their own initiative and with the support of Peab themselves make up activities to boost job satisfaction and solidarity within the company. Individual action plans for promoting good health are drawn up based on frequent analyses







of employee health and lifestyle. In 2006, Peab took an extremely comprehensive approach to the work of getting employees on long sick leaves back into work as quickly as possible. This approach of early rehabilitation will act as the model for future rehabilitation work at Peab.

The health improving, preventive and rehabilitation initiatives together have a positive impact on the health of all employees, which in turn reduces sick leave within the company. The trend towards reductions in sick leave also continued in 2006. Compared with 2005, total sick leave declined from 4.8 per cent to 4.5 per cent. Under Peab's long-term strategy for the healthcare area, looking a few years ahead sick leave will decrease to within the 3.0 – 3.5 per cent range. This strategy includes a long-term zero vision for industrial injuries.

A crisis management organisation was set up at Peab to deal with serious circumstances such as, for example, on-site accidents. The organisation has been structured at three different levels within the group so that "everyone knows what they have to do" and so as

Personnel structure

At the end of 2006 Peab employed as staff of some 12 600 persons, divided as follows:

	Sweden	Norway	Finland	Total
Number of employees	11 247	725	683	12 655
– of which women	697	72	78	847
– of which white collar workers	3 664	349	282	4 295
– of which skilled workers	7 583	376	401	8 360
– of which younger than 30	19%	17%	20%	19%
– of which older than 57	19%	13%	12%	18%
– of which Construction and Civil Engineering	9 420	655	609	10 684
– of which Industry	1 778	70	74	1 922
– of which Central Staff	49			49

to facilitate subsequent assessment of what was done and what could be improved. The crisis management organisation is there to support responsible bosses and staff concerned.

EMPLOYEE INFLUENCE.

Peab believes there are excellent reasons for further strengthening employee influence on the future development of the group and also for strengthening individual employees' influence on their own work situation. In the spirit of Swedish labour law and collective agreements all cooperative work with unions is channelled to a number of different forums at various levels in the Peab organisation. Cooperation between the parties within Peab takes place openly under future-oriented, informal and constructive conditions. To improve quality and decision-making during cooperation in 2006 the forums concerned concentrated on those parts of the organisation where the most important decisions are taken. This review of cooperation will also continue in 2007.

Peab is in various ways continuing to support the work of managers in cultivating dedication and involvement among employees. The main theme is Peab's wish to have co-creative workers. By taking a co-creational approach employees strengthen their influence on their own work situation.

THE PEAB SCHOOL.

Together with UVS Gymnasium AB on 14 August 2006 Peab started a 3-year course of training for craftsmen at Kristianstad/Ängelholm. The course is intended both for pupils who have finished their basic secondary education without obtaining passes in certain core subjects such as Swedish, English or mathematics and who are therefore not qualified to continue on to the national high school program (so-called PRIV pupils taking the construction/civil engineering line) and for pupils who do qualify for the national high school ordinary building and construction line. The practical part of the course takes place at Peab Park (previously F10) in Ängelholm and is based on close collaboration between Peab and the school.

A major part of the courses is practical work experience which mostly takes place on Peab building sites supervised by instructors who work with construction work. The individual is at the centre of focus and each pupil is given an individual training goal, an individual syllabus, an individual action plan and an individual training plan in order to customise training to each pupil's circumstances.

To judge by pupils' attitudes towards the first term at the Peab School, opinions are extremely positive. Together with their parents many pupils have spoken of the Peab School as being the "best in their school lives so far". Peab's unique initiative has also attracted the attention of a number of Swedish local authorities, which wish to make contact with and set up long-term educational collaboration together with Peab.



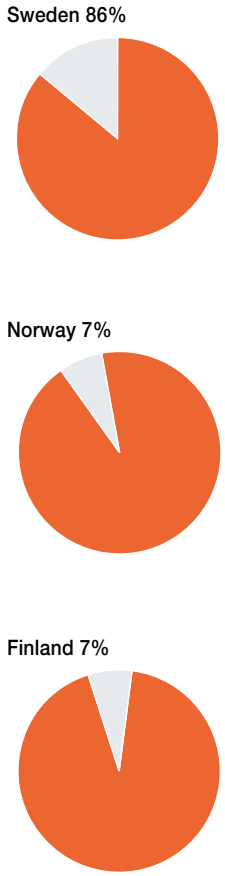
THE BUILDING AND CONSTRUCTION MARKET 2006.

Expectations for the Nordic building and construction market, by Lars Jagrén, chief economist at the Swedish Construction Federation

GOOD MARKET GROWTH.

2006 was one of the best years for Swedish building for a long time. According to preliminary statistics total building investment rose by 10 per cent, the fastest rate of increase in a single year since 1953. The good building investment climate is also reflected by the growth enjoyed by all segments of the construction market – residential housing, public works, industry and commercial premises.

Peab's markets – share in sales



RAPID GROWTH IN THE NORDIC REGION.

There are a number of reasons for the upturn in 2006, the first of which being the rapid growth in the Swedish economy overall. Rapid growth means high profitability, improved public finances and increasing household incomes, all positive factors for the construction market. The second reason was that despite this rapid growth inflationary pressures remained relatively modest. Thus interest rates continue low although we have seen some tightening by the Bank of Sweden over the past year. Thirdly, a number of major civil engineering projects are in progress while high energy prices are providing incentives for comprehensive investment in power and energy plants. A fourth, and extremely important, underlying reason is that there is major pent-up demand especially for housing as a consequence of the low rates of construction over the past decade.

The building and construction market also grew rapidly in our neighbours Norway and Finland in 2006. The growth rate in Norway was 8 per cent, above all as a result of a drastic upturn in building investments by business. The home building market was also strong. Despite the size of the population being half that of Sweden, work started on the same number of apartments in both countries. However, as in Sweden we are now seeing the sector in Norway reaching the peak of its capacity, and consequently more restrained growth is expected in 2007. Last year, Finnish building investment increased by almost 5 per cent. Business investment in building grew particularly strongly, but the housing and infrastructure segments also grew. In Finland too, there were almost 35,000 new apartment starts during the year.

SWEDEN IS STILL LAGGING.

Thus 2006 was an extremely good year for the building and construction market, but it should be remembered that in the international arena Sweden still invests less in building and construction than practically all comparable countries. Sweden invests just over 7 per cent of its GDP in building and construction, compared with 10 per cent for the EU as a whole. Norway and Finland are also considerably higher than Sweden. Functional housing and efficient transport are crucial to the smooth operation of the labour market and business competitiveness. The ever more stringent global competition combined with the EU's expansion benefits a small export-dependent country like Sweden, but it also requires structural reformation and thus investment in new technology, new knowledge, new infrastructure and new homes. In this light, the fact that Sweden has invested considerably less in building and construction than other countries does not bode well.

THE HOUSING MARKET.

The driving force behind the building and construction market in 2006 last year was above all a 14 per cent increase in investment in the residential housing segment. There was rapid growth both in improvements and new building. It is estimated that work started on 36,000 apartments, of which about 13,000 were self-contained homes. Compared with 2005, apartment block building grew particularly rapidly. Thus since 2002, the number of apartments in blocks has almost doubled. The building of self-contained homes grew somewhat more slowly in 2006 mainly as a consequence of a shortage of capacity among self-contained home manufacturers, but also due to a lack of building land in certain metropolitan areas and greater interest rate sensitivity.

During the last quarter, self-contained housing starts benefited from the government's decision to abolish the various investment subsidies for small rented apartments from the end of the year and to phase out interest subsidies more quickly. This resulted in the speeding up of a number of projects planned based on the previous assumptions so that base slabs could be poured in 2006 and the subsidy could thus be paid. These have acquired the name of Odell slabs within the industry. Yet another effect of the new rules is that certain apartment projects are likely to be rescheduled as tenant-owners' rights or large rented apartments. Others are likely to be withdrawn altogether.

However, most indications are that the impact of the discontinuation of subsidies is likely to be quite small (although it will result in statistically fewer building starts in 2007 due to the excess in 2006). Abolishing the interest subsidy will probably result in an increase in costs during the first years, but it has long been known that the subsidy would be removed in the longer term. Therefore, the new set of rules should only have a marginal effect on existing investment estimates. The investment subsidy has a major impact, as it reduces the cost of capital permanently. The cost of the discontinued subsidy will either be borne by the developer and/or the contractor as narrower margins or by tenants as higher rents. The effect on the monthly rents for a 70 square metre apartment will in general be between SEK 300 and 700 depending on where in the country it is. However, we see continuing good demand in the home market. Employment is increasing in time with household incomes. Reductions in certain taxes (property tax, jobbavdraget [job allowance], standard taxation of tenant-owner associations) have a positive effect on demand for housing.

Thus there are good opportunities for implementing many projects without subsidies and at somewhat higher rent levels. One possible exception is the building of student accommodation which is aimed at a segment of society with lower purchasing power. Thus, everything seems to point towards a continued good housing market in 2007. However, growth is likely to be more restrained both as a consequence of adjusting to the new set of rules and also the continued slow rise in interest rates and the extremely high resource consumption in the building and construction sector.

A more restrained rate of growth is also expected in the other part of the housing market, conversions and improvements. This is also partly the result of discontinued investment and interest subsidies.

Building and construction in Sweden

	Investment volume	Percentage change in fixed prices		
Sector	SEKbn 2005	Outcome 2005	Forecast 2006	Forecast 2007
Residential housing	76	14	14	5
Other housing	62	4	10	2
Public works	55	–4	5	5
Total building investment	**193**	**5**	**10**	**4**

Source: Swedish Construction Federation

However, in the tracks of new political majorities restructuring from tenancy rights to tenant-owner rights is expected to pick up. Experience from previous restructurings shows that this usually results in more conversion investments. Therefore, taken as a whole in its latest economic forecast the Swedish Construction Federation estimates that housing investments will increase by 5 per cent in 2007.

OTHER SECTORS.

The outlook in 2007 for other segments continues to look bright although the higher interest rates and high resource consumption are also restraining growth here. Increasing employment and continuing strength in the retail sector are helping support local building projects. However, we have noticed that the ambitions of many companies to increase space efficiency is resulting in a great deal of demand for conversions rather than new starts. This also applies to public building projects, where maintenance needs are great, in particular in schools.

In 2007, civil works are also expected to be driven by public infrastructure initiatives, primarily as road investments, but there are also a large number of railway projects such as Norway/Vänerbanan, the Haparandabanan line and several stages within the so-called goods line through the Bergslagen district. Continuing high energy prices and focus on environmental issues are also leading to continued high investment in the energy and environment sector. Thus overall, we estimate that building and construction investment will rise by 4 per cent next year.

MOST INDICATIONS ARE THAT THE SWEDISH BUILDING MARKET WILL PROSPER IN 2007. WHAT ARE THE THREATS TO THIS PICTURE?

Naturally, overall there is always the risk of global financial unrest either as a result of political instability or due to the major American budget and balance of payments deficits. However, this is not something either Sweden or construction companies can do anything about. A more tangible problem facing the sector is the shortage of resources which is now starting to make itself felt. This can be felt at several links in the construction process from the self-contained housing industry, for certain construction materials (especially concrete elements) to the labour force. There was a gradual decline in unemployment among building workers in 2006, and it is now at its lowest level in 15 years. In certain regions such as Kronoberg there is no unemployment at all. Nevertheless, despite this, the company is experiencing the worst shortages not among the work force but among site managers and certain white collar engineers, one explanation being the increase in international competition with several foreign companies with their own work forces active in Sweden and another the increased use of manpower agencies. The increasing shortage of resources threatens projects with postponements and cost increases.

A third threat which is often discussed in the media is the risk of drastic declines in prices and bubbles in the property market. Although, of course, there are differences between the various regions, and even

more so between individual persons and companies, we note that neither the degree of household lending nor the ratio of interest payments to income are particularly high viewed in the historical perspective, and therefore there is little risk of a new property bubble. On the other hand, increasing interest rates will probably result in restraints on price increases in the housing market and even perhaps small decreases.

The rapid restructuring of the building and construction market and within the company which we have experienced in recent years will also continue in 2007. Increased overseas competition, more mass production in building and new construction processes, improved logistics and new purchasing channels are important aspects of this. Progress towards a new, modern and more efficient building and construction sector is still rapid.

COMPETITION.

Peab is one of the three largest building and construction companies in the Nordic countries with total sales in excess of SEK 30 billion. Sales within the Swedish construction and civil engineering market amounted to some SEK 26 billion. Our main competitors in the Swedish market are Skanska, NCC, JM and Vägverket Produktion.

The trend is towards ever larger numbers and greater transfrontier tenders, which is increasing competition from major European building and construction companies too. In local and regional markets, in general competition comes from a large number of small and medium-sized construction companies. Continued consolidation is evident in the sector with larger companies buying up smaller ones. Peab is one of the players acquiring companies which fit in with Peab's structure to strengthen our local presence at selected locations.

Skanska, NCC and Peab work in approximately the same way throughout Sweden on all types of construction and civil engineering works. JM mainly competes in the development of housing projects in large towns and cities and Vägverket Produktion competes for infrastructure projects.

For many years the construction industry has suffered from narrow margins, intense pressure on prices and intense competition. The relatively low entry barriers to the sector have resulted in a large proportion of craftsmen's work and building being traditionally financed by payment in advance or on account. The intense competition means that construction companies are sometimes forced into projects where the risks are all too high.

The excellent building market climate in recent years has resulted in a new approach to profitability. Peab, like most of its competitors, has decided not to submit tenders for projects where the risk is excessive or difficult to assess. It goes without saying when demand for construction services is high, contractors' options are wider. The major construction companies have a variety of processes for reducing end costs while retaining high quality. For these measures to succeed, e.g. coordinated purchasing from new supplier countries, a certain volume and size is required. This may result in the largest companies starting to exploit the economies of scale as has been the case in other sectors of the business world.

Peab takes a positive view of the opportunities for increasing margins in the construction business over the forthcoming years. The changed political situation in Sweden will probably engender a new view of how building should be managed with discontinued or reduced subsidies. As will our competitors, we will further develop collaborative methods such as Trust-based contracts and Partnering, as our processes for purchasing and prefabricated construction.

Peab's market shares in Finland and Norway are relatively low and in 2006 sales amounted to approximately SEK 2 billion in each country. We are not active in the whole of these countries but concentrate our activities in the region of the major cities and predominantly on housing production. As in Sweden, our major rivals in both countries are Skanska and NCC. In Finland we also compete with Lemminkäinen and YIT, which are both larger than Peab Seicon, and in Norway, Veidekke and the AF group are larger than Peab AS.



DIRECTORS' REPORT.

Peab AB (publ) Swedish Corporate ID Number: 556061-4330
The board of directors of Peab AB (publ) hereby submit the following annual report and consolidated accounts for the 2006 financial year.

THE BUSINESS.

Peab is one of Scandinavia's leading companies in the field of construction and civil engineering. The group primarily operates in Sweden, but also in Norway and Finland. Peab covers the whole of Sweden, while in Norway operations are restricted to the Oslo region and in Finland to the Helsinki region and also Södra Österbotten. Moreover, and mainly in Sweden, operations also include supplementary construction-related industrial companies within concrete production and prefabrication, rock/gravel, transport, the manufacture and laying of asphalt, temporary electricity supplies and plant and crane hire.

TURNOVER.

In 2006, the Group's net sales amounted to SEK 30,321 million (25,501). Of annual turnover SEK 4,278 million (3,763) corresponded to sales and production carried out outside Sweden, of which Norwegian production amounted to SEK 2,260 million (1,841) and Finnish to SEK 1,964 million (1,828). Adjusted for acquired and divested units the increase in net sales amounted to 15 per cent.

PROFIT AND FINANCIAL POSITION.

2006 operating profits amounted to SEK 1,251 million, compared to SEK 747 million the previous year. Operating profits included a loss of SEK 75 million for a company acquired during the year. Peab has submitted a claim to the seller for this amount. The reduction in the AMF pension premium in 2006 resulted in a SEK 90 million reduction in costs for Peab's Swedish business, and this had a positive effect on operating profit. Shares in the profits of joint ventures are booked in accordance with the equity method. The year's share of profits in joint ventures amounted to SEK -9 million (23).

Profit after financial items amounted to SEK 1,411 million compared to SEK 824 million the previous year. Net financials amounted to SEK 160 million (77), of which net interest amounted to SEK -59 million (-64). Holdings of convertible promissory notes in Brinova Fastigheter AB were converted to shares on 28 June 2006. The overall impact on profit of valuing the Brinova holding at fair value amounted to SEK 224 million in 2006, and this was recognised in net financials. The share holding is entered at the market price on balance sheet day. Last year, the total impact on profit of the valuation of convertible certificates of claim in Brinova was SEK 151 million (see note 9 and 15).

Tax for the year amounted to SEK -363 million (31), which is equivalent to a tax rate of 26 per cent and principally consists of deferred tax costs stemming from the exercising of tax loss carryforwards which had previously been reported as deferred tax claims. Among other things, 2005 tax included deferred tax income referring to the SEK 211 million revaluation of deferred tax receivables.

The equity/assets ratio was 19.9 per cent, compared with 24.4 per cent the previous year. In 2006, the company bought back own shares for SEK 822 million, which reduced equity and thus also reduced the equity/assets ratio. Net debt amounted to SEK 1,534 million, compared with SEK 2,110 million the previous year. The average interest rate on the loan portfolio amounted to 3.9 per cent (3.2).

At the end of the year, the group's liquid funds including non-exercised credit lines amounted to SEK 4,608 million compared with SEK 4,101 million as at 31 December 2005. Liquid funds include commercial papers issued to a value of SEK 649 million compared with SEK 494 million on 31 December 2005.

At the end of the year, the group's contingent liabilities amounted to SEK 2,051 million compared to SEK 1,206 million as at 31 December 2005. This amount

Distibution of sales Construction and Civil Engineering

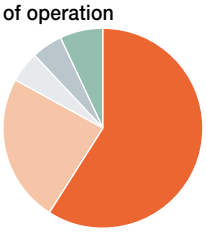
Net sales per product type

Housing	39%
Roads and Civil Engineering	22%
Other non-residential building	39%

Net sales per type of customer

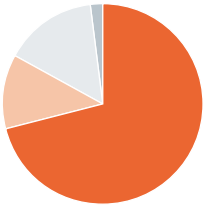
Public	33%
Private	51%
Other	16%

Net sales according to type of operation



New building	59%
Conversion	24%
Building services	5%
Operation and maintenance	5%
Other	7%

Proportion of Group net sales



Construction and Civil Engineering, Sweden	71%
Construction and Civil Engineering, Abroad	12%
Industry, Swerock/Asphalt	15%
Industry, Plant/Crane	2%

includes the SEK 167 million charge that the Swedish Competition Authority is demanding that Peab pay in the current asphalt cartel case. Of other contingent liabilities SEK 1,107 million relates to obligations to tenant-owners' cooperatives under construction compared with SEK 478 million at the end of 2005. For further information see note 35.

CASH FLOW.

Cash flow from current operations before changes in working capital amounted to SEK 1,716 million (1,290). Cash flow from changes in working capital amounted to SEK 1,473 million (-21). The improvement may above all be attributed to high invoicing compared with completion and the improved profitability of current operations. The change in working capital includes the acquisition of project and development property to the value of SEK 143 million (divestment of SEK 86 million).

Cash flow from investment operations amounted to SEK -727 million (-731). Cash flow before financing for the year amounted to SEK 2,462 million (538).

INVESTMENTS.

Net investment in tangible and intangible fixed assets amounted to SEK 1,251 million (594) during the year. During the period SEK 246 million (185) net was invested in project and development properties.

CONSTRUCTION AND CIVIL ENGINEERING.

The Construction and Civil Engineering business sector comprises the group's resources concerning construction and civil engineering related services. The construction business is local in nature, and is much affected by changing circumstances in the various geographical areas. Peab covers the whole of Sweden, while in Norway and Finland its activities are centred in the metropolitan areas.

Net sales in 2006 for the Construction and Civil Engineering area amounted to SEK 26,678 million, compared to SEK 22,430 million the previous year, equivalent to a rise of 19 per cent. Most of the rise may be attributed to the Swedish business and approximately SEK 900 million may be attributed to production by acquired companies during the year.

Operating profit for the year amounted to SEK 859 million, compared to SEK 498 million the previous year.

Capital employed in Construction and Civil Engineering amounted to SEK 5,565 million (4,705). Return on capital employed in 2006 was 18.1 per cent, compared to 13.0 per cent in 2005.

SWEDEN

The 2006 financial year was an extremely good one for Construction and Civil Engineering Sweden. Volume increased by SEK 4 billion and operating profit by SEK 279 million to SEK 865 million. In 2006, the operating margin for the Swedish construction and civil engineering business was 3.8 per cent compared to 3.1 per cent in 2005. Both construction and civil engineering business in Sweden enjoyed increased volumes and widening margins.

Operating profits for the Swedish business included a loss of SEK 75 million for losses sustained by a company acquired during the year. Peab has submitted a claim to the seller for this amount. The reduction in the AMF pension premium in 2006 resulted in a SEK 75 million reduction in costs, and this had a positive effect on operating profit.

There was continued successful housing construction and this is Construction and Civil Engineering Sweden's largest product type. We continued to take strategic initiatives on the civil engineering side in local markets, in infrastructure projects and in operations and maintenance, all of which contributed to increased growth with improved profitability within all areas. The market was extremely favourable and centred around the city regions and major infrastructure investments such as the Botniabanan railway line, the E4 and the E6.

Net sales and operating profit per business area

	Net sales			Operating profit			Operating margin, per cent		
MSEK	**2006**	2005	2004	**2006**	2005	2004	**2006**	2005	2004
Construction and Civil Engineering									
Sweden	22 922	18 920	16 494	865	586	412	3.8	3.1	2.5
Abroad	3 756	3 510	2 775	–6	–88	12	–0.2	–2.5	0.4
Total	**26 678**	**22 430**	**19 269**	**859**	**498**	**424**	**3.2**	**2.2**	**2.2**
Industry									
Swerock/Asphalt	4 727	3 870	3 550	320	247	185	6.8	6.4	5.2
Machinery/Crane	787	650	580	207	133	123	26.3	20.5	21.2
Total	**5 514**	**4 520**	**4 130**	**527**	**380**	**308**	**9.6**	**8.4**	**7.5**
Trust/Management	**154**	**95**	**64**	**–135**	**–131**	**–155**			
Elimination	–2 025	–1 544	–1 424						
Group total	**30 321**	**25 501**	**22 039**	**1 251**	**747**	**577**	**4.1**	**2.9**	**2.6**



Of the many projects in the year we could mention the new construction of a clinical research centre for Malmö university hospital, the concentrator plant for LKAB, Partille shopping centre for Sten & Ström, new construction at Sahlgrenska Hospital, Blekholmen 3, conversion and new construction of offices for Jernhusen, the congress and concert hall for the Municipality of Uppsala. Housing for Brf Hamnkranen and Sjöstaden 3 in Hammarby Sjöstad, the police headquarters in Helsingborg, new construction of tenant owner housing in Västra hamnen in Malmö, the newly constructed motorway on part of the E4 in south and in the middle of Sweden and the bridge over the Ångerman river for Botniabanan AB.

NORWAY

The Norwegian building and construction market remained favourable in 2006. There was good growth in the business of homes built with Peab as developer. Operating profit in Peab in Norway improved last year.

The most important projects were in the public sector and included hospitals, schools and public transport as customers.

Order backlogs are good. Given the volume of business in the market, the availability of human resources is a critical factor.

FINLAND

Volumes in the Finnish construction business in 2006 remained at the same level as the previous two years. The Finnish business reported improved operating profit compared with previous years.

Among the important projects carried out during the year are the ICT building in Turku Science Park and the Kaari building which was occupied by the Finnish National Food Administration during the year.

Construction and Civil Engineering, Sweden

Key figures	2006	2005	2004
Sales, MSEK	22 922	18 920	16 494
Operating profit, MSEK	865	586	412
Operating margin, %	3.8	3.1	2.5
Number of employees	9 420	8 350	7 624

Construction and Civil Engineering, Abroad

Key figures	2006	2005	2004
Sales, MSEK	3 756	3 510	2 775
Operating profit, MSEK	–6	–88	12
Operating margin, %	–0.2	–2.5	0.4
Number of employees	1 264	1 040	1 119

ORDER BACKLOG AND ORDERS RECEIVED, CONSTRUCTION AND CIVIL ENGINEERING

Orders received by Construction and Civil Engineering during 2006 amounted to SEK 28,711 million (24,227), which is an increase of 19 per cent. The order backlog at the end of the year amounted to SEK 20,642 million, compared to SEK 17,722 million the previous year. This represents an increase of 16 per cent. Of the total order backlog, 21 per cent (24) is expected to be produced after 2007. Construction projects accounted for 77 per cent (76) of the order backlog. Swedish operations accounted for 82 per cent (83) of the backlog.

Construction and Civil Engineering
Order backlog and orders received

MSEK	2006	2005	2004
Coming financial year	16 314	13 413	11 757
Next financial year	3 486	3 534	3 210
Thereafter	842	775	932
Total order backlog	**20 642**	**17 722**	**15 899**
Orders received	**28 711**	**24 227**	**21 559**

PROJECT DEVELOPMENT

Within its contracting operations, Peab also engages in internally developed construction of housing, comprising homes and self-contained homes sold directly to the end customer. At the end of the year, 4,193 (2,771) internally developed homes were under construction, 75 per cent (69) of which were sold. As at 31 December, the total holding of project and development properties in Construction and Civil Engineering amounted to SEK 2,030 million (1,784).

Internally developed housing construction

	2006	2005	2004
Number of housing starts during the period	2 518	2 230	1 122
Number of homes sold during the period	2 300	1 907	1 274
Total number of homes under construction	4 193	2 771	1 731
Share of sold homes under construction	75%	69%	71%
Number of repurchased tenant owner rights/ shares in Finnish housing companies in own balance sheet	38	16	59

INDUSTRY.

The Industry business segment comprises Swerock, Skandinaviska Byggelement, S:t Eriks, Peab Asfalt and Lambertsson, which are all construction-related companies with their own strong brands. From the standpoint of organisation these companies are coordinated with the civil engineering activities.

Industry companies grew well in 2006 and all units within Industry reported increased volumes and good profitability. Net 2006 sales amounted to SEK 5,514 million (4,520), which is an increase of 22 per cent. Operating profit amounted to SEK 527 million (380). The reduction in the AMF pension premium in 2006 resulted in a SEK 15 million reduction in costs, and this had a positive effect on operating profit.

Capital employed in the Industry business sector amounted to SEK 2,810 million (2,060). Return on capital employed in 2006 was 21.8 per cent, compared to 19.0 per cent in 2005.

Industry

Key figures	2006	2005	2004
Sales, MSEK	5 514	4 520	4 130
Operating profit, MSEK	527	380	308
Operating margin, %	9.6	8.4	7.5
Number of employees	1 922	1 739	1 689

SWEROCK

Swerock is Peab's ready-mixed concrete and rock company and supplier of transport and machinery services. Swerock with total solutions for the construction and civil engineering industry is, with its three nationwide regional offices, one of Sweden's leading suppliers of ready-mixed concrete and gravel and rock. It mainly sells in Sweden. Swerock has three business segments:

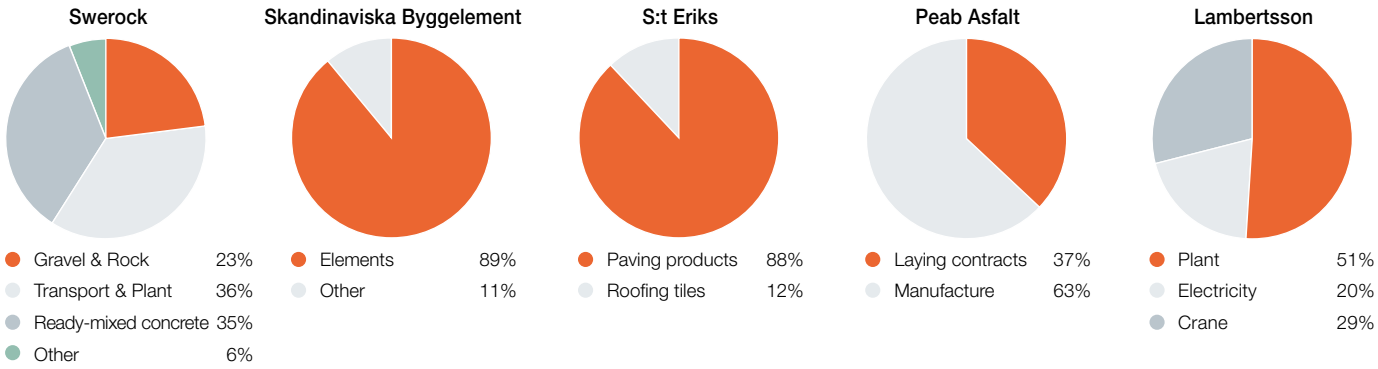
READY-MIXED CONCRETE

Swerock has just over 40 concrete factories and is one of Sweden's leading suppliers of ready-mixed concrete. Swerock develops concretes customised to our customers' construction requirements and special wishes.

GRAVEL AND ROCK

Swerock operates just over 100 active rock quarries and gravel pits distributed throughout Sweden. The high supply capacity provided by such a large number of quarries enhances competitiveness and guarantees close contact with the customer, for example in the case of major infrastructure projects. Swerock works actively on the opening of new quarries, especially within the regions around major towns and cities.

Net sales per operation



TRANSPORT & MACHINERY

In southern Sweden under the Cliffton trademark the company supplies all transport service and plant hire needs. In this business area, you will find the Group's overall transport and plant machinery resources and expertise.

BUSINESS IN 2006

In 2006, Swerock continued to make positive progress with good growth and increased margins. A number of capacity boosting investments were made during the year and new concrete factories have been set up in Helsingborg, Malmö and Örebro. The opening of a rock quarry outside Lund has increased the resources for the Skåne market.

SKANDINAVISKA BYGGELEMENT

Skandinaviska Byggelement, a total supplier of concrete building frames, focusing on apartment blocks from concept to finished delivery. This includes everything from individual products, such as walls and flat concrete base courses to customised solutions for housing production.

BUILDING ELEMENT FACTORY IN KATRINEHOLM

In 2003, Skandinaviska Byggelement completed the construction of a plant for the manufacture of shell walls, solid concrete walls and flat decks in Katrineholm. The plant is the most modern of its kind in Europe. The investment is an important cornerstone in the development of mass produced building. Experience and expertise are linked together and result in an end product for which Peab can provide long-term guarantees both as regards quality and functionality.

BUSINESS IN 2006

The Katrineholm plant has seen its efficiency and volumes increase steadily since it was set up in 2003. In 2006, the factory reached full capacity and the quality of its products have constantly been improving. As a result, profits have also improved.

S:T ERIKS

S:t Eriks is Sweden's market leading supplier of ground paving and slabs and works towards the establishment of a holistic concept for outdoor environments and also on product development. S:t Eriks also engages in the manufacture and sale of concrete roof tiling. The company has a large number of supply agreements with chains of builders' suppliers. Within this company too there is comprehensive internal collaboration with Peab's civil engineering resources, working constantly towards developing enhanced products and production methods.

BUSINESS IN 2006

In 2006, S:t Eriks increased both its sales and profit compared with previous years and in future, demand is expected to continue increasing. There is a strong trend towards focusing on an attractive outdoor environment.

PEAB ASFALT

Peab Asfalt is one of Sweden's largest company dedicated to the production and laying of hot, warm and cold asphalt. The business is run in six regions with regional offices in Malmö, Gothenburg, Västerås, Stockholm, Sundsvall and Boden. Peab Asfalt consists of 13 stationary asphalt plants, 3 semi-mobile asphalt plants for the



manufacture of hot asphalt and 6 mobile plants for the manufacture of cold and warm asphalt. Through acquisitions and organic growth Peab Asfalt has become an important player in the Swedish asphalt market.

The company engages in constant product development activities both with regard to the laying and the composition of the surfacing material. In its efforts to minimise wastage of resources Peab Asfalt is committed to asphalt machinery for thin layer asphalting and heat recovery on roads (Swemix and Remixing).

BUSINESS IN 2006

In 2006, Peab Asfalt reported increased volumes and improved profit. Strategic acquisitions and investments increased market shares during the year.

LAMBERTSSON

Lambertsson is a complete supplier of construction site plant and equipment, providing everything from sheds, scaffolding and cranes to machinery and electrical equipment for both small and large projects. The business is organised into three divisions.

PLANT AND MACHINERY

Plant and machinery activities are run from 13 depots in Sweden and involve the hire of such items as work sheds, scaffolding, building and civil engineering machinery and accessories, and the sale of materials for these activities. Norwegian and Finnish plant and machinery activities are coordinated with activities in Sweden.

ELECTRICITY

On the electricity side Lambertsson carries out work on temporary electricity installations at building and civil engineering sites. The hire of electrical equipment and materials and generators is also part of the business. Expertise within the area of temporary electricity installations is a strategically important resource for the company, where its knowhow is applied to such work as the establishment of asphalt plants and crushed stone plants. Electricity activities are run from 16 depots in Sweden.

CRANES

With more than 300 cranes and lifts in operation, Lambertsson's crane company is one of northern Europe's leading crane companies. The company is dedicated to the hiring and sale of building cranes, building lifts and mobile cranes. In Sweden the business is run from Stockholm, Gothenburg, Malmö and Skellefteå and has nationwide geographical coverage.

BUSINESS IN 2006

For a number of years, Lambertsson has been making expansive investments and these together with continued high capacity utilisation are contributing to increased turnover and improved margins.

PEAB INDUSTRY FINLAND

The Peab Industry Finland business was set up in the latter half of 2005 through the acquisitions of companies manufacturing and selling ready-mixed concrete. This part of Peab Industry Finland operates in western and southern Finland and Österbotten. Furthermore business concern crane and machine hire, hoist services and sales of cranes.

BUSINESS IN 2006

For Peab Industry Finland, 2006 may be summarised as a year of growth and improved profits.

TRUST/MANAGEMENT.

Central companies, certain subsidiaries, joint ventures and other holdings are recognised under the trust/management business area. Central companies above all consist of the parent company Peab AB and Peab Finans AB. Peab AB which is responsible for group manage-

ment and joint group functions. The internal bank Peab Finans AB manages the group's liquidity and debt and financial risk exposure. The company also provides services for subsidiaries and draws up solutions for internal loans and investments, project-related financing and currency hedging.

2006 operating profit amounted to SEK -135 million (-131), including total joint group costs of SEK -130 million (-135).

Trust/management

Key figues	2006	2005	2004
Sales, MSEK	154	95	64
Operating profit, MSEK	–135	–131	–155

RISK MANAGEMENT.

Peab's business is exposed both to operational and financial risks. Operational risks are as a rule greater than financial ones for construction companies. Dealing with operational risks are constant having in the mind the large number of projects the company has in progress, whether starting up, in implementation or under completion. Financial risks are associated with capital tied up in the company and its capital requirements.

OPERATIONAL RISKS

Peab business is largely project related. Operational risks affect day-to-day business and might for example be associated with tender procedures, percentage of completion revenue recognition and price risks.

TENDERS

Structured risk assessment is crucial in the construction business to ensure that risks are identified and priced in any tenders submitted. Tender policy is based on the right resources being available for the project.

PERCENTAGE OF COMPLETION

Peab applies percentage of completion revenue recognition. The application of the percentage of completion method is prerequisite on it being possible to calculate the prognosis of the outcome in a reliable manner. Well developed monitoring and forecast processes for each project and the relative system support are crucial to limiting risks of incorrect percentage of completion revenue recognition.

PRICE RISKS

For Peab price risks refer to such aspects as unforeseen material and subcontractor cost increases or employee wage increases. Risks vary according to the type of contract. Projects where Peab's work is paid on a current basis with a set increment involve customers paying compensation for price increases. Fixed price contracts also involve the risk of incorrect tender calculations, risks that price rises will eat into profits without options for compensation by the customer. One way of limiting price risks is enhancing the efficiency of the construction process and purchasing procedures, endeavouring to procure materials and subcontractors at the tender stage or as early as possible.

FINANCIAL RISKS

The group is also exposed to financial risks, such as changes in debt and interest rate levels. For more information on financial risks, see Note 32.

MAJOR DISPUTES

The main negotiations in the ongoing lawsuit concerning asphalt cartels started in September 2006 and ended in February 2007. The judgement of the court of first instance is expected on 31 May 2007. The Swedish Competition Authority is demanding Peab pay competition damage charges of SEK 167 million. This claim has been recognised as a contingent liability.

SENSITIVITY AND RISK ANALYSIS

Peab's operational business is sensitive to changes in such elements as volumes and margins. The sensitivity analysis below describes how profit after financial items is affected by changes in some of the important group variables.

Sensitivity analysis

MSEK	Calculation basis	Change	Profit effect (before tax)
Constr. and civ. eng.			
Volume (op. marg. constant)	26 700	+/– 10%	+/– 85
Operating margin (volume constant)	3.20%	+/– 1%	+/– 267
Materials and subcontractors	22 700	+/– 1%	–/+ 194
Industry			
Volume (op. marg. constant)	5 500	+/– 10%	+/– 53
Operating margin (volume constant)	9.60%	+/– 1%	+/– 55
Finance			
Net debt (int. rate constant)	1 500	+/– 10%	–/+ 6
Ave. eff. int. rate [1] (net debt constant)	3.90%	+/– 1%	–/+ 10

1) Calculation based on assumption that approx. SEK 1 000 million of net debt has a fixed interest period of less than 1 year and is thus relatively immediately affected by a change in market rates.

DISTRIBUTION OF PEAB INDUSTRI.

At the Annual General Meeting in 2007, the board of directors of Peab will seek a resolution to distribute the shares in Peab Industri AB, which mainly comprises the group's Industry business area.

It is intended that the shares in Peab Industri AB, divided between A-shares and B-shares respectively, should be distributed in accordance with the so-called "lex Asea". It is intended to list the B-share on the Stockholmsbörsen.

We have assessed that the distribution of Peab Industri AB will create the right preconditions for and make possible further specialisation, development, growth and profitability for the industrial companies and give Peab shareholders opportunities for sharing in future value creation.

As at 31 December 2006, the consolidated value of the net assets which it is proposed to distribute with regard to Peab Industri AB amounted to SEK 600 million (before distribution costs), equivalent to SEK 7.50 per outstanding share. To this must be added earned profits up until distribution.

REVIEW OF REPORTING STRUCTURE AND FINANCIAL OBJECTIVES.

As a result of the proposed distribution of shares in Peab Industri AB, in future Peab's activities will consist of construction and civil engineering operations. As result financial objectives and the external reporting structure will be reviewed.

OTHER IMPORTANT EVENTS DURING THE FINANCIAL YEAR.

Peab has prolonged bilateral loan agreements totalling SEK 3,000 million with seven banks. The extension means that loan agreements signed in September 2004 which were originally to expire in September 2009 will now fall due for payment in February 2013. The loans are not subject to amortization and otherwise terms are unchanged.

Mats Johansson, 56, and Jesper Göransson, 35, have been appointed deputy managing directors of Peab AB. Mats has many years' experience in human resource and organisational matters as an independent consultant and was appointed Peab HR manager in 2006. Jesper, who has now been appointed Treasury Director, started to work for the company in 1995 and since 1998 has worked as Treasury Manager.

In accordance with the terms of the convertible promissory notes 2003/2008, Peab has converted to B-shares in Brinova Fastigheter AB. The conversion of all convertible promissory notes 2003/2008, for nominal SEK 253 million, was made at SEK 51.30 per share. Following conversion Peab holds 4,931,773 B-shares, equivalent to

21.82 per cent of the capital and 14.35 per cent of the votes in Brinova Fastigheter AB.

PEAB STAFF.

Resources and skills are crucial, strategic issues. Peab faces a challenge within the human resource supply area to deal with the forthcoming generational change. In addition, it is extremely important in a project-oriented environment that staffing within the organisation conforms with the volume growth new projects and activities bring with them. Resources and skills are crucial, strategic issues.

In 2006, the company made a strategic commitment intended to train, develop and attract motivated employees. On 14 August 2006, the Peab School opened, a three-year craftsman training course.

Peab's vision of being the Best Company in Sector has now evolved into a clearer long-term goal whereby Peab is to be the "Best Company on the Sector by 2009".

Peab will continue in future to ensure human resource supplies through an established way of working involving the drawing up of annual human resource supply plans based on conditions in the market at all organisational levels within Peab.

Operational action plans with clearly measurable objectives have been drawn up under the group name of Health and Work Environment Year 2007.

THE ENVIRONMENT AND ENVIRONMENTAL IMPACT.

We wish what we build to create added value for our customers, suppliers and ourselves, and to contribute to the sustainable development of society. As a major player in the construction and civil engineering sector we have an important role to play in creating the society of the future, a society that must be sustainable.

A PART OF OUR WAY OF WORKING

Our work towards sustainable development in society has been founded on the integration of environmental issues into our way of working. Our company policy incorporates the environment, sustainable development, quality, work environment and human resource issues. We have also developed a business management system (BMS) where we have integrated environmental issues in our processes. The business management system is based on the requirements in ISO 14001.

IDENTIFICATION OF HAZARDOUS SUBSTANCES

The identification and removal of hazardous chemical substances from building materials is one of the priorities of our environmental work and consequently Peab plays an active part in the BASTA project. BASTA is a coordinated project in the construction industry which receives support from the EU life fund. BASTA focuses on environmental and harmful properties and is intended to phase out the most hazardous substances. BASTA's requirements are in line with the requirements of the Swedish Chemicals Inspectorate, national environmental targets and European legislation.

Together with a number of property owners Peab also participates in the development of Milab, which is an environmental assessment system for building materials. Environmental assessments are based on criteria with regard to the environmental impact of specific materials during their entire life cycle. Milab provides us access to user-friendly tools and aids useful in the choice of good building materials from the environmental standpoint. Through our participation in the development of Milab we also contribute to creating a common approach to environmental requirements and assessment of building materials within the industry.

PREVENTIVE WORK

Skills development and environmental support are important parts of our internal environmental work. The crucial factor in deciding whether we are successful or not in our environmental work is what happens everyday out in our projects, and therefore Peab works constantly on skills development. Yet another important aspect is risk elimination. We analyse and document risks involved in our projects and take preventive measures to minimise risks. Before submitting an offer we analyse the environmental aspects of each project in order to ensure that environmental requirements are being complied with and identify factors that are important from the environmental standpoint.

ENVIRONMENTAL IMPACT

Activities subject to licence and notification are carried out in the Swedish sub-groups Swerock, Skandinaviska Byggelement and Peab Asfalt.

The activities which must be licensed comprise rock and gravel pits, transport of waste and hazardous waste, and asphalt works. These activities mainly affect the environment through the extraction of a finite land resource, they affect future land utilisation, and affect discharge into the atmosphere, water, waste and sewage. The licensable activities correspond to about 23 per cent of Swerock's turnover, and about half of the volume handled by Peab Asfalt. Swerock engages in constant renewal and extension of licences.

Notification obligations apply to Swerock's concrete factories and Skandinaviska Byggelement's concrete goods factories. Notifiable activities account for 35 per cent of Swerock's turnover and the whole of Skandinaviska Byggelement's turnover.

RESEARCH AND DEVELOPMENT.

Peab carries out constant development work aimed at enabling us to offer our customers improved products and services, while at the same time boosting the competitiveness of the Peab Group. Peab has no separate research and development organization; instead this work is integrated into ongoing production. Among development projects in continuous progress we might mention:

- Development of industrialised construction through PGS (Peab Gemensamt System or the Peab Joint System). PGS develops and supplies a complete construction system for apartment blocks comprising product development, manufacture, delivery

and assembly. It is Peab's goal to be at the forefront when it comes to developing new concepts, methods and knowledge concerning mass-produced building. Together with Skandinaviska Byggelement, which is one of the companies forming Peab Industri AB and which manufactures high quality elements for the construction process, Peab will continue to supply cost effective and high quality building structures.

- The SwePave concept, which is aimed at optimising the construction of a road in each individual case with options for checking that the desired results are obtained directly in the field. The concept is characterised by the road construction materials being used optimally and the stabilisation of soil using lime, cement, merit or other stabilising agents.

BRANCHES ABROAD.

Peab Industri Finland AB manufactures and sells ready-mixed concrete and engages in machinery and crane hire, crane sales and the hiring of temporary electricity supplies in Finland.

HOLDINGS OF OWN SHARES.

At the start of 2006, Peab's holding of own shares amounted to 2,093,200 B-shares, corresponding to 2.4 per cent of the total number of shares. On 17 May 2006, the Peab Annual General Meeting resolved to authorise the board of directors to buy back a maximum of 8,700,000 shares in Peab AB up until the next Annual General Meeting. In May 2006, based on this authorisation Peab's board of directors decided to buyback an additional maximum of 1,000,000 B-shares. In December 2006, the board of directors decided to buy back an additional maximum 5,750,000 B-shares. During the January to December period, 5,364,400 B-shares to a value of SEK 822 million, corresponding to 6.2 per cent of share capital, were bought back. During the same period, 142,600 B-shares to a value of SEK 20 million, corresponding to 0.2 per cent of share capital, were divested as part payment for company acquisitions. On 31 December 2006 the group held 7,315,000 own B-shares to a par value of SEK 10 per share, corresponding to share capital of SEK 73.1 million, which makes up 8.4 per cent of the total share capital.

CONVERTIBLE PERSONNEL DEBENTURES.

The Peab Annual General Meeting on 12 May 2005 resolved to offer convertible debentures to all employees. A total of 5.5 million convertible debentures were issued for a sum of SEK 478.5 million corresponding to market value. The convertible debentures run from 16 June 2005 to 15 June 2008 with options during certain conversion windows to subscribe to a B-share for SEK 87 for each debenture.

The board of directors intends to ask the 2007 Annual General Meeting to resolve that Peab's convertible debentures should be adjusted as follows:

- An extra conversion window should be opened between 18 June and 2 July 2007
- The final date for distribution rights should be later
- The first ordinary conversion period of 1 – 15 October 2007 should be deferred until 26 November – 12 December 2007.

The intention of the proposed adjustments is to give those employees who subscribed to convertible debentures in 2005 the option of participating in the distribution of Peab Industri. According to the Swedish Securities Council, the proposed changes accord with good stock market practice.

In order to retain an unchanged number of registered shares, after a possible conversion, in 2006 Peab bought back the required number of shares.

REMUNERATION FOR LEADING OFFICIALS.

For information on the guidelines decided for determining salaries and other remuneration for the managing director and other persons in the company management and the board of directors' proposed guidelines which are to apply until the next AGM refer to note 27.

EXPECTED FUTURE DEVELOPMENT.

We believe that there are still excellent conditions for increased building investment in the Nordic construction market. In Sweden, building investments grew preliminary by more than 10 per cent in 2006. The rate of growth will be restrained in forthcoming years by a lack of qualified labour and also by increased construction material delivery times.

Demand with the home market which is important for Peab is expected to remain good. Thus far, increasing interest rates have not discouraged home buyers. Increased employment and higher disposable incomes also leads to encourage demand.

Road works and civil engineering investments are expected to increase as the need for road and railway investment grows.

CORPORATE GOVERNANCE.

For a detailed description of the work of the board and corporate governance see page 77, Corporate governance report.

THE PARENT COMPANY.

The activities of the parent company consist of group management and common group responsibilities.

PROPOSED ALLOCATION OF PROFITS.

The following profits are at the disposal of the AGM:

Retained earnings		1 781 960 364
Profit for the year		563 895 395
	SEK	2 345 855 759

The board of directors proposes that profits be allocated as follows:

Dividends distributed to shareholders		
87 195 944 shares at SEK 3.50 per share		305 185 804
all the shares in Peab Industri AB[1] proportional to the shareholder's holdings in Peab AB, to a total book value of		600 000 000
Carried forward		1 440 669 955
	SEK	2 345 855 759

1) Distribution is briefly described on page 4 of the annual report and in more detail in a separate information brochure to be published prior to the Peab AGM

INCOME STATEMENT FOR THE GROUP

MSEK	Note	2006	2005
Net sales	2, 3	30 321	25 501
Production expenses		–27 444	–23 402
Gross profit		**2 877**	**2 099**
Selling and administrative expenses		–1 628	–1 378
Participation in profit of joint ventures	13	–9	23
Result from participations in joint ventures sold		11	–
Result from participations in Group companies sold		0	3
Operating profit	3, 5, 6, 7, 8, 33	**1 251**	**747**
Financial incomes		276	202
Financial expenses		–116	–125
Net finance	9	**160**	**77**
Profit before tax		**1 411**	**824**
Tax	10	–363	31
Profit for the year		**1 048**	**855**
Attributable to:			
Shareholders in Parent company		1 047	856
Minority interest		1	–1
		1 048	**855**
Profit per share	25		
before dilution, SEK		12,37	10,06
after dilution, SEK		11,79	9,84

MSEK	Note	2006	2005
Assets	4, 34		
Intangible fixed assets	11	659	390
Tangible fixed assets	12	2 595	2 048
Participations in joint ventures	13	256	248
Other securities held as fixed assets	15	717	224
Interest-bearing long-term receivables	17	99	359
Deferred tax recoverables	10	244	705
Other long-term receivables	18	49	25
Total fixed assets		**4 619**	**3 999**
Project- and development properties	19	2 030	1 784
Inventories	20	284	345
Accounts receivable	21	5 150	3 680
Interest-bearing current receivables	17	81	171
Income tax recoverables	10	72	63
Recognised but not invoiced income	22	2 620	2 809
Prepaid expenses and accrued income		206	178
Other short-term receivables	18	532	582
Short-term investments		6	1
Liquid funds		913	130
Total current assets		**11 894**	**9 743**
Total assets		**16 513**	**13 742**
Shareholders' equity	24		
Share capital		872	872
Other contributed capital		217	217
Reserves		0	61
Profit brought forward included profit for the year		2 188	2 198
Shareholders' equity attributable to shareholders in Parent company		**3 277**	**3 348**
Minority interest		**1**	**0**
Total shareholders' equity		**3 278**	**3 348**
Liabilities	4		
Interest-bearing long-term liabilities	26, 32	1 443	2 167
Other long-term liabilities	29	79	37
Provisions for pensions	27	17	9
Other provisions	28	101	91
Total long-term liabilities		**1 640**	**2 304**
Interest-bearing short-term liabilities	26, 32	1 173	595
Accounts payable		3 707	2 877
Income tax liabilities	10	93	47
Invoiced income not yet recognised	30	3 359	2 180
Accrued expenses and deferred income		2 219	1 865
Other short-term liabilities	29	989	515
Provisions	28	55	11
Total short-term liabilities		**11 595**	**8 090**
Total liabilities		**13 235**	**10 394**
Total shareholder's equity and liabilities		**16 513**	**13 742**

See note 35 for information about The Groups pledged assets and contingent liabilities

SUMMARY OF CHANGES IN GROUP SHAREHOLDERS' EQUITY

	Shareholders´equity attributable to shareholders in Parent company						
MSEK	Share capital	Other contributed capital	Reserves	Profit brought forward included profit for the year	**Total**	Minority interest	**Total shareholders´ equity**
Opening balance shareholders' equity, 1 January 2005	**872**	**198**	**5**	**1 545**	**2 620**	**33**	**2 653**
Annual change in translation reserve			56		56		56
Total changes in funds recognised directly in shareholders' equity excluding transactions with the company's owners			**56**		**56**		**56**
Profit for the year				856	856	–1	855
Total changes in funds except for transactions with the company's owners			**56**	**856**	**912**	**–1**	**911**
Cash dividend				–212	–212		–212
Issued convertible promissory notes		27			27		27
Deferred tax on temporary differences referring to the loan part of convertible promissory notes		–8			–8		–8
Disposal of own shares				9	9		9
Acquisition of minority interest						–32	–32
Closing balance shareholders' equity, 31 December 2005	**872**	**217**	**61**	**2 198**	**3 348**	**0**	**3 348**
Opening balance shareholders' equity, 1 January 2006	**872**	**217**	**61**	**2 198**	**3 348**	**0**	**3 348**
Annual change in translation reserve			–61		–61		–61
Total changes in funds recognised directly in shareholders' equity excluding transactions with the company's owners			**–61**		**–61**		**–61**
Profit for the year				1 047	1 047	1	1 048
Total changes in funds except for transactions with the company's owners			**–61**	**1 047**	**986**	**1**	**987**
Cash dividend				–255	–255		–255
Acquisition of own shares				–822	–822		–822
Disposal of own shares				20	20		20
Closing balance shareholders' equity, 31 December 2006	**872**	**217**	**0**	**2 188**	**3 277**	**1**	**3 278**

MSEK	Note	2006	2005
Current operations	38		
Profit before tax		1 411	824
Adjustments for non-cash items		313	477
Income tax paid		–8	–11
Cash flow from current operations before working capital changes		**1 716**	**1 290**
Cash flow from changes in working capital			
Increase (-) /Decrease (+) project- and development properties		–143	86
Increase (-) /Decrease (+) inventories		111	–113
Increase (-) /Decrease (+) current receivables		–597	–771
Increase (+) /Decrease (-) current liabilities		2 102	777
Cash flow from current operations		**1 473**	**–21**
Cash flow from changes in working capital		**3 189**	**1 269**
Investment operations			
Acquistion of subsidiaries, net effect on liquid funds		–470	–413
Sale of subsidiaries, net effect on liquid funds		2	7
Acquistion of intangible fixed assets		–3	–
Acquistion of tangible fixed assets		–447	–276
Sale of tangible fixed assets		83	35
Acquistion of financial assets		–46	–90
Sale/reduction of financial assets		154	6
Cash flow from investment operations		**–727**	**–731**
Cash flow before financing		**2 462**	**538**
Financing operations			
Repurchase of own shares		–822	–
Issue of convertibles to employees		–	479
Amortization of loan		–612	–759
Dividend distributed to the shareholders of the parent company		–255	–212
Cash flow from financing operations		**–1 689**	**–492**
Cash flow for the year		**773**	**46**
Cash at the beginning of the year		130	85
Exchange rate differences in cash		10	–1
Cash at year-end		**913**	**130**

INCOME STATEMENT FOR PARENT COMPANY

MSEK	Note	2006	2005
Net sales	2, 3	59	55
Administrative expenses		–139	–113
Operating profit		**–80**	**–58**
Result from financial investments	9		
Result from participations in Group companies		510	680
Result from participations in joint ventures sold		13	–
Result from securities and receivables accounted for as fixed assets		231	164
Other interest income and similar profit/loss items		3	2
Interest expenses and similar profit/loss items		–95	–241
Profit before tax		**582**	**547**
Tax	10	–18	74
Profit for the year		**564**	**621**

MSEK	Note	2006	2005
Assets	34		
Fixed assets			
Tangible assets			
Machinery and equipment	12	3	4
Total tangible fixed assets		**3**	**4**
Financial assets			
Participations in Group companies	37	7 816	6 077
Participations in joint ventures	14	–	17
Receivables from Group companies	16	241	344
Other securities held as fixed assets	15	711	216
Interest-bearing long-term receivables	17	–	250
Other long-term receivables	18	1	1
Total financial fixed assets		**8 769**	**6 905**
Total fixed assets		**8 772**	**6 909**
Current assets			
Project- and development properites	19	–	3
Short-term receivables			
Accounts receivables	21	0	13
Receivables from Group companies		1	6
Interest-bearing short-term receivables	17	15	71
Income tax recoverables	10	1	0
Other short-term receivables	18	2 355	2
Prepaid expenses and accrued income	23	3	3
Total short-term receivables		**2 375**	**95**
Liquid funds		19	4
Total current assets		**2 394**	**102**
Total assets		**11 166**	**7 011**
Shareholders´equity and liabilities			
Shareholders´equity	24		
Restricted equity			
Share capital		872	872
Statutory reserve		300	300
Non-restricted equity			
Profit brought forward		1 782	2 113
Profit for the year		564	621
Total shareholders´equity		**3 518**	**3 906**
Long-term liabilities			
Liabilities to Group companies		6 898	2 592
Convertible promissory note	26	465	456
Deferred tax liabilities	10	63	3
Total long-term liabilities		**7 426**	**3 051**
Short-term liabilities			
Accounts payable		7	7
Liabilities to Group companies		15	13
Other short-term liabilities	29	170	4
Accrued expenses and deferred income	31	30	30
Total short-term liabilities		**222**	**54**
Total shareholders´equity and liabilities		**11 166**	**7 011**
Pledged assets and contingent liabilities for Parent Company			
Pledged assets		–	–
Contingent liabilities		8 710	7 106

SUMMARY OF CHANGES IN THE PARENT COMPANY'S SHAREHOLDERS' EQUITY

	Restricted capital			Non-restricted capital		
MSEK	Share capital	Share premium reserve	Statutory reserve	Profit/ loss brought forward	Profit for the year	**Total share-holders equity**
Opening balance shareholders' equity, 1 January 2005	872	198	83	1 407	669	3 229
Adjustment for changed accounting policies				53		53
Adjusted opening balance shareholders' equity, 1 January 2005	**872**	**198**	**83**	**1 460**	**669**	**3 282**
Appropriation of profits				669	–669	0
Group contribution received				259		259
Tax attributable to Group contribution				–72		–72
Total changes in funds recognised directly in shareholders' equity excluding transactions with the company's owners				**856**	**–669**	**187**
Profit for the year					621	621
Total changes in funds except for transactions with the company's owners				**856**	**–48**	**808**
Cash dividend				–212		–212
Issued convertible promissory notes		27				27
Deferred tax on temporary differences referring to the loan part of convertible promissory notes		–8				–8
Disposal of own shares				9		9
Transfer of premium reserve to reserve fund		–217	217			0
Closing balance shareholders' equity, 31 December 2005	**872**	**–**	**300**	**2 113**	**621**	**3 906**
Opening balance shareholders' equity, 1 January 2006	**872**	**–**	**300**	**2 113**	**621**	**3 906**
Allocation of profits				621	–621	0
Group contribution received				146		146
Tax attributable to Group contribution				–41		–41
Total changes in funds recognised directly in shareholders' equity excluding transactions with the company's owners				**726**	**–621**	**105**
Profit for the year					564	564
Total changes in funds except for transactions with the company's owners				**726**	**–57**	**669**
Cash dividend				–255		–255
Purchase of own shares				–822		–822
Disposal of own shares				20		20
Closing balance shareholders' equity, 31 December 2006	**872**	**–**	**300**	**1 782**	**564**	**3 518**

MSEK	Not	2006	2005
Current operations	38		
Profit before tax		582	547
Adjustments for non-cash items		–737	–724
Income tax paid		0	0
Cash flow from current operations before working capital changes		**–155**	**–177**
Cash flow from changes in working capital			
Increase (-) /Decrease (+) project- and development properties		3	–
Increase (-) /Decrease (+) current receivables		–63	6
Increase (+) /Decrease (-) current liabilities		181	14
Cash flow from current operations		**121**	**20**
Cash flow from changes in working capital		**–34**	**–157**
Investment operations			
Acquistion of tangible fixed assets		0	–
Acquistion of financial assets		–4 090	–266
Sale/reduction of financial assets		188	0
Cash flow from investment operations		**–3 902**	**–266**
Cash flow before financing		**–3 936**	**–423**
Financing operations			
Issue of convertible loan to employees		–	479
Repurchase of own shares		–822	–
Disposal of own shares		20	9
Borrowings		5 008	151
Dividend distributed		–255	–212
Cash flow from financing operations		**3 951**	**427**
Cash flow for the year		**15**	**4**
Cash at the beginning of the year		4	0
Cash at year-end		**19**	**4**

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Note 1 Accounting policies

COMPLIANCE WITH STANDARDS AND LEGISLATION.

The consolidated accounts have been drawn up in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the Interpretation from International Financial Reporting Interpretations Committee (IFRIC) as approved by the EU Commission for application within the EU. In addition, recommendation RR 30:05 Supplementary accounting rules for groups of the Swedish Financial Accounting Standards Council has also been applied.

The parent company applies the same accounting policies as the group except in the cases stated below in the section on The parent company's accounting policies. The inconsistencies between the parent company's and the group's policies stem from the limited opportunities for applying the IFRS to the parent company as a consequence of the Swedish Company Accounts Act and Tryggandelagen (the Act on Safeguarding Pension Obligations) and in some cases for tax reasons.

The annual report and the consolidated accounts have been approved for publication by the board of directors on 2 April 2007. The consolidated income statement and balance sheet will be presented for adoption by the AGM on 16 May 2007.

VALUATION BASIS APPLIED FOR PREPARATION OF THE PARENT COMPANY'S AND THE GROUP'S FINANCIAL REPORTS.

Assets and liabilities are reported at historical acquisition values except for certain financial assets and liabilities which are assessed at fair value. Financial assets and liabilities valued at fair value consist of derivatives, financial assets classified as financial assets valued at fair value through the income statement or as financial assets available for sale.

FUNCTIONAL CURRENCY AND REPORTING CURRENCY

The parent company's functional currency is the Swedish crown, which is also the currency in which the accounts of the parent company and the group are reported. Thus the financial reports are presented in Swedish crowns. Unless otherwise indicated all amounts are rounded off to the nearest million.

ESTIMATES AND ASSESSMENTS IN THE FINANCIAL REPORTS

Preparing the financial reports in accordance with the IFRS requires that the company management make estimates and assessments and make assumptions which affect the application of the accounting policies and the recognised amounts with regard to assets, liabilities, revenues and costs. The actual outcome may vary from these estimates and assessments.

Estimates and assumptions are regularly reviewed. Changes to estimates are entered in the accounts of the period the change is made if the change only affects this period or in the period the change is made and in future periods if the change affects both the current period and future periods.

Assessments made by the company management when applying the IFRS which have a significant impact on the financial reports and assessments made which could result in substantial adjustments to following years' financial reports are described in more detail in note 39.

CHANGED ACCOUNTING POLICIES.

The new and revised standards and the pronouncements made by the IASB and approved by the EU applying form 1 January 2006 have not had an effect on the company's financial reports.

On the other hand until their conversion to shares, convertible certificates of claim Brinova Fastigheter AB been valued divided into a conversion right and a financial claim. The total value was previously recognised as an interest-bearing liability. From the first quarter of 2006 the liability part will be recognised as an interest-bearing liability and the conversion right as a financial fixed asset (non interest-bearing). Comparative figures in the balance sheet for previous periods have been reclassified correspondingly. After conversion on 28 June 2006, share holdings are recognised in other securities held as fixed assets and are classified as financial assets valued at fair value via the income statement.

The accounting policies for the group described below have been applied consistently for all the periods presented in the group's financial reports unless otherwise stated below. The group's accounting policies have been applied consistently to the reporting and consolidation of the parent company, subsidiaries and joint ventures in the consolidated report.

EARLY APPLICATION OF NEWLY PUBLISHED OR REVISED IFRS AND INTERPRETATIONS IN 2006

The group has not applied any new standards or interpretation pronouncements early when drawing up the present financial reports.

NEW IFRS AND INTERPRETATIONS WHICH HAVE AS YET NOT BEEN APPLIED

A number of new standards, changes to standards and interpretation pronouncements did not come into force until 2007, of which only IFRS 7 "Financial instruments: disclosures" and related changes to IAS 1 "Presentation of financial statements" are expected to affect the consolidated financial reports. Under the new rules more disclosures must be made about capital, financial instruments and financial risks.

In 2006, IFRIC embarked upon a project for the reporting of Real Estate Sales comprising the interpretation of the definition of construction contracts in accordance with IAS 11. For Peab, the interpretation will primarily affect earnings and income statements for housing project development. IFRIC's interpretation pronouncement may affect the consolidated accounts and profit. While awaiting IFRIC's interpretation, the possible impact, if any on consolidated profit and financial position cannot be assessed.

SEGMENT REPORTING.

A segment is an identifiable accounting unit of the group which either provides products or services (business areas) or products and ser-

vices within certain economic surroundings (geographical areas) which are exposed to risks and opportunities which distinguish it from other segments. The group's primary segment is business areas.

Following the proposed distribution of Peab Industri in 2007 the group's segments will be redistributed.

In accordance with IAS 14, segment information is provided for the group only.

CLASSIFICATION ETC.

Fixed assets, long-term liabilities principally consist of amounts which may be expected to be recovered or defrayed later than 12 months after the balance sheet date. Current assets and current liabilities principally consist of amounts which may be expected to be recovered or defrayed within 12 months of the balance sheet date.

CONSOLIDATION PRINCIPLES.

SUBSIDIARIES

Subsidiaries are entities over which Peab AB exercises a controlling influence. The term controlling influence refers to a direct or indirect right to mould the company's financial and operating strategies in order to obtain financial benefits. When assessing whether a controlling interest is involved, potential share voting rights which can be exercised immediately or can be converted must be taken into account.

Subsidiaries are recognised using the purchase accounting method, under which acquisitions of subsidiaries are regarded as transactions through which the group indirectly acquires the assets of the subsidiary and takes over its liabilities and contingent liabilities. The consolidated acquisition value is calculated in an acquisition analysis in conjunction with the acquisition. The analysis establishes the acquisition value of the participations or the business, the fair value on acquisition date of the acquired identifiable assets and the liabilities and contingent liabilities taken over. The acquisition value of the subsidiary's shares and business consists of the total of the fair values on acquisition date of assets, incurred or assumed liabilities and issued share capital instruments submitted as payment in exchange for the acquired net assets and transaction costs directly attributable to the acquisition. In the case of business acquisitions which exceed the net value of the acquired assets and the assumed liabilities and contingent liabilities, the difference is recognised as goodwill. Where the difference is negative this is recognised directly in the income statement.

When acquisitions of subsidiaries involve the acquisition of net assets which do not comprise operations, the acquisition cost of each identifiable asset and liability is divided based on its relative fair value at the time of acquisition.

The financial reports of subsidiaries are recognised in the consolidated accounts from the date the controlling influence arises and remain in the consolidated report until the date it ceases.

JOINT VENTURES

For accounting purposes, joint ventures are entities where the group through co-operation agreements with one or more partners exercises a joint controlling influence over operational and financial management. From the date on which the joint controlling influence is assumed, participations in joint ventures are recognised in consolidated accounts in accordance with the equity method, whereby the value of participations in joint ventures recognised in the consolidated accounts corresponds to the group's participation in the equity of joint ventures and group goodwill and other possible residual group deficit and surplus values. The group's participations in joint ventures after tax and minorities adjusted for depreciation, writedowns or dispersal of acquired deficit and surplus values are recognised in the consolidated income statement as Participations in profit of joint ventures. Only equity earned after the acquisition is recognised in the consolidated shareholders' equity. Dividends received form joint ventures reduce the accounting value of the investment.

Upon acquisition, any differences between the acquisition value of the holding and the owner company's participation in the net fair value of the joint venture's identifiable assets, liabilities and contingent liabilities is recognised in accordance with IFRS 3 Business combinations.

The equity method is applied until the time the joint controlling influence ceases.

TRANSACTIONS WHICH MUST BE ELIMINATED UPON CONSOLIDATION

Intra-group receivables and liabilities, revenues or costs or unrealised gains or losses stemming from intra-group transactions between group companies are eliminated completely when preparing the consolidated accounts.

Unrealised gains arising from transactions with joint ventures are eliminated to the extent these refer to the group's ownership participation in the company. Unrealised losses are eliminated in the same way as unrealised gains but only to the extent there is no writedown requirement.

FOREIGN CURRENCY.

TRANSACTIONS IN FOREIGN CURRENCY

Transactions in foreign currency are converted to the functional currency at the exchange rate on the transaction date. The functional currency is the currency of the primary financial surroundings where the company operates. Monetary assets and liabilities in foreign currency are converted to the functional currency at the exchange rate applying on the balance sheet day. Exchange rate differences arising during translation are recognised in the income statement. Non-monetary assets and liabilities which are recognised at historical acquisition value are converted at the exchange rate applying at the time of the transaction.

THE FINANCIAL REPORTS OF FOREIGN BUSINESS

Assets and liabilities in foreign entities including goodwill and other group deficit and surplus values are converted from the foreign company's functional currency to the group's reporting currency, Swedish crowns, at the exchange rate applying on balance sheet day. Earnings and costs in a foreign entity are converted to Swedish crowns at an average rate approximating to the rates applying on the respective transaction dates. Translation differences arising when converting the currency of foreign companies are recognised directly in shareholders' equity as a translation reserve.

NET INVESTMENT IN A FOREIGN OPERATION

Translation differences arising from the translation of a foreign net investment are recognised directly in the translation reserve in shareholders' equity. When a foreign subsidiary is divested, the accumulated translation differences attributable to the company are realised in the consolidated income statement.

Accumulated translation differences attributable to foreign companies are presented as a separate capital category and contain translation differences accumulated from 1 January 2004 onwards. Accumulated translation differences before 1 January 2004 are divided into other own capital category and are not recognised separately.

INCOME.

CONSTRUCTION CONTRACTS

Current construction contracts are reported in accordance with IAS 11, Construction contracts. Under IAS 11 income and expenses must be recognised in time with the performance of the contract. This principle is known as the percentage of completion method. Income and expenses are entered to the income statement in proportion to the percentage completion of the contract. The percentage completion of the contract is determined based on the defrayed project costs compared to the project costs corresponding to the project income for the whole contract. The application of the percentage of completion method is prerequisite on it being possible to calculate the outcome in a reliable manner. In case of contracts where the outcome cannot be reliably calculated, income is calculated in proportion to the costs defrayed. Feared losses are charged to income as soon as they become known.

The policy described above is also applied to housing projects for sale, but also allowing for unsold housing for which Peab has sales responsibilities. The result reported is estimated based on the percentage of the project completed which corresponds to the number of homes included in the contract sold. For example, this means that when the percentage of completion of the project reaches 50 per cent and 50 per cent of the homes are sold, 25 per cent of the estimated income and costs is reported.

In the balance sheet, construction contracts are entered project by project either as Recognised but non-invoiced income under current assets or as Invoiced income not yet recognised under current liabilities. Those projects with higher accumulated income than invoiced are recognised as assets whilst those projects which have been invoiced in excess of the accumulated income are recognised as liabilities.

OTHER INCOME

Other income excluding construction contracts is recognised in accordance with IAS 18 Revenue. Income from the sale of goods is recognised in the income statement when the material risks and benefits associated with ownership of the goods has been transferred to the buyer. Crane and machinery hire income is recognised linearly over the hiring period.

GOVERNMENT GRANTS

Government grants are recognised in the balance sheet as government receivables when it is reasonably certain that the contribution will be received and that the group will meet the requirements associated with the contribution. Grants are amortised systematically in the income statement in the same way and over the same periods as the costs that the grants are intended to offset. Government grants related to assets are recognised as a reduction in the recognised value of the asset.

OPERATING COSTS AND FINANCIAL INCOME AND EXPENSES.

OPERATING LEASING AGREEMENTS

Expenses for operational leasing agreements are recognised linearly in the income statement over the leasing period. Benefits obtained from the signing of an agreement are recognised in the income statement linearly over the term of the leasing agreement. Contingent rents are carried as expenses in the periods it occurs.

FINANCIAL LEASING AGREEMENTS

Minimum leasing charges are divided between interest costs and amortization of the outstanding debt. Interest costs are distributed over the leasing term such that an amount corresponding to a fixed interest rate for the debt accounted in the respective period is recognised in each accounting period. Contingent rents are carried as expenses in the periods it occurs.

FINANCIAL INCOME AND EXPENSES

Financial income and expenses consist of interest income on cash at bank, receivables and interest-bearing securities, interest expenses on loans, dividend revenues, realised and unrealised gains and losses on financial investments and derivatives used within the financial business.

Interest income on receivables and interest expenses on liabilities are calculated in accordance with the effective interest method. The effective rate is the rate which would make the net present value of all estimated future payments and disbursements during the expected fixed interest period the same as the reported value of the receivable or liability. Interest income respectively interest expenses includes accrued amounts of transaction costs and possible discounts, premiums and other differences between the original value of the receivable respectively liability and the amount settled when it falls due.

Dividend income is recognised when the right to payment is established.

The results of sales of financial investments are recognised when the risks and benefits associated with ownership of the instrument are materially transferred to the buyer and the group no longer has control of the instrument.

Interest expenses are charged to income during the period to which they refer except to the extent that they are included in an asset's acquisition value. An asset for which interest can be included in the acquisition price is an asset which must necessarily require considerable time to prepare for the intended use or sale. Capitalisation of interest expenses is carried out in accordance with the alternative principle in IAS 23, Borrowing costs.

Interest rate swaps are used to hedge interest risks. Interest rate swaps are valued at fair value in the balance sheet. In the income statement, the coupon rate part is recognised on a current basis as interest income or interest expense and other changes in the value of interest rate swaps on a separate line under net financials.

TAXES.

Income tax consists of current tax and deferred tax. Income taxes are charged to the income except when the underlying transaction is charged directly to shareholders' equity, in which case the relevant tax is charged to equity.

Current tax is tax which must be paid or will be received during the current year applying the tax rates resolved upon or in practice resolved upon as at balance sheet day, when adjustment of current tax attributable to previous periods is also made.

Deferred tax is calculated according to the balance sheet method based on temporary differences between the accounted and tax values of assets and liabilities. Temporary differences are not taken into account for temporary differences arising upon the first recognition of goodwill and nor for differences at first recognition of assets and liabilities which are not business combinations and which at the time of the transaction did not affect either recognised or taxable profits. Further are not temporary differences attributable to participations in subsidiaries and joint ventures, which are not expected to be written back in the foreseeable future, taken into account. Valuation of deferred tax is based on how the underlying value of assets or liabilities is expected to be realised or regulated. Deferred tax is calculated applying the tax rates and tax rules resolved upon or in practice resolved upon on the balance sheet day.

When companies are acquired such acquisition either refers to business combinations or asset purchase. Asset purchase refers to, for example, the acquired company only owning one or more properties with tenancy agreements but the acquisition not comprising processes required to operate property business. When recognising asset purchase no deferred tax is recognised separately. The fair value of deferred tax liabilities is instead deducted from the fair value of the acquired asset.

Deferred tax receivables relating to deductible temporary differences and loss carry-forwards are only recognised to the extent it is likely they can be exercised. The value of deferred tax receivables is reduced when it is no longer assessed they can be utilised.

FINANCIAL INSTRUMENTS.

On the assets side, financial instruments entered to the balance sheet include liquid funds, short-term investments, accounts receivable, securities holdings, loan receivables and derivatives. On the liabilities side, they include accounts payable, borrowing and derivatives.

RECOGNITION IN AND REMOVAL FROM THE BALANCE SHEET

Financial assets and financial liabilities are entered to the balance sheet when the company becomes involved in accordance with the instrument's contractual terms. Accounts receivable are entered to the balance sheet when the invoice has been sent. Liabilities are recognised when the counterparty has performed the service and there is a contractual payment obligation even if the invoice has not been received. Accounts payable are recognised when the invoice is received.

Financial assets are removed from the balance sheet when the rights of the agreement have been realised, fall due or the company loses control of them. The same applies to parts of financial assets. Financial liabilities are removed from the balance sheet when contractual obligations are discharged or have been otherwise extinguished. The same applies to parts of financial liability.

Financial assets and financial liabilities are offset and recognised at a net amount in the balance sheet only where there is a legal right to offset the amounts and it is intended to adjust the items with a net amount or to at the same time capitalise the asset and adjust the liability.

The acquisition and divestment of financial assets are recognised on the transaction date, which is the date when the company undertakes to acquire or divest the asset.

CLASSIFICATION AND VALUATION

Financial instruments which are not derivatives are initially recorded at acquisition value corresponding to the instrument's fair value with the addition of transaction costs for all financial instruments except for those classified as financial assets, which are recognised at fair value in the income statement which are recorded at fair value minus transaction costs. Financial instruments are classified upon first recognition based on the purpose for which the instrument was acquired. Classification determines how financial instruments are valued after first recognition as described below.

Derivatives are initially recognised at fair value, and consequently transaction costs are charged to profit for the period. After first recognition derivatives are recognised as described below. If the derivative is used for hedge accounting and to the extent this is effective, the value change to the derivative is recognised on the same line in the income statement as the hedged item. Even if hedge accounting is not applied, the value gain or reduction to the derivative is recognised as income or expenses in the operating profit or in the net financials item depending on the purpose for which the derivative is used and whether its use relates to an operating item or a financial item. In hedge accounting, the non-effective part is recognised in the same way as value changes to derivatives that are not used in hedge accounting. If hedge accounting is not applied to the use of interest rate swaps, the coupon rate is recognised as interest and the remaining value change of the interest rate swap is recognised as other financial income or other financial costs.

Liquid funds consist of cash and immediately available balances at banks and equivalent institutes and current liquid investments with maturities from the acquisition date of less than three months and which are exposed to only insignificant value fluctuation risks.

FINANCIAL ASSETS VALUED AT FAIR VALUE THROUGH THE INCOME STATEMENT

Financial instruments in this category are constantly valued at fair value with value changes recorded in the income statement. The group has decided to refer financial assets which according to the company management's risk management and investment strategy are

managed and valued at true value to this category. This category consists of listed shares. This category consists of two sub-groups: financial assets held for trading and other financial assets which the company initially chose to place in this category. The first subgroup includes derivatives with positive fair value except for derivatives which are identified and in effect hedge instruments.

LOANS AND RECEIVABLES.

Loans and receivables are financial assets which are not derivatives with fixed payments or with payments which can be determined and which are not listed in an active market. These assets are valued at amortized cost. The amortized cost is determined based on the effective interest rate which is calculated at the time of acquisition. Accounts receivable are recognised at the estimated impact amount, i.e. after deduction of distressed debts.

FINANCIAL ASSETS AVAILABLE FOR SALE

The financial assets for sale category includes financial assets which are not classified in any other category or financial assets which the company initially chose to classify in this category. Holdings of shares and participations which are not reported as subsidiaries, affiliated companies or joint ventures are recognised here. Assets in this category are constantly valued at fair value with value changes recorded against equity, but not those that stem from writedowns nor from interest on receivables instruments and dividend income or exchange rate differences on monetary items which are recognised in the income statement. When assets are divested the accumulated gain/loss which was previously entered in equity is now recognised in the income statement.

FINANCIAL LIABILITIES VALUED AT FAIR VALUE THROUGH THE INCOME STATEMENT

This category consists of two sub-groups: financial liabilities which are held for trading and other financial liabilities which the company initially chose to place in this category. The category includes the group's derivatives with negative fair value except for derivatives which are identified and in effect hedge instruments. Changes are recognised in the income statement.

OTHER FINANCIAL LIABILITIES

Loans and other financial liabilities, e.g. accounts payable, are included in this category. Liabilities are recognised at accrued acquisition value.

DERIVATIVES

The Groups derivates consist of interest and currency derivatives utilised to hedge the risk of exchange rate fluctuations and exposure to interest rate risks. Derivates are classified as financial assets or liabilities held for trading which are valued at fair value on balance sheet date. The valuation method involves the discounting of future cash flows. Hedge accounting has not been applied, and therefore value changes have been recognised in the income statement.

Loans to foreign subsidiaries (extended investment) through investments in foreign subsidiaries have been to some extent hedged through forward contracts. These are recognised at the rate on balance sheet day when accounts are drawn up. Hedge accounting has not been applied.

ISSUED CONVERTIBLE PROMISSORY NOTES

Convertible promissory notes can be converted to shares if the counterparty exercises the option to convert the claim to shares and are recognised as a compound financial instrument divided into a liability part and an equity part. The fair value of the liability at the time of issue is calculated by discounting future payment flows at the current market rate for similar liabilities without conversion rights. The value of the equity capital instrument is calculated as the difference between the issuing funds when the convertible promissory note was issued and the fair value of the financial liability at the time of issue. Deferred tax attributable to liabilities at the issue date is deducted from the recognised value of the equity instrument. Interest expenses are recognised in the income statement and are calculated applying the effective interest rate method.

TANGIBLE FIXED ASSETS.

OWNED ASSETS

Tangible fixed assets are recognised in consolidated accounts at acquisition value minus accumulated depreciation and amortization and any writedowns. The acquisition value consists of the purchase price and costs directly attributable to putting the asset in place in the condition required for utilisation in accordance with the purpose of the acquisition. Borrowing costs are included in the acquisition value of internally produced fixed assets in accordance with the alternative principal in IAS 23. The accounting policies applying to impairment loss are listed below.

The value of a tangible fixed asset is derecognised from the balance sheet upon scrapping or divestment or when no future financial benefits are expected from the use or scrapping/divestment of the asset. Gains and losses arising from divestment or scrapping of an asset consist of the difference between the sale price and the asset's booked value minus direct costs of sale.

LEASED ASSETS

Leasing is classified in the consolidated accounts either as financial or operating leasing. Financial leasing applies in circumstances where the financial risks and benefits associated with ownership are substantially transferred to the lessee. Where such is not the case, operating leasing applies.

Assets which are rented under financial leasing agreements are recognised as assets in the consolidated balance sheet. Payment obligations associated with future leasing charges have been recognised as long-term and current liabilities. The leased assets are depreciated according to plan while leasing payments are entered under interest and amortisation of liabilities.

Operating leasing involves leasing charges being charged to income over the leasing time based on utilisation, which may differ from what is actually paid for leasing during the year.

FUTURE EXPENSES

Future expenses are only added to the acquisition value if it is likely that the future financial benefits associated with the asset will benefit the company and the acquisition value can be reliably estimated. All other future expenses are recognised as costs as they arise.

BORROWING COSTS

Borrowing costs which are directly attributable to the purchase, construction or production of an asset and which require considerable time to complete for the intended use or sale are included in the acquisition value of the asset. Borrowing costs are activated provided that it is probable that they will result in future financial benefits and the costs can be reliably measured.

DEPRECIATION POLICIES

Depreciation is based on the original acquisition value minus the calculated residual value. Depreciation is made linearly over the assessed useful life of the asset.

Buildings (operating buildings)	25–100 years
Land improvements	25-50 years
Vehicles and construction machinery	5-6 years
Computers	3 years
Other equipment and inventories	5-10 years

The useful life and residual value of assets are assessed annually.

REAL ESTATE

Group real estate holdings are divided as follows:

- Buildings and land entered under tangible fixed assets
- Project and development properties as inventories among current assets

Properties used in the Group's own operations consisting of office buildings and warehouses (operational buildings) are entered as buildings and land under tangible fixed assets. Valuation is made in accordance with IAS 16, Tangible fixed assets, at acquisition value deducted for accumulated depreciation and possible writedowns.

Direct and indirect holdings of undeveloped land and redeveloped tracts for future development, developed investment properties for project development, improvement and subsequent sale are entered as project and development property under current assets. Valuation is made in accordance with IAS 2, Inventories, at the lowest of either acquisition value or net sales value.

INTANGIBLE ASSETS

GOODWILL

Goodwill refers to the difference between the acquisition value of a business and the fair value of acquired assets, assumed liabilities and contingent liabilities.

Upon the transition to the IFRS, the rules of the IFRS have not been applied retroactively to goodwill in acquisitions made before 1 January 2004, rather the recognised value on that date will in future constitute the group's acquisition value after impairment test.

Goodwill is value at acquisition value minus any accumulated writedowns. Goodwill is divided between cash-generating units and is tested at least annually for writedown requirements. Goodwill stemming from the acquisition of joint ventures is included in the recognised value of participations in joint ventures.

In the case of business acquisitions where acquisition costs are less than the net value of the acquired assets and the assumed liabilities and contingent liabilities, the difference is recognised directly in the income statement.

RESEARCH AND DEVELOPMENT

Research and development costs are recognised in accordance with IAS 38, Intangible assets. Peab has no separate research and development organization; instead this work is integrated into ongoing production, and therefore the group's research and development costs are limited. These costs are recognised as they arise, as they are not considered to fulfil the requirements for capitalisation.

OTHER INTANGIBLE ASSETS

Other intangible assets acquired by the group are recognised at acquisition value minus accumulated depreciation, amortization and writedowns.

Costs defrayed for internally generated goodwill and internally generated brands are reported in the income statement as the costs arise.

DEPRECIATION POLICIES

Depreciation is recognised in the income statement linearly over the estimated useful life of the intangible asset provided the useful life can be determined. Goodwill and other intangible assets with an indeterminate useful life is tested for the need for writedown annually or as soon as there are indications that the asset in question has declined in value. Depreciable intangible assets are depreciated from the date when the asset became available for use. The estimated useful lives are:

Brands	10 years
Customer relations	3-5 years
Agency agreements	2-7 years
Site leasehold agreements	During the term of the agreement

The useful life and residual value of assets are assessed annually.

INVENTORIES.

Inventories are valued at the lowest of acquisition value and net sale value. The acquisition value of stocks are calculated using the first-in, first-out method and include expenses arising with the acquisition of the stock assets and their transport to their current location and condition. For manufactured goods the acquisition value includes a reasonable share of the indirect costs based on a normal capacity.

The net sale value is the estimated sale price in the current business minus estimated costs of completion and bringing about the sale.

IMPAIRMENT LOSS.

The recognised value of the Group's assets are checked each balance sheet day to assess whether there is a writedown requirement. IAS 36 is applied to the testing of writedown requirements for other assets besides financial assets which are tested in accordance with IAS 39, assets for sale and divestment groups recognised which are tested in accordance with IFRS 5, inventories, plan assets used for financing of remuneration to employees and deferred tax receivables. The recognised value of the above-mentioned excepted assets is tested applying the respective standards.

IMPAIRMENT TEST OF TANGIBLE AND INTANGIBLE ASSETS AND PARTICIPATIONS IN SUBSIDIARIES, JOINT VENTURES ETC.

If writedown requirements are indicated, the recovery value of the asset is estimated in accordance with IAS 36. The recovery value of goodwill and other intangible assets with an indeterminate useful life is estimated annually. If it is not possible to establish materially independent cash flows for a certain asset, when testing for writedown needs the assets are grouped at the lowest level where it is possible to identify materially independent cash flow - a so-called cash-generating unit.

Writedowns are recognised when the book value of an asset or a cash-generating unit exceeds the recovery value. Writedowns are charged to income. Writedowns of assets attributable to a cash-generating unit (group of units) are firstly allocated to goodwill, followed by the proportional writedown of the other assets in the unit (group of units).

The recovery value are the highest of utility value and fair value minus cost of sale. When calculating utility value future cash flows are discounted with a discount factor which allows the risk-free interest rate and the risks which are associated with the specific asset.

IMPAIRMENT TEST FOR FINANCIAL ASSETS

Each time reports are drawn up the company assesses whether there are objective indications that a financial asset or a group of financial assets need to be written down. Objective indications partly consist of occurred observable circumstances which have a negative impact on possibilities of recovering the acquisition value and partly on significant or lengthy decreases in the fair value of an investment in a financial placing classified as a financial asset available for sale.

In the case of writedowns of equity instruments classified as financial assets available for sale, previously recognised accumulated gains and losses are transferred from shareholders' equity to the income statement.

The recovery value of assets classified as investments held to maturity and loans and receivables recognised at amortized cost is estimated as the net present value of future cash flows discounted at the effective interest rate applying when the asset was recognised in accounts for the first time. Assets with short maturities are not discounted. Writedowns are charged to income.

REVERSED WRITEDOWNS

A writedown is reversed if there are both indications that writedown requirements no longer exist and assumptions upon which the calculation of the recovery value were based have changed. However, write-downs of goodwill is never reversed. Reversing is only performed to the extent that the recognised value after reversing of the asset does not exceed the recognised value which would have been recognised deducted for depreciation where necessary if writedown had not been made.

Writedowns of investments held to maturity or loans and receivables recognised at amortized cost are reversed if a subsequent rise in the recovery value may objectively be attributed to a circumstance occurring after writedown was made.

Writedowns of equity instruments which are classified as financial assets available for sale which were previously recognised in the income statement may not subsequently be reversed through the income statement. The written down value is the value upon which subsequent revaluations are based, which are recognised directly against shareholders' equity. Writedowns of interest-bearing instruments classified as financial assets available for sale are reversed through the income statement if the fair value increases and the increase may objectively be attributed to a circumstance occurring after writing down was performed.

REPURCHASE OF OWN SHARES.

Holdings of own shares and other equity instruments are recognised as a reduction in shareholders' equity. Liquid funds from the divestment of such equity instruments is recognised as an increase in shareholders' equity. Any transaction costs are charged directly to shareholders' equity.

DIVIDENDS.

Dividends are entered as liabilities after they have been approved by the AGM.

EARNINGS PER SHARE.

The calculation of earnings per share is based on consolidated profit for the year attributable to the shareholders of the parent company and on the weighted average number of outstanding shares during the year. When calculating earnings per share after dilution, profit and the average number of shares are adjusted to allow for the effects of the diluting potential of shares which in the reported periods stem from convertible certificates of claim and options issued to the employees. Dilution only occurs when the exercise price is lower than the market price.

EMPLOYEE BENEFITS.

DEFINED CONTRIBUTION PENSION PLANS

Pension plans are only classified as defined contribution pension plans where the company's obligations are limited to the contributions the company has undertaken to pay. In such cases the size of an employee's pension depends on the contributions the company pays to the plan or to the insurance company and the return on capital produced by the contributions. Consequently, the employees bear the actuarial risk (that payments will be lower than expected) and the investment risk (that the invested assets will not be adequate to produce the expected return). The company's obligations concerning contributions to defined contribution plans are recognised as a cost in the income statement as they are earned by the employee performing work for the company during the period.

DEFINED BENEFIT PENSION PLANS

The group's defined benefit plans consist of the Swedish ITP Plan for Salaried Staff which is managed through insurance with Alecta, pension plans for a small number of executive personnel in Sweden and Norway and the AFP pension in Norway.

The group's net obligations relating to defined benefit plans are calculated separately for each plan through an assessment of the

future payments which employees have earned through their employment both during the present and previous periods. Such payment is discounted to a net present value deducted for the fair value of any plan assets. The discount rate is the rate applying on balance sheet day to a blue-chip company debenture with a maturity corresponding to the group's pension obligations. If there is no market for such company debentures the market rate of government bonds of equivalent maturity is used instead. Calculations are performed by a qualified actuary applying the so-called projected unit credit method.

When estimates result in an asset for the group, the recognised value of the asset is restricted to the net value of the unrecognised actuarial losses and the unrecognised costs for service during previous periods and future repayments from the plan or reduced future payments to the plan.

When payments in a plan are improved the part of the increased payment which refers to the employee's service during previous periods is recognised as a cost in the income statement divided linearly over the average period until the payments have been fully recovered. If payment has been fully recovered a cost is entered directly to income.

The so-called corridor rule is applied. The corridor rule involves that part of the accumulated actuarial gains and losses which exceeds 10 per cent of the greatest of the obligation's net present value and the plan asset's fair value being recognised in the income statement over the expected average remaining working life of the employee covered by the plan. Otherwise account is not taken of actuarial gains and losses.

When there is a difference between how pension costs are determined in the legal entity and group a provision or a claim is recognised relating to special payroll tax based on this difference.

REMUNERATION UPON RESIGNATION OR DISMISSAL

A provision is entered in connection with dismissal of personnel only if it can be proved that the company is obliged to terminate employment before the normal time or when remuneration is offered to encourage voluntary resignation.

SHORT-TERM REMUNERATION

Short-term remuneration to employees are calculated without discount and are reported as a cost when the related services are received.

A provision is recognised for the expected costs of participations in profits and bonus payments when the group has an applicable legal or informal obligation to make such payments for services received from employees and the obligations can be reliably estimated.

PROVISIONS.

Provisions are entered in the balance sheet when the group is subject to an actual or informal legal obligation as a consequence of a circumstance occurring and it is likely that financial resources will be required to meet the obligation and a reliable estimate of the amount can be made.

GUARANTEES

Provisions for guarantees are recognised when the underlying products or services are sold. The provisions are based on historical data about the guarantees and a weighing up of the conceivable outcomes relative to the probabilities that the outcomes are associated with.

RE-ESTABLISHMENT COSTS

Refers to the calculated re-establishment costs for rock and gravel quarries after operations are wound up. The size of provisions increases with the quarried amount and is charged back after re-establishment has been carried out.

CONTINGENT LIABILITIES.

A contingent liability is recognised in accounts when there is a possible obligation attributable to events occurred, the occurrence of which can only be confirmed by one or more uncertain future events, or when there is an undertaking not recognised as a liability or provision because it is not likely that the use of resources will be required.

THE PARENT COMPANY'S ACCOUNTING POLICIES.

The parent company has prepared its annual accounts in accordance with the Swedish Company Accounts Act (1995:1554) and recommendation RR 32:05, Reporting of legal entities, of the Swedish Financial Accounting Standards Council, and in accordance with the pronouncement of the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council for listed companies. Under RR 32:05 the parent company in the annual accounts of the legal entity must apply all of the EU approved IFRS standards and statements provided this is possible within the framework of the Swedish Company Accounts Act and with due regard for the relationship between accounting and taxes. The recommendation states which exceptions and additions must be made to the IFRS.

CHANGED ACCOUNTING POLICIES

The changed accounting policies of the parent company have been reported in accordance with the rules of IAS 8, and thus these changed accounting policies have been applied retroactively.

From 1 January 2006, certain financial instruments are valued at fair value, and this has involved a change of accounting policies. It has resulted in the parent company applying the same accounting policies for financial instruments as in the consolidated accounts.

As a result of the change, the parent company's previous holding of convertible certificates of claim in Brinova Fastigheter AB (which where converted to shares in 2006) will be valued at fair value. The corresponding comparative figures for previous years have also be converted. The effect of the changed accounting policies on the parent company's opening equity is an increase of SEK 53 million as at 1 January 2005.

DIFFERENCES BETWEEN THE GROUP'S AND PARENT COMPANY'S ACCOUNTING POLICIES

Differences between the group's and parent company's accounting policies are given below. The below stated accounting policies for the parent company have been applied consistently to all periods presented in the parent company's financial reports.

CLASSIFICATION AND DESIGN TYPES

The parent company's income statement and balance sheet are presented in accordance with the design in the Swedish Company Accounts Act. The difference to IAS 1 Design of financial reports which is applied to the design of the consolidated financial reports is primarily the reporting of financial income and expenses, fixed assets, equity and the presentation of provisions under a separate heading in the balance sheet.

SUBSIDIARIES AND JOINT VENTURES

Participations in subsidiaries and joint ventures are recognised in the parent company applying the acquisition value method. Forestalled and received dividends are recognised as income.

FINANCIAL GUARANTEES

The parent company's financial guarantee agreements mainly consist of personal guarantees to the benefit of subsidiaries and joint ventures. Financial guarantees involve the company having a commitment to compensate the holder of a debt instrument for losses he may suffer because a specified debtor fails to make good on payment on due date in accordance with the agreement terms. The parent company applies the Swedish Financial Accounting Standards Council's RR 32:06 p 70 to the reporting of financial guarantee agreements, which is less stringent compared with the rules in IAS 39 relative to financial guarantee agreements made out to the benefit of subsidiaries and joint ventures. The parent company recognises financial guarantee agreements as provisions in the balance sheet when the company has an obligation for which payment is likely to be required to adjust the obligation.

FORESTALLED DIVIDENDS

Forestalled dividends from subsidiaries are recognised when the parent company alone is entitled to decide on the size of the dividend and the company has taken a decision on the size of the dividend before the parent company publishes its financial reports.

TANGIBLE FIXED ASSETS

Tangible fixed assets in the parent company are recognised at acquisition value minus accumulated depreciation and any writedowns in the same way as for the group but with the addition of possible write-ups.

LEASED ASSETS

All leasing agreements in the Parent Company are recognised according to the rules for operating leasing.

EMPLOYEE BENEFITS.

DEFINED BENEFIT PENSION PLANS

The parent company applies different assumptions for the calculation of defined benefit plans than those in IAS 19. The parent company complies with the provisions of the Tryggandelagen (the Act on Safeguarding Pension Obligations) and the instructions of the Swedish Financial Supervisory, as this is a precondition for tax allowance rights.

TAXES

Untaxed reserves including deferred tax liabilities are recognised in the parent company. On the other hand, in the group accounts, untaxed reserves are divided between deferred tax liabilities and shareholders' equity.

GROUP CONTRIBUTIONS AND SHAREHOLDERS' CONTRIBUTION FOR LEGAL ENTITIES

Group's and shareholders' contributions is recognised in accordance with the pronouncement of the Emergency Issues Task Force of the Swedish Financial Accounting Standards Council (URA 7). Shareholders' contribution is recognised directly against equity at the recipient and is capitalised in shares and participations at the donor to the extent writedowns are not required. Group contribution is recognised according to the financial implications. As a result, group contributions submitted and received to minimise the group's total tax are recognised directly against retained earnings deducted for their actual tax effect.

Note 2 Incomes distributed by type

Incomes distributed by essential income item

	Group		Parent company	
MSEK	2006	2005	2006	2005
Revenues from contracting business	27 743	23 618	–	–
Sale of goods	1 823	1 179	–	–
Crane and plant rental	313	266	–	–
Services	345	411	–	–
Administrative services	–	–	59	55
Other	97	27	–	–
Total	**30 321**	**25 501**	**59**	**55**

Note 3 Segment reporting

Segment reports are prepared for the group's business and geographical areas. The group's internal reporting system is based on follow up of profits and returns on the group's various activity types and thus the primary division is into business areas.
The internal price between segments of the Group is based on the "arm's length" principle, in other words, the price is valid between parties who are not dependent on each other, who are well-informed and who are interested in the transactions.
Segment results, assets and liabilities include directly attributable items which can be allocated to the segment in a reasonable and reliable manner. Non-allocated items consist of financial income and expenses and taxes. Assets and liabilities which have not been allocated by segment are interst-bearing long-term receivables and interest-bearing long-term liabilities.
Investments in tangible and intangible fixed asses for the segments included all investments, with the exception of investments in short-term inventories and inventories of minor value.

Business segments

Business segments constitute the primary basis for segments in the Group. The Group consists of the following Business segments.

- **Construction and Civil Engineering:** including the operations new construction, reconstruction, buildning services, production and maintenance, and others. Operations are also divided into product types: housing, industry, roads and civil engineering, and other house buildning.
- **Industry:** consists of industrial operations related to construction in concrete and prefab, rock/gravel, transports, asphalt, plant- and crane hire and temporary electricity.
- **Trust/Management:** includes central companies with Group management and joint Group functions, certian subsidiaries and joint ventures, as well as other holdings.

	Construction and Civil Engineering		Industry		Trust/Management		Elimination		Total	
MSEK	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
Income										
External sale	26 385	22 338	3 867	3 141	69	22			30 321	25 501
Internal sale	293	92	1 647	1 379	85	73	–2 025	–1 544	–	–
Total income	**26 678**	**22 430**	**5 514**	**4 520**	**154**	**95**	**–2 025**	**–1 544**	**30 321**	**25 501**
Operating costs	–25 835	–21 946	–4 990	–4 147	–272	–231	2 025	1 544	–29 072	–24 780
Participations in joint ventures	16	14	3	7	–28	2			–9	23
Result from participations in joint ventures/subsidiaries					11	3			11	3
Operating profit	**859**	**498**	**527**	**380**	**–135**	**–131**	**0**	**0**	**1 251**	**747**
Interest income									276	202
Interest expenses									–116	–125
Year's tax expenses									–363	31
Net profit for the year									**1 048**	**855**
Other information										
Assets	11 198	9 355	3 712	2 900	1 940	1 124	–693	–461	16 157	12 918
Participations in joint ventures	189	154	42	45	30	54	–5	–5	256	248
Non allocated assets									100	576
Total assets	**11 387**	**9 509**	**3 754**	**2 945**	**1 970**	**1 178**	**–698**	**–466**	**16 513**	**13 742**
Liabilities	9 473	6 921	1 415	1 056	1 572	691	–685	–450	11 775	8 218
Non allocated liabilities									1 460	2 176
Total liabilities	**9 473**	**6 921**	**1 415**	**1 056**	**1 572**	**691**	**–685**	**–450**	**13 235**	**10 394**
Investments	403	64	432	393	0	0			835	457
Depreciations	60	61	339	231	2	44			401	336
Write-downs	54	87	22	10		68			76	165
Significant costs besides depreciation and write-downs not corresponding to payments	90	166	0	0	0	0			90	166

Geographic areas

Group segments are divided into the following Geographical Sectors, Sweden, Norway, Finland and Other Markets. Within the Geographic areas operations are conducted in Construction and Civil Engineering, as well as in Industry.
Geographic areas constitute the Group's secondary basis for segments. The information presented concerning segement income refers to the Geographic areas grouped according to where customers are located. The information concerning segment assets and investments for the period in tangible and intangible fixed assets is based on Geographic areas groups according to where the assets are located.

Group	Sweden		Norway		Finland		Other markets		Total	
MSEK	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
External sale	26 043	21 738	2 260	1 841	1 964	1 828	54	94	30 321	25 501
Assets	13 472	11 303	2 042	1 510	990	921	9	8	16 513	13 742
Investments	640	440	132	11	63	6	0	0	835	457

Parent company	Business segement Trust/Management		Geographic areas Sweden		Norway	
MSEK	**2006**	2005	**2006**	2005	**2006**	2005
Net sales	59	55	59	53	–	2

Note 4 Business combinations

Peab aquired 100 per cent of the shares in Midroc Construction AB, 100 per cent of the shares in Svensk Beläggningsteknik i Sävsjö AB, 100 per cent of the shares in Mjöbäckspannan AB, 100 per cent of the shares in Markteknik Schakt & Transport i Åre AB, 100 per cent of the shares in Tollarps Betong & Pålnings AB, 100 per cent of the shares in Kranor AS, 100 per cent of the shares in Björn Bygg AS, 100 per cent of the shares in Ferdigbetong AS, 100 per cent of the shares in Heimdalsgata 4 Utvikling DA, 100 per cent of the shares in Åstorps Bioenergi AB, 100 per cent of the shares in Almqvist Fastighets AB, 100 per cent of the shares in Nybyggarna i Nerike AB, the remaining 50 per cent of the shares in Brunnshög Bostads AB and the remaining 50 per cent of the participations in Fair Fyrtio HB.

Individually, the above acquisitions have insignificant acquisition effects from viewed from the group perspective and information on acquisition effects is therefore provided in aggregate form.

In the time subsequent to the acquisitions the above subsidiaries contributed SEK -71 million to group after-tax profit for 2006. If the acquisitions had been made on 1 January 2006, they would have boosted group income by SEK 2,131 million and after-tax profit by SEK -23 million. The acquisitions had the following impact on the group's assets and liabilities.

The acquired companies net assets at time of acquisition

MSEK	Recognised value of the acquired companies prior to acquisition	Adjusted fair value	Fair value recognised in the group
Tangible fixed assets	129	151	280
Intangible fixed assets	2	138	140
Project and development properties	116		116
Inventories	49		49
Accounts receivable and other receivables	835	30	865
Liquid funds	180		180
Interest-bearing liabilities	–171		–171
Accounts payable and other liabilities	–865	–5	–870
Deferred tax liabilities	–19	–86	–105
Net identifiable assets and liabilities	**256**	**228**	**484**
Previous holdings in joint ventures			9
Group goodwill			173
Purchase price			**666**
Less: Non-paid part of estimated additional purchase price			–84
Less: Payment with own shares			–20
Purchase price paid in cash			**562**
Less: Liquid funds in the acquired companies			–179
Net cash outflow			**383**

The purchase price includes transaction costs associated with the acquisitions amounting to SEK 2 million.

Goodwill includes such items as personnel resources and future synergies regarding the likes of shared systems and resources for joint use which do not meet the requirements for recognition as intangible assets at the time of acquisition.

During the year, acquistions of assets, through the purchase of shares (asset acquisitions) have been performed, resulting in a cash flow of SEK 87 million.

Acqusitions subsequent to balance sheet day

During 2007 Peab has acquired 100 per cent of the shares in ATS Kraftservice AB, 100 per cent of the shares in Linje & Kabelplöjning i Borlänge AB, 100 per cent of the shares in Raaen Entreprenör i Horten AS and 100 per cent of the shares in Bärarelaget Krancenter i Helsingborg AB.

Individually, the above acquisitions have insignificant acquisition effects from the group perspective.

Note 5 Government Grants

Group

Government grants received as compensation for operating costs amounted in 2006 to SEK 39 million (17), and have reduced costs in the income statement.

Note 6 Employees and personnel expenses

Expenses for remunerations to employees

Group MSEK	2006	2005
Wages and remunerations	4 139	3 593
Pension expenses, defined benefit plans	5	6
Pension expenses, defined contribution plans	313	298
Social insurance costs	1 284	1 087
Total	**5 741**	**4 984**

Average number of employees

	No. of employees 2006	Of whom men 2006 per cent	No. of employees 2005	Of whom men 2005 per cent
Parent company				
Sweden	27	63	29	69
Subsidiaries				
Sweden	10 961	94	10 131	94
Norway	490	88	379	89
Finland	703	89	763	91
Poland	12	75	10	70
Latvia	4	75	5	60
Total in subsidiaries	**12 170**	**93**	**11 288**	**94**
Group total	**12 197**	**93**	**11 317**	**94**

Distribution of Board of directors and Group management by gender

	2006 Percentage of women	2005 Percentage of women
Parent company		
The Board of Directors	11%	11%
Senior management	0%	0%
Group total		
The Board of Directors	11%	11%
Senior management	0%	0%

Wages, salaries, other remuneration and social security costs

MSEK	Wages, salaries and other remuneration 2006	Social insurance costs 2006	Wages, salaries and other remuneration 2005	Social insurance costs 2005
Parent company	27	34	25	28
(of which pension costs)		23 [1]		17 [1]

1) Of the Parent company's pension expenses, SEK 18 million (12) refer to the group of Managing Director and Deputy Managing Directors. No pension expenses refer to the Board of Directors. There are no outstanding pension commitments for these.

Wages, salaries and other renumerations distributed by country and between the Board of Directors, etc and other employees

MSEK	Board of Directors and MD (of which bonuses, etc.) 2006	2005	Other employees (of which bonuses, etc.) 2006	2005
Parent company	14	12	13	15
	(–)	(0)	(1)	(1)
Subsidiaries in Sweden	20	16	3 577	3 087
	(4)	(3)	(66)	(44)
Subsidiaries outside Sweden				
Norway	5	3	285	234
	(1)	(0)	(27)	(11)
Finland	3	3	219	220
	(0)	(–)	(2)	(0)
Other countries	0	0	3	3
	(–)	(–)	(0)	(0)
Total in subsidiaries	28	22	4 084	3 544
	(5)	(3)	(95)	(55)
Group total	**42**	**34**	**4 097**	**3 559**
	(5)	**(3)**	**(96)**	**(56)**

In the Parent Company bonuses have in certain cases been paid as one-off pension premiums to the group of Managing Director and Deputy Managing Directors to the amount of SEK 9 million (7). To other employees have bonuses been paid as one-off pension premiums with SEK 1 million (1).

Absence through illness in the parent company	**2006 per cent**	2005 per cent
Total sick absence as a percentage of ordinary working hours	0.4	1.4
Proportion of total sick absence stemming from continuous absence of 60 days or more	0	78
Sick absence as a percentage of each group's ordinary working hours		
Sick absence by sex:		
Men	0.1	1.8
Women	0.9	0.4
Sick absence by age category:		
29 years or younger	0.9	0.8
30-49 years	0.7	0.1
50 years or older	0.1	2.4

Note 7 Fees and cost remuneration to auditors

MSEK	Group 2006	2005	Parent company 2006	2005
KPMG				
Auditing assingments	9	7	2	1
Other assignments	1	2	0	1
Other				
Auditing assignments	1	0	–	–
Other assignments	0	–	–	–
Total	**11**	**9**	**2**	**2**

Auditing assignments refer to examination of the annual report, accounting and administration by the board of directors and the MD, other work which it is the business of the company auditor to perform and advice and other assistance stemming from observations made in connection with such examination or the performance of other similar work. Everything else comes under other assignments.

Note 8 Operating costs distributed by type of cost

MSEK	Group 2006	2005
Material	4 471	5 484
Subcontractors	11 336	7 438
Personnel costs	6 558	5 888
Other production costs	5 944	4 997
Depreciations	401	336
Write-downs	76	165
Other operating costs	286	472
Total	**29 072**	**24 780**

Note 9 Net financial income/expense

Group

MSEK	2006	2005
Interest incomes [1]	54	50
Net exchange rate fluctuation	0	–
Change in value fixed assets [2]	187	–
Change in value conversion rights convertible promissory notes	34	146
Change in value interest rate swaps excluding accounted coupon interest	1	5
Other items	0	1
Financial incomes	**276**	**202**

MSEK	2006	2005
Interest expenses [3]	113	114
Net exchange rate fluctuation	–	11
Other items	3	0
Financial expenses	**116**	**125**
Net financial income/expense	**160**	**77**

1) Of which current interest income from the interest coupon part of interest rate swaps SEK 3 million (5)
2) Refers to shareholdings in Brinova Fastigheter AB
3) Of which current interest expenses from the interest coupon part of interest rate swaps SEK 5 million (13)

Parent company

Result from participations in group companies

MSEK	2006	2005
Dividends	2 796	708
Write-downs	–2 257	–28
Capital gain on sale	–29	–
Total	**510**	**680**

Result from securities and receivables accounted for as fixed assets

MSEK	2006	2005
Interest incomes, external	10	18
Change in value fixed assets [1]	187	–
Change in value conversion rights convertible promissory notes	34	146
Total	**231**	**164**

1) Refers to holding of shares in Brinova Fastigheter AB

Interest income and similar profit/loss items

MSEK	2006	2005
Interest incomes, external	3	2
Other items	0	–
Total	**3**	**2**

Interest expenses and similar profit/loss items

MSEK	2006	2005
Interest expenses, external	13	7
Interest expenses, Group	73	129
Exchange rate differences	–	100
Other items	9	5
Total	**95**	**241**

Note 10 Taxes

Reported in the income statement

The Group

MSEK	2006	2005
Current tax expenses/income		
Year's tax expenses	–14	–68
Adjustment of tax attributable to previous years	1	0
	–13	–68
Deferred tax expenses/tax income		
Temporary differences	31	23
Capitalised value of tax loss carryforwards during the year	52	57
Utilisation of previously capitalised value of tax loss carryforwards	–434	–198
Utilised capitilised value of share pen losses	–	–41
During the year capitalised value of share pen losses from previous years	–	41
Revaluation of reported values of deferred tax receivables [1]	1	217
	–350	99
Total reported tax income/tax expenses in the group	**–363**	**31**

The Parent Company

MSEK	2006	2005
Current tax expenses/income		
Tax income for the year	41	71
Adjustment of tax attributable to previous years	1	0
	42	71
Deferred tax expenses/tax income		
Temporary differences	–63	3
Revaluation of reported values of deferred tax receivables [1]	3	–
	–60	3
Total report tax income in the parent company	**–18**	**74**

Reconciliation of effective tax

The Group

MSEK	2006	2006 (%)	2005	2005 (%)
Profit before tax	**1 411**		**824**	
Tax in accordance with tax rate for the parent company	–395	28.0	–231	28.0
Effect of other tax rates for foreign subsidiaries	0	0.0	–4	0.5
Non-deductible expenses	–36	2.6	–56	6.8
Tax exempt income	17	–1.2	11	–1.3
Deductible non profit-influencing items	14	–1.0	49	–6.0
During the year capitalised value of share pen losses from previous years	–	–	41	–5.0
Value adjustment of previous years' deferred tax [1]	1	–0.1	217	–26.3
Utilised non-capitalised loss carryforwards	39	–2.8	2	–0.2
Tax attributable to previous years	1	–0.1	0	0.0
Increase in loss carryforwards without corresponding capitalisation of deferred tax receivables	0	0.0	–3	0.3
Standard interest on accrual fund	0	0.0	–1	0.1
Adjustment of net profit for joint ventures included in pre-tax profit	–4	0.3	6	–0.7
Effective tax	**–363**	**25.7**	**31**	**–3.8**

1) Of the amount in 2005 referring to adjustment of the value of previous year's deferred tax SEK 211 million refers to deferred tax income stemming from decisions taken during 2005 regarding previous years' taxes, which resulted in a revaluation of deferred tax receivables

The Parent Company MSEK	2006	2006 (%)	2005	2005 (%)
Profit before tax	**582**		**547**	
Tax in accordance with tax rate for the parent company	–163	28.0	–153	28.0
Non-deductible expenses	–646	111.0	–13	2.4
Tax exempt income	787	–135.2	240	–43.9
Value adjustment of previous years' deferred tax	3	–0.5	–	–
Tax attributable to previous years	1	–0.2	0	0.0
Effective tax	**–18**	**3.1**	**74**	**–18.6**

Tax items charged directly to shareholders' equity.

The Group MSEK	2006	2005
Current tax on price differences regarding reborrowing and expanded investments in foreign assets	21	–25
Exchange rate differences	–8	12
Deferred tax attributable to convertible promissory notes	–	–8
	13	–21

The Parent Company MSEK	2006	2005
Current tax in received group contributions	–41	–72
Deferred tax attributable to convertible promissory notes	–	–8
	–41	–80

Reported in the balance sheet
Deferred tax receivables and tax liabilities

The Group	Deferred tax receivables		Deferred tax liabilities		Net	
MSEK	2006	2005	2006	2005	2006	2005
Loss carryforwards	392	792			392	792
Share pen losses	41	41			41	41
Untaxed reserves			–63	–59	–63	–59
Tangible fixed assets	13	12			13	12
Group surplus values			–171	–104	–171	–104
Securities holdings/ Convertible receivables			–104	–41	–104	–41
Current receivables	9	7			9	7
Work in progress	69	20			69	20
Pensions	11	15			11	15
Other	47	22			47	22
	582	909	–338	–204	244	705
Offset	–338	–204	338	204	0	0
Net	**244**	**705**	**0**	**0**	**244**	**705**

The Parent Company	Deferred tax receivables		Deferred tax liabilities		Net	
MSEK	2006	2005	2006	2005	2006	2005
Securities holdings			–63		–63	0
Pensions	3	3			3	3
Other			–3	–6	–3	–6
	3	3	–66	–6	–63	–3
Offset	–3	–3	3	3	0	0
Net	**0**	**0**	**–63**	**–3**	**–63**	**–3**

When assessing deferred tax receivables from loss carryforwards allowance has been made for the current exchange of letters with the Swedish National Tax Board and the equivalent authority in Norway. Estimates have been made together with external tax experts on the right to deduct each loss carryforward. Deferred tax relating to deficits where tax deductions are uncertain have not be recognised as assets. As at 31 December 2006, the value of deferred tax on these loss carryforwards was SEK 205 million (190).

Temporary differences between reported and tax value of shares held for business purposes directly owned by the parent company

Normally there no temporary differences between reported and tax value of shares for business purposes directly owned by the parent company, i.e. neither upon divestment or distribution of dividend, as such transactions are not taxable. Therefore no deferred tax has been reported for these holdings.

Non-reported deferred tax receivables

Tax loss carryforwards for which deferred tax receivables have not been reported in the income statement or the balance sheet amounted to SEK 8 million in 2006 and SEK 21 million in 2005 and refer to the Polish and Latvian businesses. These loss carryforwards fall due during 2007-2010. In the light of the losses of recent years by these companies and the extremely limited nature of future activities, it is unlikely that loss carryforwards can be utilised as offsets against future taxable profits.

Changes in deferred tax on temporary differences and loss carryforwards

The Group MSEK	Amount as at 1 Jan 2006	Recognised in income statement	Recognised in share-holders' equity	Acquisition/ divestment of companies	Amount as at 31 Dec 2006
Loss carryforwards	792	–394	–9	3	392
Share pen losses	41				41
Untaxed reserves	–59	4		–8	–63
Tangible fixed assets	12	5		–4	13
Group surplus values	–104	16		–83	–171
Securities holdings/ Convertible receivables	–41	–63			–104
Current receivables	7	2	–1	1	9
Work in progress	20	63	2	–16	69
Pensions	15	–4			11
Other	22	21		4	47
Total	**705**	**–350**	**–8**	**–103**	**244**

Changes recognised directly in shareholders' equity also include price differences

The Group MSEK	Amount as at 1 Jan 2005	Recognised in income statement	Recognised in share-holders' equity	Acquisition/ divestment of companies	Amount as at 31 Dec 2005
Loss carryforwards	710	70	11	1	792
Share pen losses		41			41
Untaxed reserves	–67	16		–8	–59
Tangible fixed assets	5	7			12
Group surplus values	–39	5		–70	–104
Securities holdings/ Convertible receivables		–41			–41
Current receivables	–6	13			7
Work in progress	46	–16		–10	20
Pensions	11	3	1		15
Other	28	1	–7		22
Total	**688**	**99**	**5**	**–87**	**705**

Changes recognised directly in shareholders' equity also include price differences

The Parent Company MSEK	Amount as at 1 Jan 2006	Recognised in income statement	Recognised in share-holders' equity	Amount as at 31 Dec 2006
Securities holdings	–	–63		–63
Pensions	3			3
Other	–6	3		–3
Total	**–3**	**–60**	**0**	**–63**

The Parent Company MSEK	Amount as at 1 Jan 2005	Recognised in income statement	Recognised in share-holders' equity	Amount as at 31 Dec 2005
Pensions	2	1		3
Other		2	–8	–6
Total	**2**	**3**	**–8**	**–3**

Note 11 Intangible fixed assets

Group 2005 MSEK	Goodwill	Brands	Customer relations	Other intangible assets	Total
Acquisition values brought forward	400	3	–	12	415
Purchases	19			0	19
Sales/disposals	–3				–3
Translation differences for the year	7			0	7
Accumulated acquisition values brought forward	**423**	**3**	**–**	**12**	**438**
Amortization brought forward	–	0	–	–5	–5
Amortization for the year [1]		–1		0	–1
Accumulated amortization carried forward	**–**	**–1**	**–**	**–5**	**–6**
Write-downs brought forward	–15	–	–	–	–15
Sales/disposals	3				3
Write-downs for the year [2]	–30				–30
Accumulated write-downs carried forward	**–42**	**–**	**–**	**–**	**–42**
Book value carried forward	**381**	**2**	**–**	**7**	**390**

Group 2006 MSEK	Goodwill	Brands	Customer relations	Other intangible assets	Total
Acquisition values brought forward	423	3	–	12	438
Purchases	173	95	43	2	313
Translation differences for the year	–3			0	–3
Accumulated acquisition values brought forward	**593**	**98**	**43**	**14**	**748**
Amortization brought forward	–	–1	–	–5	–6
Amortization for the year [1]		–1	–1	–1	–3
Accumulated amortization carried forward	**–**	**–2**	**–1**	**–6**	**–9**
Write-downs brought forward	–42	–	–	–	–42
Write-downs for the year [2]	–39				–39
Translation differences for the year	1				1
Accumulated write-downs carried forward	**–80**	**–**	**–**	**–**	**–80**
Book value carried forward	**513**	**96**	**42**	**8**	**659**

Group

1) Amortization for the year by income statement item	2006	2005
Selling and administrative expenses	–3	–1
	–3	**–1**

2) Write-downs for the year by income statement item		
Production expenses	–39	–30
	–39	**–30**

Specification other intangible assets	2006	2005
Leasehold land	7	7
Other	1	0
Total	**8**	**7**

Impairment test of goodwill in cash-generating units

The balance sheet of the Peab group as at 31 December 2006 included total goodwill of SEK 513 million (381). Cash-generating units with considerable recognised goodwill value compared with the group's total recognised value per segment are shown below:

MSEK	2006	2005
Construction and Civil Engineering		
Sam-Schakt Mark AB	33	33
Peab Seicon Oy Group	69	68
Peab AS group	89	43
Peab Sverige AB Group	37	–
Other units - Construction and Civil Engingeering	67	38
Industry		
Swerock AB group	102	80
Peab Industry Norway Group	48	–
Peab Asfalt, Southern Region	14	32
Other units - Industry	54	87
	513	**381**

Method for estimating recovery value

For all goodwill figures the recovery value has been based on estimation of the utility value for the cash-generating unit. The calculation model is based on the discounting of forecast future cash flows which together with the expected residual value are compared to the unit's reported value. These future cash flows are based on 5-year forecasts based on assessments made by the management of the respective cash-generating units. When testing goodwill normally a utility period of 10 years has been used through extrapolation of cash flow for the years after the forecast period (years 6-10). Growth in years 6-10 has been set to between 0-2 per cent.
The residual value must reflect the expected value upon divestment after the end of the utlity period and has been calculated through a multiple valuation of operating profits at the end of the valuation period. The residual value must reflect the expected value upon an eventual divestment after the end of the utility period and has been calculated through multiple evaluation of the operating profit at the end of the valuation period.

Important variables when estimating utility value:

The following variables are significant and common to all cash-generating units when calculating utility value.

Sales: The competitiveness of the business, expected changes in the financial climate in the construction market, general economic conditions, the investment plans of public and municipal customers, interest rate levels and local market conditions.

Operating margins: Historic profitability levels and business efficiency, the supply of key personnel and qualified manpower, the ability to cooperate with customers/customer relations, supply of internal resources, growth in payroll, materials and subcontractor costs.

Working capital requirements: Individual case assessment of whether the working capital reflects the company's needs or whether it should be adjusted for the forecast period. For future development following sales growth is a reasonable or careful assumption. A large proportion of internally developed projects may involve higher working capital needs.

Investment needs: The company's investment needs are assessed on the investments required to achieve the initially forecast cash flow, i.e. not including expansion investments. Investment levels have usually corresponded to the depreciation rate of tangible fixed assets.

Tax burden: The tax rate in forecasts is based on Peab's expected tax position in the respective countries with regard to tax rates, loss deductions etc.

Discount rate: The forecast cash flow and residual value are discounted to present value applying Weighted-Average Cost of Capital (WACC) based on the group's capital structure in the test case. Interest rates on borrowed capital is set at that for group net borrowing. The required return on equity is based on the Capital Asset Pricing Model. In the calculations made of utility value a discount rate before tax of approx. 12 per cent (10) has been used.

Goodwill writedowns

In 2006, the group wrote down total goodwill of SEK 39 million (30). Of this, SEK 12 million referred to Peab's Norwegian subsidiary Peab AS in the primary segment Construction and Civil Engineering. The write-down refers to terminated business. A SEK 17 million goodwill writedown was made on Peab Asfalt's southern region stemming from the acquisition of PNB Asfalt. The company is active in the local market with strong pressure on prices which resulted in the identification of a writedown requirement. These cash-generating unit is included in the primary segment Industry.

For the cash-generating units where the recovery values have been estimated and no writedown need has been identified the company management assesses that no reasonably possible changes in important assumptions would result in the recovery value being less than the recognised value.

Note 12 Tangible fixed assets

Group 2005 MSEK	Buildings and land	Machinery and equipment	Construction in progress	Total
Acquisition values brought forward	769	2 679	14	3 462
Purchases	47	438	49	534
Purchases in acquired companies	19	157	–	176
Sales/disposals	–1	–248	–4	–253
Reclassifications	–6	–37	–7	–50
Translation differences	3	10	–	13
Accumulated acquisition values brought forward	**831**	**2 999**	**52**	**3 882**
Depreciation brought forward	–212	–1 461	–	–1 673
Accumulated depreciation in acquired companies	0	–57		–57
Sales/disposals	1	213		214
Reclassifications	2	36		38
Depreciation for the year	–25	–312		–337
Translation differences	0	–8		–8
Accumulated depreciation values brought forward	**–234**	**–1 589**	**–**	**–1 823**
Write-downs brought forward	–8	–2	–	–10
Translation differences	–1			–1
Accumulated write-downs carried forward	**–9**	**–2**	**–**	**–11**
Book value carried forward	**588**	**1 408**	**52**	**2 048**

No borrowing costs have been including in the acquisition values of assets during the financial period

Group 2006 MSEK	Buildings and land	Machinery and equipment	Construction in progress	Total
Acquisition values brought forward	831	2 999	52	3 882
Purchases	186	565	25	776
Purchases in acquired companies	60	333	–	393
Sales/disposals	–17	–289	–	–306
Reclassifications	31	37	–57	11
Translation differences	–2	–13	–	–15
Accumulated acquisition values brought forward	**1 089**	**3 632**	**20**	**4 741**
Depreciation brought forward	–234	–1 589	–	–1 823
Accumulated depreciation in acquired companies	–6	–142		–148
Sales/disposals	5	220		225
Reclassifications	0	1		1
Depreciation for the year	–29	–369		–398
Translation differences	0	8		8
Accumulated depreciation carried forward	**–264**	**–1 871**		**–2 135**
Write-downs brought forward	–9	–2	–	–11
Reclassifications				–
Write-downs for the year				–
Translation differences	0			0
Accumulated write-downs carried forward	**–9**	**–2**	**–**	**–11**
Book value carried forward	**816**	**1 759**	**20**	**2 595**

No borrowing costs have been including in the acquisition values of assets during the financial period

MSEK	2006	2005
Tax assessment value of buildings in Sweden	225	200
Tax assessment value of land in Sweden	188	163

Parent company	Machinery and equipment 2006	2005
Acquisition values brought forward	7	7
Purchases	0	0
Accumulated acquisition values brought forward	**7**	**7**
Depreciation brought forward	–3	–3
Depreciation for the year	–1	0
Accumulated depreciation carried forward	**–4**	**–3**
Book value carried forward	**3**	**4**

Financial lease in the Group

Companies in the group lease vehicles, construction machinery and other production equipment through many different leasing agreements. Book value concerning financial lease in the Group amounts to SEK 543 million (506).

When the leasing agreements terminate Peab has normally a liability to buy the equipment at the residual value. The leased assets are owned by the lessors.

Note 13 Participations in joint ventures

Specifications of Group's holdings of shares and participations

Company, Registered office Corp.ID.no	Share per cent	Book value 2006	2005
Peab I5 AB Örebro, 556679-4276	50	29	3
Dockan Exploatering AB Malmö, 556594-2645	33	41	40
Fastighets AB Medicinaren Huddinge, 556315-0399	40	30	36
Koy Alvar Aallonkatu Seinäjoki, 1575383-0	46	21	21
Fastighets AB Solskensgården Stockholm, 556573-9330	40	–	19
AB Vendels Grustag & Co KB Uppsala, 917600-5636	49	15	15
Norrvikens Fastigheter AB 556703-1470, Lidingö	50	15	–
Brunnshögs Bostads AB Helsingborg, 556612-0852	50	–	11
Kolbotn Torg AS Oslo, 984 178 425	50	10	10
Kungsörs Grus AB Kungsör, 556044-4134	50	8	10
Ale Exploatering AB Ale, 556426-2730	50	8	4
PeWi Bostadsutveckling AB Båstad, 969687-5492	50	8	2
Byggutveckling Svenska AB Linköping, 556627-2117	50	7	8
F5 Ljungbyhed AB Klippan, 556545-4294	35	6	6
AB Vendels Grustag Uppsala, 556025-8383	50	6	6
Gartnerhagen Bolig AS Tromsö, 990 025 924	50	6	–
KB Älvhögsborg Trollhättan, 916899-2734	50	5	4
Svenska Fräs & Asfalts-återvinning SFA AB Markaryd, 556214-7354	30	5	5
Tomasjord Park AS Tromsö, 983 723 853	50	4	–
Fastighets AB Bryggeriet Göteborg, 556141-6115	50	4	4
Tolv AB Eksjö, 556513-2478	35	4	4
Expressbetong AB Halmstad, 556317-1452	50	3	4
Gransångaren AB Västerås, 556591-2994	46	3	3
Vestre Mortensnes Bolig AS Tromsö, 986 488 987	51	3	–
Fältjägaren Fastigheter AB Östersund, 556688-3517	50	2	25
Deamatris Förvaltning AB Stockholm, 556518-6896	50	2	2
Mälarstrandens Utvecklings AB Västerås, 556695-5414	44	2	–
Dampskipskaia H-fest AS Tromsö, 988 780 499	50	2	–
Gottåsa Fastighets AB Alvesta, 556499-2948	50	2	2
HB Gladökrossen Uppsala, 969615-7917	50	2	2
Fastigheten Preppen HB Göteborg, 969684-0983	50	2	–
HB Solrosen 7-8 JV Borås, 916897-4088	50	1	–
Other not specified items		0	2
Total		**256**	**248**

The group's financial reports include the below items which constitutes the group's ownership holding in joint ventures company's assets, liabilities, income and expenses.

MSEK	2006	2005
Incomes	341	237
Expenses	–350	-214
Profit	**–9**	**23**
Fixed assets	342	617
Current assets	815	791
Total assets	1 157	1 408
Long-term liabilities	397	711
Short-term liabilities	504	449
Total liabilities	901	1 160
Net assets/ net liabilities	**256**	**248**

Note 14 Parent company´s participation in joint ventures

MSEK	2006	2005
Acquisition values brought forward	17	17
Income from the sale of participations	–17	–
Book value carried forward	**–**	**17**

Specifications of Parent company´s holdings of shares and participations in joint ventures

Company, Registered office, Corp.ID.no.	Share per cent	No. of partici-pations	Book value 2006	Book value 2005
Fastighets AB Solskensgården Stockholm, 556573-9330	40	401	–	17
Total			**–**	**17**

The share of participation is equivalent to the voting share

Note 15 Other securities held as fixed assets

	Group		Parent company	
MSEK	2006	2005	2006	2005
Acquisition values brought forward	230	22	216	1
Changed accounting policies		72		
Change in value	224	151	224	151
Assets added		0	30	
Assets removed	–6	–3		–1
Reclassifications	270	–13	241	12
Translation differences	–1	1		
Accumulated acquisition values brought forward	**717**	**230**	**711**	**216**
Write-downs brought forward	–6	–6	–	–
Assets removed	6			
Reclassifications		5		
Write-downs for the year		–4		
Translation differences		–1		
Accumulated write-downs carried forward	**–**	**–6**	**–**	**–**
Book value carried forward [1)]	**717**	**224**	**711**	**216**

Other securities held as fixed assets valued at fair value

Parent company		
Acquisition value		
Opening balance 1 January	12	
Reclassifications	241	12
Balance carried forward 31 December	**253**	**12**
Change in value through the income statement		
Opening balance 1 January	204	–
Changed accounting policies		53
Reclassifications	3	6
Unrealized change in value through the income statement for the year	221	145
Balance carried forward 31 december	**428**	**204**
Booked value 31 december	**681**	**216**

1) SEK 681 million (216) of the Groups holding refers to shares in Brinova Fastigheter AB

Note 16 Receivables from Group companies

Parent company

MSEK	2006	2005
Acquistion values brought forward	344	134
Added receivables	236	338
Settled receivables	–339	–128
Book value carried forward	**241**	**344**

Note 17 Interest-bearing receivables

Interest-bearing long-term receivables

	Group		Parent company	
MSEK	2006	2005	2006	2005
Receivables from joint ventures	93	102	–	–
Other interest-bearing long-term receivables	6	17	–	10
Convertible promissory notes conversion part	–	240	–	240
Total	**99**	**359**	**–**	**250**

Interest-bearing short-term receivables

MSEK	2006	2005	2006	2005
Receivables from joint ventures	44	133	–	56
Other interest-bearing receivables	37	38	15	15
Total	**81**	**171**	**15**	**71**

In June 2003, Peab AB subscribed for convertible promissory notes in Brinova, series 2003/2008, for nominal SEK 253 million. Shares in Brinova Fastigheter AB were converted on 28 June 2006.

Note 18 Other receivables

Other long-term receivables

	Group		Parent company	
MSEK	2006	2005	2006	2005
Receivables from joint ventures	36	13	–	–
Other long-term receivables	13	12	1	1
Total	**49**	**25**	**1**	**1**

Other short-term receivables

	Group		Parent company	
MSEK	2006	2005	2006	2005
Receivables from joint ventures	122	75	55	–
Receivables from related parties	–	47	–	–
Forestalled dividend	–	–	2 285	–
Other short-term receivables	410	460	15	2
Total	**532**	**582**	**2 355**	**2**

Note 19 Project and development properties

	Group		Parent company	
MSEK	2006	2005	2006	2005
Directly owned project and development properties	1 807	1 519	–	3
Advance project and development properties	20	16	–	–
Participation in Finnish housing companies	184	215	–	–
Bought-back participations in tenant-owners´ associations	12	17	–	–
Other	7	17	–	–
Total	**2 030**	**1 784**	**–**	**3**

Recovery

Of booked value in real estate held for resale of SEK 2,030 million (1,784) approx. SEK 1,466 million (980) is expected to be recovered through production start or sales after more than 12 months after the balance sheet day. The outstanding part is expected to be recovered within 12 months after the balance sheet day.

Note 20 Inventories

	Group	
MSEK	2006	2005
Raw materials and consumables	40	45
Products in progress	45	118
Finished products and goods for resale	199	182
Total	**284**	**345**

Note 21 Accounts receivable

Accounts receivable were written down for actual and feared bad debts to the tune of SEK 31 million where of actual group bad debts amounted to SEK 3 million (12).

The parent company had no bad debts.

Note 22 Recognised income not yet invoiced

	Group	
MSEK	2006	2005
Recognised income on uncompleted contracts	15 584	15 990
Invoicing on uncompleted contracts	–12 964	–13 181
Total	**2 620**	**2 809**

Recognised income from contracts in progress is reported with the application of percentage of completion method. The calculation of the degree of recognition is made on the basis of the project costs incurred at the end of the period in relation to the project costs for all contracts.

Contract assignments are reported in the balance sheet on the basis of gross project for project, either as Recognised but non-invoiced income in current assets or as Invoiced but non-recognised income in short-term liabilities. Projects that have higher recognised incomes than what has been invoiced are reported as assets, while projects that have been invoiced for more than recognised income are reported as liabilities.

Note 23 Prepaid expenses and accrued income

MSEK	Parent company 2006	2005
Accrued interest income	1	2
Prepaid overhead expenses	2	1
Total	**3**	**3**

Note 24 Shareholders' equity

Group
Specification of shareholders' equity item reserves

Translation reserve

MSEK	2006	2005
Opening translation reserve	61	5
Translation differences for the year	–61	56
Closing translation reserves/reserves	**0**	**61**

Repurchased own shares which reduced the shareholders' equity item retained earnings including profit for the year

MSEK	2006	2005
Opening repurchased own shares	79	88
Purchases during the year	822	–
Divestments during the year	–20	–9
Closing repurchased own shares	**881**	**79**

	Number of issued fully paid shares	Share capital
A-shares	9 805 702	98 057 020
B-shares	77 390 242	773 902 420
	87 195 944	**871 959 440**

An A-share entitles the holder to 10 votes and a B-share to 1 vote.

For those shares in the company,s own holding (see below) all rights have been revoked until these shares are re-issued.

Other contributed capital

Refers to equity contributed from the owners. This includes premium reserves recognised in reserve funds as at 31 December 2005. Provisions for the premium reserve will also be recognised as contributed capital from 1 January 2006 onwards.

Reserves

Translation reserve

The translation reserve comprises all exchange rate differences arising when translating financial reports of foreign companies which have prepared their financial reports in a different currency to that which the group's financial report is presented in. The parent company and the group present their financial reports in Swedish crowns.

Retained earnings including profit for the year

Retained earnings including profit for the year includes earnings in the mother company and its subsidiaries, associated companies and joint venture companies. Previous provisions for reserve funds, excluding transferred premium reserves and previous investment reserves are included in this shareholders' equity item.

Repurchased shares

Repurchased shares comprise acquisition costs deducted for sales income from own shares owned by the parent company. As at 31 December 2006, the group's holding of own shares was 7,315,000 units (2,093,200).

Dividends

After balance sheet day the board of directors proposed the following dividend which is subject to ratification by the AGM 16 May 2007.

Cash dividend SEK 3.50 per share (3.00), in total SEK 305,185,804 (261,587,832) calculated based on the number of registered shares. Total final dividends are calculated based on outstanding shares at the time of distribution.

Distribution of all shares in Peab Industri AB. The dividend is equivalent to SEK 6.90 per registered share based on the reported value of the shareholding on 31 December 2006, which amounted to SEK 600 million. Calculated based on the number of outstanding shares on 31 December 2006 this is equivalent to a dividend of SEK 7.50 per share.

The Parent Company

Restricted reserves

Restricted reserves may not be impaired by the distribution of dividends.

Reserve fund

The purpose of the reserve fund is to retain a part of the net profit which is not allocated to cover balanced losses. The reserve also includes amounts transferred to the share premium reserve before 1 January 2006.

Non-restricted equity

Premium reserve

When shares are issued at a premium, i.e. when more must be paid for the shares than their par value, an amount equivalent to amount received in excess of the par value of the shares is transferred to the share premium reserve. The amount transferred to the share premium reserve from 1 January 2006 is included in unrestricted capital.

Retained earnings

Consist of the previous year's non-restricted equity after any reserve provisions and after profit distribution. Together with profit for the year this constitutes the total non-restricted equity, i.e. the amount available for distribution to the shareholders.

Note 25 Earnings per share

Earnings per share

SEK	Before dilution 2006	Before dilution 2005	After dilution 2006	After dilution 2005
Earnings per share	**12.37**	**10.06**	**11.79**	**9.84**

Earnings per share before dilution

The calculation of earnings per share for 2006 was based on annual profit attributable to the parent company's ordinary shareholders amounting to SEK 1,047 million (856) and on a weighted average number of outstanding shares in 2006 of 84,617,000 (85,059,000).

Earnings per share after dilution

Potential future ordinary shares refer to 5.5 million convertible debentures issued on 16 June 2005 and subscribed for by Peab staff.

The calculation of earnings per share after dilution for 2006 was based on annual profit attributable to the parent company's ordinary shareholders amounting to SEK 1,063 million (864) and on a weighted average number of outstanding shares in 2006 of 90,117,000 (87,862,000). The two components were calculated as follows:

Profit attributable to the parent company's ordinary shareholders after dilution

MSEK	2006	2005
Profit attributable to the parent company's ordinary shareholders	1 047	856
Interest rate effect on convertible promissory notes 2005/2008 (after tax)	16	8
Profit attributable to the parent company's ordinary shareholders after dilution	**1 063**	**864**

Weight average number of outstanding ordinary shares after dilution

Thousands of shares	2006	2005
Weighted average number of outstanding ordinary shares before dilution	84 617	85 059
Effect of converting convertible promissory notes 2005/2008	5 500	2 803
Weighted average number of outstanding ordinary shares after dilution	**90 117**	**87 862**

Repurchased shares are not included in the calculation.

Note 26 Interest-bearing liabilities

Group MSEK	2006	2005
Long-term liabilities		
Bankloan	527	1 285
Convertible promissory notes	465	456
Financial leasing liabilities	450	423
Loan from joint venture	1	1
Other	0	2
Total	**1 443**	**2 167**
Short-term liabilities		
Bankloan including overdraft facilities	363	0
Commercial papers	649	465
Short-term part of leasing liabilities	161	130
Total	**1 173**	**595**

Convertible promissory notes 2005/2008

Group MSEK	2006	2005
Value after issue of 5,500,000 convertible promissory notes	479	479
Amount classified as shareholders' equity	–27	–27
Capitalised interest	13	4
Liability reported as at 31 December	**465**	**456**

The convertible debenture loans run from 16 June 2005 to 15 June 2008 with a coupon of 2.69 per cent

Financial leasing liabilities

Financial leasing liabilities fall due for payment as follows:

The Group MSEK	Minimum leasing charge 2006	Interest 2006	Capital amount 2006	Minimum leasing charge 2005	Interest 2005	Capital amount 2005
Within one year	176	15	161	143	13	130
Between one and five years	397	33	364	363	33	330
Later than five years	92	6	86	102	9	93
Total	**665**	**54**	**611**	**608**	**55**	**553**

Note 27 Pensions, Share related remunerations, Benefits of Executive management

Defined benefit pension plans

Group

MSEK	2006	2005
Present value of unfunded obligations	18	5
Present value of fully or partially funded obligations	6	26
Total net present value of obligations	**24**	**31**
Fair value of plan assets	–5	–18
Net present value of obligations	**19**	**13**
Non-recognised actuarial gains (+) and losses (–)	–2	–7
Effect of limitation rule on net assets	0	3
Net reporting of defined benefit plans recognised as provisions for pensions	**17**	**9**

Review of defined benefit plans

Defined benefit plans consist of the Swedish ITP plan for salaried staff managed through insurance with Alecta, pension plans for a few leading officials in Sweden and Norway and the AFP pension in Norway. As Alecta cannot submit the information required to account for the ITP plan as a defined benefit plan, this has been recognised as a defined contribution plan (see below).

Changes in obligations recognised in the balance sheet for defined benefit plans

MSEK	2006	2005
Net obligations for defined benefit plans as at 1 January	31	21
Paid out remunerations	–1	–1
Expenses for work during current period and interest expenses	3	10
Actuarial gains and losses	4	1
Effect from business acquisitions	5	–
Adjustments	–17	0
Translation differences	–1	0
Obligations for defined benefit plans as at 31 December	**24**	**31**

Changes in recognised fair value in the balance sheet for plan assets

MSEK	2006	2005
Fair value for plan assets as at 1 January	18	14
Contributions from employer	1	4
Expected return	1	1
Difference between expected and actual return	0	0
Adjustments	–15	–1
Fair value for plan assets as at 31 December	**5**	**18**

Expenses charged to income statement

MSEK	2006	2005
Expenses for work during current period	2	3
Interest expenses on obligations	1	1
Expected return on plan assets	–1	–1
Recognised actuarial gains (-) and losses (+)	5	1
Effects of reductions and adjustments	–2	2
Total net expense in the income statement	**5**	**6**

Expenses are recognised in the following lines in the income statement

MSEK	2006	2005
Sales and administration expenses	5	6
Financial income	–1	–1
Financial expenses	1	1
Total costs	**5**	**6**
Actual return on plan assets	1	1

Assumptions for defined benefit plan obligations

The most important actuarial assumptions on balance sheet day, per cent	2006	2005
Discount rate	3.00	4.00
Expected return on plan assets	4.50	4.50
Future pay increases	3.00	3.00
Future increases in pensions	1.80	2.00

Historical information

MSEK	2006	2005	2004
Present value of defined benefit plan obligations	24	31	21
Fair value of plan assets	–5	–18	–14
Plan deficit	**19**	**13**	**7**

Old-age pension and family pension obligations for salaried staff in Sweden are managed through insurance with Alecta. Under pronouncement URA 42 of the of Emergency Issues Task Force of the Swedish Financial Accounting Standards Council this is a defined benefit plan which comprises several employers. In the 2006 financial year the company did not have the necessary information required to recognise this plan as a defined benefit plan. According to ITP the pension plan managed through insurance with Alecta is thus recognised as a defined contribution plan. Annual charges for pension insurances taken out with Alecta amounted to SEK 119 million (103). Alecta's surplus may be distributed among the policyholders and/or the insured. At the end of 2006 Alecta's surplus in the form of the collective consolidation level amounted to 143 per cent (129). The collective consolidation level consists of the market value of Alecta's assets as a percentage of the insurance obligations calculated in accordance with Alecta's insurance estimate assumption, which do not accord with IAS 19.

Defined contribution pension plans

The group has defined contributed pension plans which are entirely paid for by the company. Payments to these plans are made on a current basis in accordance with the rules in each plan.

	Group		Parent company	
MSEK	2006	2005	2006	2005
Expenses of defined contribution plans [1]	313	298	23	17

1) This includes SEK 119 million (103) referring to an ITP plan financed in Alecta, see above

Incentive program

The Peab group has no commitments to share-related or option-related remuneration of staff

Benefits of Executive management

Remuneration and other benefits during the year

Thousands, SEK	Basic salary/board fees	Variable renumeration	Other benefits	Pension expenses	Total
Chairman of the board, Göran Grosskopf	400				400
Other members of the board	595				595
Managing Director	3 442	2 200			5 642
Other Senior management	12 310	6 800	344	8 627	28 081
Total	**16 747**	**9 000**	**344**	**8 627**	**34 718**

Comments on the table

Variable remuneration to the MD and leading officials refers to 2006 bonuses. Other benefits refer to company cars. Pension expenses refer to the expenses charged to 2006. See below for additional information on pensions.

The board of directors

The AGM in 2006 decided that remuneration for the external members of the board of directors should amount to a maximum of SEK 995,000 (1,025,000), of which the chairman of the board of directors received SEK 350,000 (350,000) in board fee. Fees to the external members of the board consist of board fees to a maximum of SEK 870,000 (900,000) and SEK 125,000 (125,000) for committee work in the remuneration and finance committees. During the year fees paid amounted to a total of SEK 995,000 (1,025,000).

Fees are not paid to members of the board who are permanent employees of the group. There are no agreements on future pension/retirement remuneration or other benefits either for the chairman of the board or for other members of the board besides the managing director.

The preparation and decision-making process for remuneration

The remuneration committee appointed by the board of directors is made up of chairman of the board Göran Grosskopf, member of the board Jan Segerberg and the managing director Mats Paulsson. The remuneration committee excluding the managing director negotiates his salary and other terms of employment with the managing director. The board of directors decides on the managing director's salary and other terms of employment. The managing director must negotiate the salary and terms of employment with the deputy managing directors. The remuneration committee decides on the salary and other terms of employment of the deputy managing directors.

Bonuses for the managing director and other leading officials relate to the meeting of profit targets for the group. Bonuses for the 2006 financial year could not exceed a maximum of SEK 2,200,000 (2,200,000) for the managing director and a total of SEK 6,800,000 (5,100,000) for the Other Senior management.

2006 salaries and remuneration for leading officials were set in February 2006.

Principles the remuneration of executive management

The AGM held in May set the proposed remuneration policy. The policy adopted accords with the principles of the corporate governance code on remuneration.

Group executive management comprise the Managing director and the deputy managing directors. The group consisted of 8 persons in 2006.

Remuneration for the Managing director and other Senior management consists of a fixed salary, variable remuneration, extra sick insurance and those benefits otherwise enjoyed by the other employees of the Peab group and pension. The total remuneration for each leading official must be on market terms and based on the responsibilities and qualifications of the leading official.

From time to time, executive management may be offered bonuses. Such bonuses may not exceed 60 per cent of the regular salary and must above all be based on the pre-tax profit of the Peab group. Bonuses must be set per business year.

Bonuses are adjusted the year after being earned and may either be paid out as salary or as a one-off pension premium. If bonuses are paid out on a one-off basis, certain adjustments are made so as to neutralise the total cost for Peab.

Upon leaving the company, leading officials are required to give six months' notice at the most. Peab for its part must give notice of at the most 24 months. No severance pay will be paid apart from salary during the period of notice.

The remuneration policy is applied through new agreements or modifications to existing ones taken after the 2006 AGM adopted the proposed remuneration policy.

The board of directors will propose leaving the remuneration policy unchanged at the AGM on 16 May 2007.

The managing director

In 2006, the managing director of Peab AB received a salary including benefits of SEK 3,442,000 (3,387,000) in all. In addition, his bonus in 2006 amounted to SEK 2,200,000 (2,065,000).

In 2004, during which the managing director celebrated his sixtieth birthday, all pension obligations to the managing director were finally adjusted, after which no pension premiums will be paid. After final adjustment all pension obligations to the managing director are part of a defined contribution plan. All pension benefits are unassailable.

The company has commitments to an early retirement pension to the managing director which involves payment of 75 per cent of his pensionable salary between the ages of 60 and 65. The pension premium for retirement at 65 amounts to 35 per cent of the pensionable salary but to a maximum of 10 basis amounts. The pensionable salary consisted of the basic salary and the average of the last three years' bonuses prior to 2005. No pension premiums were paid for the managing director during 2005 and 2006.

The payment of the agreed pension has been postponed from 60 to the time the managing director leaves his post.

If the managing director is given notice by the company, he is entitled to receive the agreed pension. If the managing director resigns, the period of notice is 6 months.

Other Senior management

The term Other Senior management refers to the seven (six) deputy managing directors of Peab AB.

Salary and other remuneration including benefits for Other Senior management amounted to SEK 12,310,000 (10,416,000). In addition, bonuses in 2006 amounted to SEK 6,800,000 (4,695,000).

Pension premiums paid out for other Senior managers amounted to SEK 8,627,000 (4,762,000) during the year, of which SEK 2,074,000 refers to final adjustments or premium adjustments from previous years.

There are early retirement pension commitments for other Senior managers. All pension benefits are unassailable.

For a leading official final adjustment has been made both of the pension payable between the ages of 60 and 65 and the pension payable after the age of 65. After final adjustment all pension obligations to the leading official are part of a defined contribution plan. All pension benefits are unassailable. After 1 June 2006 when the leading official celebrated his/her 60th birthday no pension premiums will be paid. The payment of the agreed pension has been postponed from 60 to the time the leading official leaves his/her post.

There are pension commitments for the other six leading officials which involve pensions being paid from the ages of 62 to 65. There is a supplementary commitment whereby the company or the leading official can trigger early retirement from the age of 62. Annual pension premiums of 47 per cent of the basic salary are paid for these commitments. These pensions are part of defined contribution plans.

If dismissed by the company other Senior managers are entitled to a maximum of two annual salaries deducted for salaries from new employers. If Executive managers resign, the period of notice is six months.

Personnel convertible debentures

In 2005, Peab offered all staff in the group except for the managing director and the members of the board the opportunity to subscribe to convertible promissory notes. A total 5.5 million convertibles were issued to a nominal value of SEK 478.5 million. The loan matures on 15 June 2008 and is subject to a fixed interest rate of 2.69 per cent, with the option within a special conversion window to subscribe to a series B-share in Peab for SEK 87 for each debenture.

Employees paid the market price for the convertibles received and the program is not subject to any terms concerning continued employment or performance on the part of employees. The employees were offered external bank financing of the convertible debentures without any guarantees or undertakings on the part of Peab.

The purpose of the issue of personnel convertibles was to boost long-term financial commitment to Peab on the part of employees with increased motivation and reinforced loyalty to the group.

Reporting of the convertible loan is shown in note 26.

Note 28 Provisions

Provisions which are long-term liabilities

MSEK	Group 2006	2005
Guarantee risk reserve	67	58
Close-down costs	1	2
Re-establishment costs	27	22
Social insurance costs on provisions for pensions	5	8
Other	1	1
Total	**101**	**91**

Provisions which are current liabilities

MSEK	Group 2006	2005
Guarantee risk reserve	48	11
Other	7	–
Total	**55**	**11**

Provisions which are long-term liabilities

Group 31 December 2006 MSEK	Guarantee risk reserve	Close-down costs	Re-establishment costs	Social insurance costs on provisions for pensions	Other
Book value brought forward	58	2	22	8	1
Provisions set aside during the year	25		10	1	
Amounts requisitioned during the year	–16	–1	–5	–4	0
Translation difference	0			0	
Book value carried forward	**67**	**1**	**27**	**5**	**1**

Provisions which are current liabilities

Group 31 December 2006 MSEK	Guarantee risk reserve	Restructuring reserve	Other
Book value brought forward	11	–	–
Provisions set aside during the year	47	2	5
Amounts requisitioned during the year	–8		
Reveresed unutilized provisions during the year	0		
Translation difference	–2		
Book value carried forward	**48**	**2**	**5**

Guarantee risk reserve

Refers to the calculated cost of remedying faults and deficiencies relative to finished projects which may occur during the term of the guarantee. Resources are consumed during the guarantee period of the project which is generally two years.

Close-down costs

Refers to the calculated termination costs regarding specific business in Finland.

Re-establishment costs

Refers to the calculated re-establishment costs for rock and gravel quarries after operations are wound up. The size of provisions increases with the quarried amount and is charged back after re-establishment has been carried out. The provision is expected to be used gradually once the break is complete. Restoration can take between 1 to 15 years.

Payroll tax on pension provisions

Refers to payroll tax (or the equivalent in Norway) on provisions for defined benefit plan pensions.

Note 29 Other liabilities

Group MSEK	2006	2005
Other long-term liabilities		
Additional purchase price	48	14
Advance	24	13
Interest rate swaps	1	3
Other liabilities	6	7
Total	**79**	**37**
Other short-term liabilities		
Additional purchase price	5	–
Deduction upon acquisition of own shares	168	–
Liabilities to joint ventures	0	5
Liabilities to closely related legal entities	–	6
Value added tax	381	238
Tax at source, social securtiy costs	150	109
Other liabilities	285	157
Total	**989**	**515**

Parent company MSEK	2006	2005
Other short-term liabilities		
Additional purchase price	–	3
Deduction upon acquisition of own shares	168	–
Tax at source	1	1
Other liabilities	1	–
Total	**170**	**4**

Note 30 Invoiced income not yet recognised

MSEK	Group 2006	2005
Invoiced sales on uncompleted contracting project	29 829	21 005
Recognised income on uncompleted contracting projects	–26 470	–18 825
Total	**3 359**	**2 180**

Recognised income from contracts in progress is reported with the application of percentage of completion method. The calculation of the degree of recognition is made on the basis of the project costs incurred at the end of the period in relation to the project costs for all contracts.

Contract assignments are reported in the balance sheet on the basis of gross project for project, either as Recognised but non-invoiced income in current assets or as Invoiced but non-recognised income in short-term liabilities. Projects that have higher recognised incomes that what has been invoiced are reported as assets, while projects that have been invoiced for more than recognised income are reported as liabilities.

Note 31 Accrued expenses and deferred income

MSEK	Parent company 2006	2005
Accrued payroll expenses	18	17
Accrued social security expenses	4	5
Accrued interest expenses	7	7
Accrued overhead expenses	1	1
Total	**30**	**30**

Note 32 Financial risks and finance policy

Financial management

The Group's finance management is managed in accordance with the applicable finance policy established by the board of directors of Peab. The board of directors have appointed a finance committee which can take decisions subject to the applicable finance policy between meetingsof the board of directors. The finance committee must account for decisions taken at the next meeting of the board. The Economy/Finance support function and the group's internal bank Peab Finans AB manage coordination of the group's financial activities. Centralised finance management ensures good control and efficient handling of the group's cash flow and financial risk exposure. The group's expertise in the financial area is concentrated at one level in the company which through active intervention in the capital markets creates contact interfaces and optimises the group's conditions.

Financial risks

The group is exposed to a variety of financial risks such as exchange rate, interest rate, financing and credit risks. Under Peab's finance policy the group's financial risks must be adjusted to a risk mandate tailored to the business concept established by the board of directors. Risks relative to exchange rate, interest rate, financing and financial credit risks are managed by Peab Finance, whilst credit risks relative to current operations are assessed and managed in the respective subsidiaries in accordance with current credit policy.

Currency risks

Financial exposure

The Group's borrowing is made in local currencies to decrease operational currency exposure. Assets and liabilities in foreign currency are converted at the rate applying on balance sheet date. Of interest-bearing liabilities as at 31 December 2006, borrowing including leasing but exclusive of currency derivatives was as follows:

	Lokal currency in millions	MSEK
SEK	2 140	2 140
EUR	13	119
NOK	340	374
Total		**2 633**

Internal loans are used for temporary liquidity requirements in Peab's foreign businesses. Currency swaps are used to eliminate foreign exchanges risks. The maturities of currency swaps are often less than three months. When closing books for the year currency swaps are reported at fair value and value changes are reported as unrealised exchange rate differences in the income statement and as current receivables and liabilities in the balance sheet. At the end of the year the Group held no outstanding currency swaps regarding financial exposure (-2 MEUR).

Exchange rate differences in net financials from financial exposure amounted to SEK 1 million (-11) during the year. Exchange rate differences in operating profits from financial exposure amounted to SEK 0 million (0) during the year.

Exposure of net assets in foreign currency

Currency exposure arising from investments in foreign net assets can be hedged through the taking out of loans in foreign currency or through forward contracts. At the end of the year the group held forward contracts for foreign net assets in Norway to the amount of NOK 130 million (0).

Foreign net assets

Lokal currency in millions	31-12-2006	31-12-2005
NOK	403	185
EUR	47	24
PLN	3	2
LVL	1	0

Annual exchange rate differences in equity (net assets in foreign subsidiaries) amounted to SEK -61 million (56).

Commercial exposure

International purchases and sales of goods and services in foreign currency are limited in scope but may be expected to increase in time with the Group's expansion and the increasing competition surrounding the purchasing of goods and services. Contracted or budgeted currency flows can be hedged for the following 6 months. At the end of the year there was no commercial exposure hedging.

Interest rate risks

As at 31 December 2006 net debt amounted to SEK 1,534 million (2,110). Total interest-bearing liabilities amounted to SEK 2,633 million (2,771), of which SEK 1,173 million (595) were short-term. Under the finance policy, the average fixed interest period on total borrowing must not exceed 24 months. At the end of the year, the average fixed interest period excluding derivatives on exercised credits was 4 months (7), on non-exercised credits it was 0 months (0), and on total conceded credits it was 2 months (3).

Fixed interest period on exercised credits excluding derivatives as at 31 December 2006

Fixed interest period	Amount, MSEK	Average effective interest rate per cent	Share, per cent
2007	2 168	3.7	82
2008	465	4.7	18
2009	–	–	–
2010	–	–	–
2011-	–	–	–
Total	**2 663**	**3.9**	**100**

With a decreasing net debt The Group has chosen a short interest period for outstanding credits. As at 31 December 2006 there was one interest rate swap to the amount of SEK 100 million which fall due in year 2008 with an effective interest rate of 4.4 per cent. Peab pays fixed interest annually and receives floating rates (Stibor 3 months) on interest rate swaps. The swap agreements are reported at fair value in annual accounts and the effects are recognised as interest income in the income statement and as other long-term and current liabilities in the balance sheet.

As the table below shows, SEK 2,068 million of the group's total interest-bearing liabilities including derivatives have fixed interest periods of less than 1 year. Interest-bearing assets items of SEK 1,055 million have short fixed interest periods, with the result that SEK 1,013 million of the group's net debt including derivatives have fixed interest periods of less than 1 year and are thus relatively immediately susceptible to changes in market interest rates.

Fixed interest period on exercised credits including derivatives as at 31 December 2006

Fixed interest period	Amount, MSEK	Average effective interest rate per cent	Share, per cent
2007	2 068	3.7	79
2008	565	4.7	21
2009	–	–	–
2010	–	–	–
2011-	–	–	–
Total	**2 633**	**3.9**	**100**

Financing risk

Under the finance policy the group's net debt is mainly covered by conceded loan undertakings with maturities of between 1-7 years due to the fact that construction and civil engineering activities tie up relatively little capital while the company's financial assets are considerable. At the end of the

year, the average loan period on exercised credits was 19 months (24), on non-exercised credits it was 62 months (34), and on total conceded credits it was 44 months (30).

At the turn of the year 2005/2006, Peab's base financing consisted of bilateral borrowing agreements to a total of SEK 3,000 million with eight banks. At the start of 2005, the loan agreements, which are not subject to amortization, had remaining maturities until September 2009. The loan agreements were renegotiated in January 2006, and as a result the maturities were extended to a final due date of February 2013 and the number of banks was reduced from eight to seven. Otherwise terms and volumes are unchanged. The bilateral loan agreements have the same basic documentation and contain financial covenants in the form of interest cover and equity/asset ratio which the group must comply with as is normal for this type of loan agreement. At the end of the year, Peab complied with these key ratios by a wide margin.

In 2005, Peab established a lending program for commercial papers. Under the program, Peab is able to issue commercial papers up to a maximum amount of SEK 1,500 million. The borrower is Peab Finans AB with guarantees from Peab AB. At the end of the year, Peab had outstanding commercial papers worth SEK 649 million (494).

In June 2005, Peab issued a convertible mortgage loan to all employees. A total of 5.5 million convertible debentures were issued for a total nominal sum of SEK 478.5 million. The rate of interest on the convertible debentures is fixed at 2.69 per cent during their term. The convertible debentures run from 16 June 2005 to 15 June 2008.

The total authorised lending ceiling excluding non exercised leasing lines and excluding that part of the certificate program which has not been exercised amounted to SEK 6,337 million (6,742) as at 31 December 2006. Of the total authorised lending SEK 2,633 (2,771) were utilized.

Loan period on exercised credits 31 December 2006

Loan period	Amount MSEK	Share per cent
2007	1 336	51
2008	496	19
2009	585	22
2010	65	2
2011-	151	6
Total	**2 633**	**100**

Credit risk

Credit risk refers to the risk of losing money due to the counterparty failing to meet his commitments. In the construction industry credit losses are normally small due to an extremely large number of projects and customers. A large number of customers also implies that there are no concentration of credit risks. All the Group's subsidiaries work according to a centrally established credit policy which enables them to determine the financial soundness of their customers and suppliers. Total actual credit losses within the construction business amounted to SEK 3 million (12) The credit risks experienced by financing activities are extremely small, as Peab deals with counterparties of high credit rating. In 2006, Peab suffered no financial credit losses.

Fair value

Under IAS 39, Financial instruments, financial instruments are valued either at amortized cost or fair value depending on which category they belong to. Classification largely depends on the purpose of the holding. Those items which have been subject to valuation to fair value are shares in Brinova Fastigheter AB (conversion part of convertible promissory notes up to conversion to shares on 28 June 2006) and interest rate and currency swaps.

Shares in Brinova

When calculating the fair value of the conversion promissory notes in Brinova Fastigheter AB, an option assessment model was used based on the official. After the conversion the shares has been valuated to fair value based on the market price of the Brinova Fastigheter class B-shares at year end.

Derivatives

When computing the fair value of interest rate swaps future cash flow was discounted to the listed market interest for the remaining term to maturity and when computing the value of currency swaps spot rates on balance sheet day were used.

The table below shows booked value compared to fair value by type of financial asset and debt.

Financial instruments

The Group

	31-12-2006		31-12-2005	
MSEK	**Booked value**	**Fair value**	Booked value	Fair value
Financial assets				
Other long-term securities	717	717	224	224
Interest-bearing long-term receivables	99	99	359	361
Other long-term receivables	49	49	25	25
Accounts receivable	5 150	5 150	3 680	3 680
Interest-bearing current receivables	81	81	171	171
Other current receivables	425	425	477	477
Short-term investments	6	6	1	1
Liquid funds	913	913	130	130
Total financial assets	**7 440**	**7 440**	**5 067**	**5 069**
Financial liabilities				
Interest-bearing long-term liabilities	1 443	1 435	2 167	2 164
Other long-term liabilities	79	79	23	23
Interest-bearing current liabilities	1 173	1 173	595	595
Accounts payable	3 707	3 707	2 877	2 877
Other current liabilities	445	445	142	142
Total financial liabilities	**6 847**	**6 839**	**5 804**	**5 801**

The effects of valuing financial instruments at fair value are included in profit with the total of SEK 222 million (151), where the effects of the market valuation of the convertible rights in Brinova are included in profit to the tune of SEK 187 million (146) and the market valuation of interest rate swaps are included in profit to the tune of SEK 1 million (5).

Note 33 Operational lease

Group

Lease payments carried as an expense during the period

MSEK	2006	2005
Minimum lease payments	186	152
Contingent rent	0	–
Total lease payments	**186**	**152**

Non deductible lease payments amounts to:

MSEK	2006	2005
Within a year	169	163
Between one and five years	125	142
Later than five years	2	–
Total	**296**	**305**

Home computers for employees, rental of premises and office inventories are classified as operating leasing agreements.

Most of leasing costs refer to rental of premises under operating lease agreements. Leasing agreements run without special restrictions with an option to renew. Other agreements on operating leasing are divided among a number of lesser agreements.

Only the marginal amount of leasing income for items which are sublet is entered.

Note 34 Investment undertakings

In 2006, the group signed agreements on acquisition of tangible fixed assets for SEK 163 million (53).

Joint ventures made undertakings of investments of SEK 30 million (7). It is expected that these undertakings will be adjusted during the next financialyear.

The parent company signed no agreements on the acquisition of tangible fixed assets.

Not 35 Pledged assets and contingent liabilities

Pledged assets	Group		Parent company	
MSEK	2006	2005	2006	2005
For own liabilities and provisions				
Related to long-term liabilities to credit institutions:				
Real estate mortgages	109	562		
Floating charges	8	1		
Shares	–	3		
Assets with attached liens	183	160		
Restricted bank balance	0	1		
Other	2	–		
Related to current liabilities to credit institutions:				
Real estate mortgages	248	86		
Shares	9	58		
Assets with attached liens	5	–		
Other	–	5		
Total related to own liabilities and provisions	**564**	**876**	**–**	**–**
For own contingent liabilities and guarantees				
Other	15	16		
Total for own contingent liabilities and guarantees	**15**	**16**	**–**	**–**
Other	**77**	**42**		
Total pledged assets	**656**	**934**	**–**	**–**

Contingent liabilities	Group		Parent company	
MSEK	2006	2005	2006	2005
Shared obligations as part-owner in limited partnerships	550	357	–	–
Obligations in consortia for other part-owners' liabilities	0	1	–	–
Guarantees and contracting guarantees for Group companies	–	–	7 407	6 454
Guarantee liabilities in favour of joint ventures	125	63	115	53
Other guarantees and contingent liabilities	1 376	785	1 188	599
Total	**2 051**	**1 206**	**8 710**	**7 106**

Other guarantees and contingent liabilities refer in the main to commitments in relation to tenant owners' associations, guarantees to Brinova Fastigheter regarding deficit deductions for tax purposes and lawsuits in progress in the Group concerning competition damages charges.

In conjunction with the disposal of Brinova Fastigheter, Peab issued a guarantee that the tax related deficit of SEK 250 million incurred in Brinova Fastigheter during 2002 through the issue of Group contributions would be approved during taxation. The reported value of the deficit deduction amounted to SEK 70 million. In a petition to the County Administrative Court, the tax authorities applying the law against tax evasion have urged that Brinova Fastigheter be denied deductions for SEK 250 million in tax losses which arose through payment of Group contribution. The County Administrative Court upheld the petition in a decision of November 2006. Brinova Fastigheter has appealed against the decision of the Court. If Brinova Fastigheter is definitively refused the right to deduct the losses, Peab will have to honour the SEK 70 million guarantee submitted in accordance with the above while it should be possible for Peab to exercise the loss deduction of SEK 250 million, thereby Peab's profits are not expected to be affected.

In the current asphalt cartel suit the Swedish Competition Authority is demanding that the companies in question shall pay competition damages. The amount the Authority claims that Peab shall pay amounts to a total of SEK 167 million. The main negotiations in Stockholm City Court started in September 2006 and were finished in February 2007. A judgement in Stockholm City Court is expected on 31 May 2007. In view of uncertainty concerning the outcome of this legal process it is not possible to make a reliable estimation of a possible commitment. The full amount of SEK 167 million has been reported as a contingent liability in accordance with IAS 37.

Note 36 Related party disclosures

Related parties

The group is under controlling influence of brothers Mats and Erik Paulsson together with family and company. As at 31 December 2006 these together held 66 per cent of the votes in the group's parent company. Because of the Paulsson family's controlling influence in Peab, transactions with the below companies come under the heading of transaction with related parties.

Brinova

The Brinova group is under the controlling influence of brothers Mats and Erik Paulsson together with family and company through their holding in the company. Mats Paulsson is a member of the board of directors of Brinova.

Wihlborgs

Erik Paulsson is chairman of the board of directors of Wihlborgs and has a significant influence.

Skistar

The Skistar group is under the controlling influence of brothers Mats and Erik Paulsson together with family and company. Erik Paulsson is chairman of the board of directors and Mats Paulsson is a member of the board of Skistar.

Fabege

Erik Paulsson was managing director of Fabege until 31 December 2006 and thereafter working vice chairman of the board of directors and has a significant influence.

Backahill

Backahill is under the controlling influence of Erik Paulsson together with his family through his holding in the company. Svante Paulsson is managing director of Backahill and member of the board of directors of Peab.

Group companies

Besides the related parties above stated for the Group the parent company has a close relationship with its subsidiaries, see Note 37.

Summary of transactions with related parties

The Group MSEK	2006	2005
Transactions with joint ventures		
Sales to joint ventures	512	439
Purchases from joint ventures	66	32
Liabilities to joint ventures	9	5
Receivable from joint ventures	253	323
Dividends from joint ventures	3	3
Transactions with Brinova		
Sales to Brinova	99	42
Purchases from Brinova	35	5
Liabilities to Brinova	29	–
Purchase of property from Brinova	4	0
Receivables from Brinova	21	2
Convertible claims for Brinova, nominal sum	–	253
Shareholdings in Brinova, fair value	681	–
Contingent liabilities referring to Brinova, see Note 35	70	70
Transactions with Skistar		
Sales to Skistar	91	63
Purchases from Skistar	1	2
Receivables from Skistar	12	2
Transactions with Wihlborgs		
Sales to Wihlborgs	124	103
Purchases from Wihlborgs	8	8
Purchase of property from Wihlborgs	–	8
Liabilities to Wihlborgs	3	1
Receivables from Wihlborgs	28	21
Transactions with Fabege		
Sales to Fabege	261	493
Purchases from Fabege	22	11
Purchase of property from Fabege	–	210
Liabilities to Fabege	6	5
Receivables from Fabege	33	22
Transactions with Backahill		
Sales to Backahill	24	16
Receivables from Backahill	1	5

Parent company MSEK	2006	2005
Transactions with subsidiaries		
Sales to subsidiaries	59	54
Purchases to subsidiaries	11	10
Liabilities to subsidiaries	6 913	2 605
Receivables from subsidiaries	242	350
Dividends from subsidiaries	2 796	708
Transactions with joint ventures		
Receivable from joint ventures	–	56
Transactions with Brinova		
Convertible claims for Brinova, nominal sum	–	253
Shareholdings in Brinova, fair value	681	–
Transactions with Skistar		
Purchases from Skistar	–	1

Leading officials

See note 6 and 27 for information on salaries and other remuneration to the board of directors and the MD along with information on costs and obligations relating to pensions and similar benefits and agreement on retirement remuneration.

Transaction terms

Transactions with related parties were priced on general market terms.

Note 37 Group companies

Holdings in subsidiaries

Company	Corp.ID.no	Registered office	Share of equity [1]	Book value in parent company, MSEK 2006	2005
Peab Finans AB	556552-1324	Båstad	100.0%	1 616	1 616
Peab Sverige AB	556099-9202	Båstad	100.0%	1 787	1 540
Peab Bau GmbH	DE 811 771 570	Tyskland	100.0%		
Peab Sp.zo.o	40624	Polen	100.0%		
KB Muraren 134	916837-9841	Göteborg	100.0%		
KB Möllevarvet	969639-7877	Sollentuna	100.0%		
Granit & Beton Trean HB	916621-3802	Karlskrona	100.0%		
Mölletofta i Klippan AB 66%	556069-3953	Klippan	67.0%		
KB Snickaren 203	969684-0975	Göteborg	100.0%		
KB Snickaren 207	969684-1023	Båstad	100.0%		
Interoc Projekt AB	556519-7091	Malmö	100.0%		
Peab Brunnshög AB	556649-9116	Båstad	100.0%		
Förvaltningsbyggnad i Västervik AB	556659-5384	Båstad	100.0%		
Förvaltningsbyggnad i Kalmar AB	556659-5392	Båstad	100.0%		
Vägbetong C & H Ljung AB	556428-5905	Göteborg	100.0%		
Peab Elevbyggen AB	556101-0355	Alingsås	100.0%		
Peab Projektutveckling Väst AB	556092-9852	Göteborg	100.0%		
AB St Jörgen	556341-8887	Göteborg	100.0%		
KB St Jörgen	916840-0407	Göteborg	100.0%		
KB Elfhögsgatan	969678-8000	Göteborg	100.0%		
KB Muraren 125	916837-9767	Göteborg	100.0%		
KB Muraren 128	916837-9775	Göteborg	100.0%		
KB Muraren 129	916837-9783	Göteborg	100.0%		
KB Muraren 130	916837-9791	Göteborg	100.0%		
Peab Trading Väst AB	556594-9590	Båstad	100.0%		
Peab Högsbo AB	556594-4583	Göteborg	100.0%		
Bearsden AB	556462-3550	Göteborg	100.0%		
Kreaton AB	556644-5010	Strömstad	100.0%		
Fair fyrtio HB	916630-7422	Örebro	50.0%		
Peab Projektutveckling Mellersta AB	556114-2448	Örebro	100.0%		
Peab Förvaltning Nyköping AB	556632-7747	Stockholm	100.0%		
Interoc AB	556058-5837	Örebro	100.0%		
Rörman Installation & Service Sverige AB	556026-0316	Sundbyberg	100.0%		
Bromma Plattsättning AB	556129-8562	Stockholm	100.0%		
Peab Bostad AB	556237-5161	Stockholm	100.0%		
HB Märsta 24:21 förvaltning	916625-1331	Sollentuna	75.0%		
Haninge Park KB	916637-2590	Nacka	100.0%		
KB Lövängen i Barkarö	969680-6315	Stockholm	100.0%		
KB Legeringen	969680-6265	Stockholm	100.0%		
Ekuddens Exploatering och Parkerings AB.	556602-3429	Stockholm	100.0%		
KB Åskan i Uppsala	969672-8808	Eskilstuna	100.0%		
Fastighetsbolaget Måsbodarna Tre AB	556691-9907	Uppl. Väsby	100.0%		
Peab Projektfastigheter AB	556202-6962	Stockholm	100.0%		
Fastighetsförvaltningsbolaget Gasellen 2 HB	916563-4271	Stockholm	100.0%		
Olsson & Zarins Baltinvest AB	556439-3592	Uppsala	100.0%		
J.O.Z. Peab Group SIA	40003136462	Lettland	100.0%		
Kungsfiskarens Bygg & Fastighets AB	556471-2296	Stockholm	100.0%		
Stockholm Entreprenad AB	556569-4386	Stockholm	100.0%		
Siljan Anläggning AB	556540-6211	Orsa	100.0%		
PB Prefabmontage AB	556597-7138	Stockholm	100.0%		
Enköpings Företagspark AB	556408-7145	Enköping	100.0%		
AB Faresta Grus	556166-1819	Örnsköldsvik	100.0%		
Peab Projektutveckling Nord AB	556421-1091	Sundsvall	100.0%		
Skillingenäs AB	556587-0192	Karlskrona	100.0%		
Ekenäs i Ronneby AB	556641-9924	Ramdala	100.0%		
Riksten Friluftsstad AB	556547-8764	Stockholm	100.0%		
Berg & Väg Maskin AB	556130-4972	Stockholm	100.0%		
Göran Jonsson Markanläggningar AB	556499-9612	Strängnäs	100.0%		
Markbyggen i Kalmar AB	556239-0491	Kalmar	100.0%		
Kipsala Service Center SIA	40003729343	Lettland	100.0%		
Gamla Varvet AB	556274-5090	Båstad	100.0%		
TGS Fastigheter Nr2 AB	556680-5106	Linköping	100.0%		
KB Klagshamn Exploatering	916563-4412	Båstad	100.0%		
Peab I 5 AB	556679-4276	Örebro	50.0%		
Peab Ulriksdal AB	556689-5537	Stockholm	100.0%		
Ulriksdal Utveckling AB	556509-6392	Solna	100.0%		
Peab Construction Syd AB	556292-2368	Båstad	100.0%		
Peab Construction i Göteborg AB	556626-9089	Göteborg	100.0%		
Högvakten i Helsingborg AB	556341-7228	Helsingborg	100.0%		
Peab Park AB	556107-0003	Båstad	100.0%		
Bungenäs Utveckling Södra AB	556689-8697	Örebro	100.0%		
Åstorps Bioenergi AB	556644-8246	Åstorp	100.0%		
Almgust Fastighets AB	556421-1299	Gnosjö	100.0%		
JK Komplementär AB	556442-7432	Halmstad	100.0%		
Peabskolan i Ängelholm AB	556066-3675	Ystad	100.0%		
KPK Entreprenader AB	556117-7238	Tyresö	100.0%		
Markarbeten i Värmland AB	556332-9373	Karlstad	100.0%	–	29
Bronsspännet AB	556713-9950	Malmö	100.0%		
Nybyggarna i Nerike AB	556582-1146	Örebro	100.0%		
Peab Seicon Oy	1509374-8	Helsingfors	100.0%	488	311
Oy Seicon Construktion International LTD	0925347-7	Seinäjoki	100.0%		
Peab Norge AS	990 040 729	Olso	100.0%	97	97
Peab AS	981 032 411	Oslo	100.0%		
Idrettsveien 13 AS	981 544 080	Oslo	100.0%		
Bestum Prosjektutvikling AS	952 669 826	Oslo	50.5%		
Gydas Veid DA	982 796 083	Olso	99.9%		
Ferdigbetong AS	987 013 117	Tromsö	100.0%		
Björn Bygg AS	943 672 520	Tromsö	100.0%		
Haugen Eiendom AS	980 343 030	Tromsö	100.0%		
Nerthus Oy	112 285 22	Tallin	100.0%		
Nesland Eiendom AS	985 788 170	Tromsö	100.0%		
Peab Bolig AS	987 099 011	Oslo	100.0%		
Heimdalsgata 4 Utv. DA	987 572 809	Oslo	99.9%		
Gydas Veid DA	982 796 083	Olso	0.1%		
Bekkestua Park AS	984 492 048	Oslo	66.7%		
Pilestredet Utsyn AS	986 130 268	Olso	100.0%		
Heimdalsgata 4 Utv. DA	987 572 809	Oslo	0.1%		
Lenken og Bueslaget Utvikling AS	983 025 757	Oslo	100.0%		
Engaland AS	990 153 825	Oslo	100.0%		
Elvehavn Brygge Hus G AS	990 153 809	Oslo	100.0%		
Follo Bergrom AS	963 923 066	Oslo	100.0%		
Byggservice & Vedlikehold AS	986 346 384	Oslo	100.0%	88	88
Peab Invest AS	981 704 665	Oslo	100.0%	1 137	1 137
Fastighets AB Skeppsdockan i Malmö	556563-0711	Ängelholm	100.0%	1	1
Fastighets AB Grisen	556466-1055	Stockholm	100.0%		
Peab International AB	556568-6721	Båstad	100.0%	348	348
Peab International B.V.	3411.9597	Amsterdam	100.0%		
Lambertssons Kran Holding AB	556329-5244	Båstad	100.0%		
Peab Industri B.V	3412.4635	Amsterdam	100.0%		
Rebux B.V.	3323 8644	Amsterdam	100.0%		
Br Paulsson Peab AB	556113-4114	Båstad	99.9%	157	157

Company	Corp.ID.no	Registered office	Share of equity [1]	Book value in parent company, MSEK 2006	2005
Stadiongatans Lokaluthyrning AB	556141-1736	Malmö	100.0%		
Norrviken Exploaterings AB	556245-3356	Båstad	100.0%		
Vejby Transport & Miljö AB	556240-2742	Ängelholm	100.0%	0	0
Peab Byggkonstruktion AB	556059-0910	Stockholm	100.0%	51	51
Peab Konstruktion AB	556061-1500	Stockholm	100.0%		
Peab Utvecklings AB	556511-5408	Båstad	100.0%	171	171
Fastighets AB Skånehus	556371-3816	Helsingborg	100.0%		
Peab Holding AB	556594-9533	Båstad	100.0%	0	0
JaCo AB	556554-6487	Ängelholm	100.0%		
Varvstaden AB	556683-1722	Båstad	100.0%		
Skånehus AB	556547-6958	Båstad	100.0%		
Fair fyrtio HB	916630-7422	Örebro	50.0%		
Peab Industri AB	556594-9558	Båstad	100.0%	600	0
Peab Treasure AB	556594-9624	Båstad	100.0%		
Lambertsson Sverige AB	556190-1637	Båstad	100.0%		
LKME i Förslöv AB	556543-5293	Båstad	100.0%		
Lambertsson Nosturit Oy	456.106	Helsingfors	100.0%		
Leppäveden Nosturiasennus Oy	424.516	Leppävesi	100.0%		
KB Muraren 102	916837-9544	Mölndal	100.0%		
Krantorp KB	969623-0540	Mölndal	100.0%		
Swerock AB	556081-3031	Helsingborg	100.0%		
Swerock Uppsala AB	556031-3289	Uppsala	100.0%		
AB Uppsala Grus	556206-6281	Uppsala	100.0%		
Rådasand AB	556042-8699	Lidköping	100.0%		
Pumpcenter i Västsverige AB	556091-0746	Helsingborg	75.0%		
Peab Transport & Maskin AB	556097-9493	Örkelljunga	100.0%		
Peab Bildrift AB	556313-9608	Helsingborg	100.0%		
Byggbetong i Norrland AB	556072-7876	Umeå	100.0%		
Scanballast AB	556267-7905	Umeå	100.0%		
Vilhelmina Cementvarufabrik AB	556498-2154	Vilhelmina	100.0%		
AB Roler	556100-0729	Örebro	100.0%		
Gruvgrus AB	556103-9933	Gällivare	100.0%		
Peab Vagnpark AB	556234-0371	Båstad	100.0%		
St: Eriks AB	556203-4750	Hudiksvall	100.0%		
Gånarps Fastighets AB	556469-9600	Hässleholm	100.0%		
Mjöbäckspannan AB	556313-0615	Svenljunga	100.0%		
Takimporten i Mjöbäck AB	556645-9144	Svenljunga	100.0%		
Skandinaviska Byggelement AB	556034-2148	Uppsala	100.0%		
Nordmarkens Betongprodukter AB	556546-8229	Årjäng	100.0%		
Peab Asfalt AB	556098-8122	Båstad	100.0%		
Svenska Beläggning-aktiebolaget, SBB	556187-3828	Hylte	100.0%		
Asfaltbeläggningar i Boden AB	556279-8768	Boden	100.0%		
Markteknik Schakt & Transport i Åre AB	556272-6140	Åre	100.0%		
Peab Asfalt Beläggningsmaskiner AB	556244-8257	Båstad	100.0%		
Peab Asfalt Syd AB	556198-4070	Malmö	100.0%		
Asfalt & Väg i Strängnäs AB	556545-6034	Strängnäs	100.0%		
Svensk Beläggningsteknik i Sävsjö AB	556539-9309	Sävsjö	100.0%		
NeTel AB	556592-4056	Stockholm	100.0%		
NeTel AS	983 096 514	Oslo	100.0%		
Peab Grundläggning AB	556154-7364	Göteborg	100.0%		
Tollarps Betong & Pålning AB	556123-6612	Kristianstad	100.0%		
Peab Industri Grus AB	556715-5337	Malmö	100.0%		
Peab Industri Betong AB	556715-4827	Helsingborg	100.0%		
Peab Industri Asfalt AB	556715-4835	Helsingborg	100.0%		
Peab Industri Kran AB	556715-4843	Helsingborg	100.0%		
Peab Industri Byggelement AB	556715-4850	Helsingborg	100.0%		
Start Up 24 AS	990 609 527	Oslo	100.0%		
Lambertsson Norge AS	985 129 738	Skedsmo	100.0%		
Kranor AS	976 313 062	Slemmestad	100.0%		
Peab Industri Finland AB	556687-9226	Helsingborg	100.0%		
Marttilan Betonirakennus Oy	077 212 0-6	Ollila	100.0%		
Vasa Betongstation AB	1509160-3	Vasa	100.0%		
Lambertsson Oy	0937993-4	Turku	100.0%		
Birsta Fastigheter AB	556190-3765	Helsingborg	100.0%	60	60
Peab Norden AB	556134-4333	Stockholm	100.0%	16	16
Peab Skandinavien AB	556568-8784	Båstad	100.0%	139	139
Flygstaden Intressenter i Söderhamn AB	556438-9665	Båstad	100.0%	272	272
Flygstaden AB	556551-4667	Söderhamn	95.0%		
Stockholms Kommersiella Fastighets AB	556105-6499	Stockholm	100.0%		
Skånska Stenhus AB	556233-8680	Helsingborg	100.0%		
Fastighets AB Anaset	556536-1895	Stockholm	100.0%		
Pionjären Fastighets AB	556114-9773	Boden	100.0%	8	8
Camsof AB	556077-8499	Båstad	100.0%	1	–
Incasec AB	556591-2267	Båstad	100.0%	0	–
Peab Tubsockan AB	556715-1773	Linköping	100.0%	0	–
Peab Grevie AB	556715-0213	Linköping	100.0%	0	–
Peab Båstad AB	556715-0239	Linköping	100.0%	0	–
Peab Bosarp AB	556715-0247	Linköping	100.0%	0	–
Peab Raggsockan AB	556715-0254	Linköping	100.0%	0	–
Lambel AB	556577-8890	Båstad	100.0%	0	–
Peab Invest Oy	1773022-9	Helsingfors	100.0%	635	–
Lambertsson Sverige Holding AB	556094-5072	Båstad	100.0%	9	–
Swerock Holding AB	556565-2947	Båstad	100.0%	79	–
Skandinaviska Byggelement Holding AB	556397-3071	Ystad	100.0%	20	–
Skåne Projektfastigheter AB	556471-9143	Helsingborg	100.0%	36	36
AB Kampenhof	556453-1688	Uddevalla	80.0%		
Hyresmaskiner Gösta Pettersson AB	556082-6470	Stockholm	100.0%		
KB Kampenhof	916849-5365	Göteborg	80.0%		
Mauritz Larsson Byggnads AB	556036-8242	Stockholm	100.0%		
Projektfastigheter Mellersta AB	556104-1533	Stockholm	100.0%		
Bomi AB	556470-0176	Helsingborg	100.0%		
Fastighetsbolaget Viken HB	916606-5137	Stockholm	100.0%		
HB Muraren 124	916837-9759	Göteborg	100.0%		
Projektfastigheter Väst AB	556044-1866	Stockholm	100.0%		
Projektfastigheter Götaland AB	556259-3540	Klippan	100.0%		
Plead Speyer GmbH		Speyer	100.0%	0	0
Total Parent company				**7 816**	**6 077**

1) The share of equity agree with the share of voting power

Parent company

MSEK	2006	2005
Acquisition values brought forward	7 867	7 611
Purchases	2 330	74
Shareholders´contribution	1 664	182
Sales	–513	–
Accumulated acquistion values brought forward	**11 348**	**7 867**
Revaluations brought forward	100	100
Accumulated revaluations carried forward	**100**	**100**
Write-downs brought forward	–1 890	–1 862
Sales	449	–
Write-downs for the year	–2 191	–28
Accumulated write-downs carried forward	**–3 632**	**–1 890**
Book value carried forward	**7 816**	**6 077**

Participations in Group companies have been written down in the Parent Company accounts to an amount of SEK 2,191 million (28). These write-downs refer to dormant companies or companies with negligible operations, where write-downs have been made to a value corresponding to equity. Write-downs for the year are reported in the income statement for the parent company on the line "Result from participations in Group companies".

Note 38 Cash flow statement

Interest paid and dividend received

MSEK	Group 2006	Group 2005	Parent company 2006	Parent company 2005
Dividends received	3	3	0	–
Interest received	50	52	11	27
Interest paid	108	119	86	139

Adjustments for non-cash items

MSEK	Group 2006	Group 2005	Parent company 2006	Parent company 2005
Participation in joint ventures	9	–23	–	–
Dividends received from joint ventures	3	3	–	–
Depreciation/amortization and write-downs	477	501	2 257	29
Unrealized exchange rate difference	–20	6	–	100
Gain on sale of fixed assets	–39	–18	17	–
Gain on sale of business/subsidiary	–	–7	–	–
Provisions	9	1	–	–
Change fair value financial instruments	–216	–152	–215	–145
Accrued expenses and provisions	90	166	–	–
Dividends from subsidiaries	–	–	–2 796	–708
Total	**313**	**477**	**–737**	**–724**

Transactions involving no payments

MSEK	Group 2006	Group 2005	Parent company 2006	Parent company 2005
Aquisition of assets by financial leasing	237	210	–	–
Aquisition of subsidiaries financed by loan from the seller	84	13	–	–
Aquisition of subsidiaries with own shares	20	9	–	–

Aqcuisition of subsidiaries and business

MSEK	Group 2006	Group 2005
Fixed assets	698	135
Current assets	1 062	1 039
Liquid assets	179	72
Minority interests	–	32
Provisions	–114	–92
Long-term liabilities	–219	–544
Current liabilities	–853	–135
Purchase prices	753	507
Loan from the seller	–84	–13
Aquisition with own shares	–20	–9
Paid purchase price	649	485
Less: Liquid funds in acquired companies	–179	–72
Effect on liquid funds	**470**	**413**

Disposal of subsidiaries

MSEK	Group 2006	Group 2005
Fixed assets	2	–
Project- and development properties and inventories	53	96
Current receivables	10	1
Borrowings	–12	–61
Current liabilities	–51	–36
	2	**0**
Received purchase price	2	7
Less: Liquid funds in divested companies	–	–
Effect on liquid funds	**2**	**7**

Note 39 Important estimates and assessments

The company management has assessed changes to, the choice of and information on the group's important accounting policies and estimates made as well as the application of these policies and estimates. Certain important accounting estimates made when applying the group's accounting policies are described below.

Percentage of completion method

The results reported for ongoing contracts are calculated based on percentage of completion method. This requires that project revenues and costs can be calculated reliably, and is prerequisite on an efficient system of calculation, forecasting and project monitoring. Forecasts of the final outcome of the project are critical estimates crucial for results reporting during the progress of the project. There may be a risk that final results for a project will differ from reported based on the percentage of completion method.

Impairment test of goodwill

When calculating the recovery value of cash-generating units to estimate any goodwill write-down needs, several assumptions concerning future conditions and estimates of parameters have been made. There is an account of these in note 11. As note 11 explains, changes during 2007 of the preconditions of these assumptions could have impact on goodwill value.

Project and development properties

The book value has been estimated based on reigning price levels per property at the respective location. Changes in supply and demand may have impact both on book values and an write-down requirement can appear.

Disputes

The actual outcome of disputed amounts may vary from the amounts estimated the accounts. See note 35 and others, Pledged assets, contingent liabilities and contingent assets.

Taxes

Changes in tax legislation and changed interpretation practice with regard to tax legislation may considerably affect the size of recognised deferred tax receivables.

Accounting policies

New accounting standards and the interpretation of existing ones may result in changes which may involve certain transactions in future being managed differently to earlier practices.

Note 40 Information on parent company

Peab AB is a Swedish registered limited company domiciled in Båstad. Peab AB's shares are listed on Stockholmsbörsen. The address of the head office is Margretetorpsvägen 84, SE-260 92 Förslöv.

The consolidated accounts for 2006 consist of the parent company and its subsidiaries, together referred to as the group. The group also includes shares of holdings in joint ventures.

This is to certify that to the best of our knowledge the annual report has been prepared in accordance with good accounting practices for listed companies. The information submitted stems from actual conditions in the company and no material omissions have been made which might affect the impression the annual report gives of the group and the parent company.

Förslöv, April 2, 2007

Göran Grosskopf
Chairman

Mats Paulsson
Managing Director

Annette Brodin Rampe

Karl-Axel Granlund

Jan Segerberg

Svante Paulsson

Kent Ericsson

Ulf Lundström

Bengt Ericsson

The annual report and the consolidated accounts have been approved for publication by the board of directors on 2 April 2007. The consolidated income statement and balance sheet will be presented for adoption by the AGM on 16 May 2007.

AUDIT REPORT.

To the annual meeting of the shareholders of Peab AB (publ)

Corporate identity number 556061-4330

I have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Peab AB (publ) for the year 2006. The annual accounts and the consolidated accounts are presented in the printed version of this document on pages 24-76. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of International Financial Reporting Standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. My responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on my audit.

I conducted my audit in accordance with generally accepted auditing standards in Sweden. Those standards require that I plan and perform the audit to obtain high but not absolute assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and the consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for my opinion concerning discharge from liability, I examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. I also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. I believe that my audit provides a reasonable basis for my opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

I recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Förslöv 2 April 2007

Thomas Thiel

Authorized Public Accountant

CORPORATE GOVERNANCE REPORT.

GROUP GOVERNANCE AND THE APPLICATION OF THE CODE.

Group governance is based on the Swedish Companies Act and other relevant legislation, the Articles of Association, the listing agreement with Stockholmsbörsen, the recommendations of the Swedish Industry and Commerce Stock Exchange Committee and the Swedish Code of Corporate Governance (the Code).

Peab applies the Code in accordance with the listing agreement with Stockholmsbörsen. In 2006, Peab fully applied the Code and there were no non-compliances with the Code during the financial year.

The corporate governance report with the board of directors' report on internal auditing have not been scrutinised by the company auditor and are not part of the formal annual accounts documentation.

THE AGM AND THE NOMINATION PROCEDURE.

The AGM was held on 17 May 2006 at Grevieparken, Grevie. 300 shareholders attended the meeting, representing 78 per cent of the votes either personally or through representatives.

The nomination of members of the board of directors and (where appropriate, the auditors) before the AGM is performed in accordance with the nomination procedure established at the previous AGM.

At the 2006 AGM the major shareholders recommended a nomination committee consisting of the chairman of the board of directors and an additional three to four members, of which two to three members should represent the major shareholders and one to two members should represent the small shareholders. The AGM elected Malte Åkerström, Göran Grosskopf, Fredrik Paulsson and Leif Franzon to act as Peab's nomination committee with Malte Åkerström as chairman. The nomination committee's proposals will be put to the shareholders in the notice of the 2007 AGM. An account of the work of the nomination committee may be found on Peab's website.

THE BOARD OF DIRECTORS AND ITS WORK.

According to Peab's Articles of Association the board of directors must be made up of no fewer than five and no more than nine members in addition to the statutory employee representatives. The members of the board of directors are elected annually by the AGM. Members of the board of directors have no specific retirement age nor is there a limit on the time a member of the board may hold his or her post. At the 2006 AGM the following members of the board of directors, all of whom were re-elected members, were elected by the shareholders: Göran Grosskopf, Karl-Axel Granlund, Mats Paulsson, Svante Paulsson, Jan Segerberg and Annette Brodin Rampe. Göran Grosskopf was by the AGM appointed chairman of the board.

The following employee representatives have been appointed by the employee unions: Bengt Ericsson, Kent Ericsson, Ulf Lundström (members), Bo Larry Olsson and Leif Johansson (deputies).

13 meetings of the board of directors were held in 2006 (incl. one inaugural meeting), of which five were ordinary meetings of the board, three meetings of the board were held by telephone and three by letter or mail.

Members of the group management submitted reports at the meetings of the board of directors. The company auditor respective deputy auditor were present at two of the meetings of the board. The work of the board of directors accords with the rules of procedure for the board of directors adopted by the board of directors at the inaugural meeting.

The members of the board of directors elected by the shareholders are compensated in accordance with decisions taken by the AGM.

Peab's MD, Mats Paulsson, who is also one of the company's major shareholders is a member of the board of directors. The majority of the elected members of the board of directors (Göran Grosskopf, Jan Segerberg, Karl-Axel Granlund and Annette Brodin Rampe) are independent in relation to the company and the company management. They are also independent in relation to the company's major owners. Mats Paulsson and Svante Paulsson may be regarded as not independent in relation to the company and the company management.

THE AUDIT COMMITTEE.

MEMBERS IN 2006

Göran Grosskopf, chairman
Karl-Axel Granlund
Svante Paulsson
Annette Brodin Rampe
Jan Segerberg

Peab's audit committee consists of all the members of the board of directors appointed by the AGM except for Mats Paulsson.

The audit committee prepares the work of the board of directors by assuring the quality of the company financial reports, establishing the guidelines for which other services besides auditing the company may outsource to the company auditor, evaluating the auditing work and informing the nomination committee of the evaluation and assisting the nomination committee in producing proposals for auditors and remuneration for auditing work. The auditing committee met twice in 2006 and all members of the committee attended on both occasions. The company auditor and deputy auditor each attended on one occasion.

The audit committee regularly reports to the board of directors.

THE FINANCE COMMITTEE.

MEMBERS IN 2006

Göran Grosskopf, chairman
Karl-Axel Granlund
Mats Paulsson

The finance committee manages and takes decisions in financial matters in accordance with the finance policy established by the board of directors. Representatives of the company management attend

Board meetings, presence 2006

	Jan 17	Feb 15	Mar 30	Apr 6	Apr 28	May 17	May 17[1]	May 23	Jun 28	Aug 24	Sep 1	Oct 19	Nov 24
AGM elected members													
Göran Grosskopf	•	•	•	•	•	•	•	•	•	•	•	•	•
Mats Paulsson	•	•	•	•	•	•	•	•	•	•	•	•	•
Anette Brodin Rampe	–	•	•	•	•	•	•	•	•	•	•	•	•
Karl-Axel Granlund	•	•	•	•	•	•	•	•	•	•	•	•	•
Svante Paulsson	•	•	•	•	•	•	•	•	•	•	•	•	•
Jan Segerberg	•	•	•	•	•	•	•	•	•	•	•	•	•
Ordinary employee representatives													
Bengt Ericsson	•	•	•	•	•	•	•	•	•	•	•	•	•
Kent Ericsson	•	•	•	•	•	•	•	•	•	•	•	•	•
Ulf Lundström	•	•	•	•	•	•	•	•	•	•	•	•	•

1) Inaugural meeting

• Present

and submit reports at the meetings of the finance committee. The finance committee met on one occasion during 2006, were all members participated.

The finance committee regularly reports to the board of directors.

THE REMUNERATION COMMITTEE.

MEMBERS IN 2006

Göran Grosskopf, chairman

Jan Segerberg

Mats Paulsson

The remuneration committee draws up guidelines and the framework for salaries and other terms of employment for the group's executives. The remuneration committee met on one occasion during the financial year, where all members in the committee participated.

The remuneration committee regularly reports to the board of directors.

REMUNERATION TO EXECUTIVE MANAGEMENT.

The 2006 annual meeting resolved on a remuneration policy for the executive management. The remuneration policy may be viewed on Peab's website at www.peab.se. Information on salaries and other remuneration for the MD and executive management may be found in note 27 of the annual report.

INCENTIVE PROGRAM.

Peab has no outstanding share or share-related incentive programs for the board of directors or the executive management.

AUDITORS.

Under Peab's articles of association one or two auditors with a similar number of deputies must be elected by the AGM for a period of four years. At the AGM in 1992, the state authorised accountant Thomas Thiel, KPMG, was appointed company auditor. At the AGM in 2003 Thomas Thiel was re-appointed as auditor for the period until the AGM in 2007. Besides auditing, Thomas Thiel and KPMG have only provided services for Peab in the form of auditing and tax consultancy and certain analyses in connection with acquisitions and divestments over the last three years.

MANAGEMENT OF THE GROUP.

The managing director leads the company in accordance with the framework established by the board of directors and is responsible for day-today administration and control of the company. Working with one management forum throughout the group an effective decision-making process and good communication is achieved. The management forum is divided up into the executive management and the management group.

The executive management consists of the managing director and the deputy managing directors of Peab AB. The executive management meets once a month and deals with questions of orientation of strategy and development to enhance profitability.

The management group consists of the executive management, operational managers and function managers. The management group meets twice a year and deals with questions concerned with structure and coordination.

GOVERNANCE OF THE BUSINESS UNITS.

Peab's organisation is characterised by production focus with clear decentralisation and delegation of powers and responsibility with a view to obtaining efficient management and control within the respective business unit. Support functions support the activities of the entire Peab Group.

ETHICAL GUIDELINES.

For many years, Peab has based its ethical work on its fundamental values, which are summed up by the words Reliable, Personal, Down-to-Earth and Developmental. In 2006, the executive management drew up and established Peab's ethical guidelines.

THE BOARD OF DIRECTORS' REPORT ON INTERNAL AUDITING.

This report was prepared in accordance with paragraph 3.7.2 of the Code with due regard for the directions for application of 5 September 2006 of the Swedish Corporate Governance College. Thus the report is limited to Internal auditing on financial reporting.

Peab's board of directors is responsible for ensuring that there are efficient procedures for the management and control of the group considering the financial reporting. The managing director is responsible for that the internal control is organised and follows the guidelines laid down by the board of directors. There is an unambiguous set of rules within the group for delegation of responsibilities and powers which follows the group's operational structure. Financial management and control is performed by the support function Group accounting/finance together with the support function operating accounting.

The board of directors' guidelines for financial reporting were laid down in the internal auditing policy. This policy establishes the way in which internal control of financial reporting is to be organised, scrutinised and assessed based on the following factors:

- control environment
- risk assessment
- information and communication
- auditing structure
- evaluation/follow-up

The executive management with the support of the support functions operating accounting and group accounting/finance departments are responsible for ensuring that all business units within the group work in accordance with the policy. The MD is responsible for ensuring that financial reporting is reported to the board of directors at the first ordinary meeting of the board of directors after the end of the respective financial year.

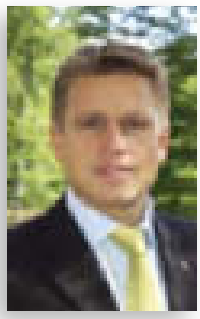
The board of directors has assessed the need for an internal auditing department. Hitherto, the control structure along with the scope of the activities has not been assessed as requiring the establishment of an internal audit department. Nor have there previously been any material faults in internal control which would indicate a need for an internal audit department. On these grounds, at present there is no need for the introduction of an internal audit department.

BOARD OF DIRECTORS AND AUDITORS.

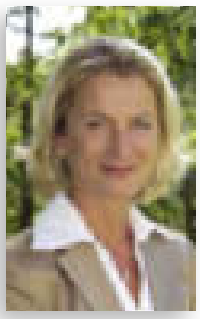
Göran Grosskopf
Born in 1945. Elected 2004.
Professor, Dr of Law and Doctor of Economics.
Chairman of Peab AB, Inter IKEA SA and Bergendahlgruppen AB. Board member of International Bureau of Fiscal Documentation (IBFD), Possio AB, Åkerströms AB and Svox AG.
Previously professor in tax law and chairman of Tetra Laval AB.
Holding 80,000 Class B-shares

Karl-Axel Granlund
Born in 1955. Elected 2000.
Graduate engineer, B. Sc.(Econ).
Main owner and Chairman of Volito AB. Chairman of CTT Systems AB and Avansys AB.
Holding 5,100,000 Class B-shares

Mats Paulsson
Born in 1944. Elected 1992.
MD of Peab AB. Board member of Skistar AB and Brinova Fastigheter AB. Previously a number of senior management positions in Peab since 1959.
Holding 2,787,117 Class A-shares
9,613,055 Class B-shares

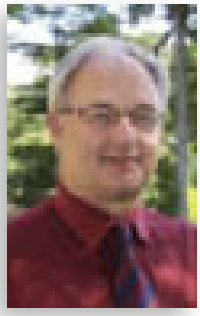


Svante Paulsson
Born in 1972. Elected 2003.
MD and main owner of Svantab AB. MD of Backahill AB. Board member of SBT AB, Porsche-Center Syd AB, Brinova Fastigheter AB, Rögle BK and ÄNAB Ängelholms Näringsliv AB.
Holding 491,688 Class A-shares
728,880 Class B-shares



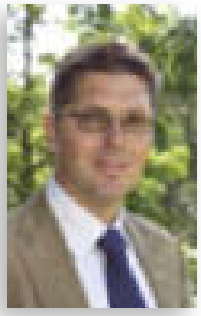
Annette Brodin Rampe
Born in 1962. Elected 2000.
Graduate engineer.
Business Sector Manager of Marketing and Sales E.ON Sverige AB. Board member of Ruter Dam and Norske Skogsindustrier ASA. Previously a number of positions in Exxon Chemical Inc and MD of Senea AB.
Holding 2,000 Class B-shares

Jan Segerberg
Born in 1947. Elected 1994.
Graduate engineer, B. Sc. (Econ).
Consultancy activities related to investment business and the work of the board of directors. Chairman of Bosvik AS. Board member of Scandinavian Holding in Sala AB, Ingenium Fastighets AB, PR Fastighets AB, Fagersta Företagspark AB, CellPrint GbR and Dyna Well International AB. Previously MD and CEO in Skåne-Gripen AB and Addtek International Oy AB and vice chairman in Addtek International Oy AB.
Holding 17,000 Class B-shares



Kent Ericsson
Born in 1949. Elected 1998.
Project Manager, Construction Sweden.
Employee representative.
Holding 600 Class B-shares
3,000 Convertible debentures

Bengt Ericsson
Born in 1946. Elected 2000.
Carpenter, Construction Sweden.
Employee representative.
Holding 800 Class B-shares
1,400 Convertible debentures



Ulf Lundström
Born in 1958. Elected 2005.
Carpenter, Construction Sweden.
Employee representative.
Holding None

Leif Johansson
Born in 1952. Elected 2002.
Calculator, Construction Sweden.
Employee representative (deputy).
Holding 1,000 Convertible debentures

Bo Larry Olsson
Born in 1944. Elected 2000.
Construction worker, Civil Engineering/Industry.
Employee representative (deputy).
Holding None

AUDITORS

Thomas Thiel
Born in 1947
Authorised public accountant, KPMG.
Auditor for Peab AB since 1992.

Alf Svensson
Born in 1949
Authorised public accountant, KPMG.
Deputy auditor for Peab AB since 1998.

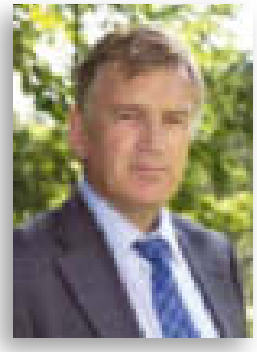
Reported holdings apply to 28 February 2007.
The holdings include spouses', minors' and private companies' holdnings.

Convertible debentures refer to the number of convertible promissory notes at nominal SEK 87, see note 27, Convertible debentures to employees.

MANAGEMENT GROUP.

EXECUTIVE MANAGEMENT

Mats Paulsson
MD of Peab AB
Born in 1944
Employed since 1959
Holding:
2,787,117 Class A-shares
9,613,055 Class B-shares



Göte Brännvall
Deputy MD of Peab AB
Foreign operations
Born in 1946
Employed since 1970
Holding:
281,282 Class B-shares
8,600 Convertible debentures

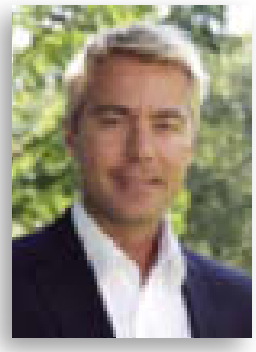
Mats Leifland
Deputy MD of Peab AB
Finance and Strategy
Born in 1957
Employed since 1995
Holding:
240,000 Class B-shares
8,600 Convertible debentures

Mats O Paulsson
Deputy MD of Peab AB
Civil Engineering/Industry
Born in 1958
Employed since 1999
Holding:
100,000 Class B-shares
8,600 Convertible debentures

Anders Elfner
Deputy MD of Peab AB
Construction in Sweden
Born in 1955
Employed since 2003
Holding:
91,400 Class B-shares
8,600 Convertible debentures

Jan Johansson
Deputy MD of Peab AB
Business development
Born in 1959
Employed since 1986
Holding:
100,000 Class B-shares
8,600 Convertible debentures

Mats Johansson
Deputy MD of Peab AB
Personnel
Born in 1950
Employed since 2005
Holding:
100,000 Class B-shares
8,600 Convertible debentures



Jesper Göransson
Deputy MD of Peab AB
Group Accounting/Finance
Born in 1971
Employed since 1996
Holding:
170,200 Class B-shares
8,600 Convertible debentures

The Peab Group's management
By working with one management forum throughout the Group, more effective decision-making and improved communication is achieved. The management forum is divided up into the executive management and the management group.

Executive Management
Consists of the MD and Deputy MDs of Peab AB. Meets once a month and deals with issues relating to strategy and development for improved profitability.

Management Group
Consists of the Executive Management, operational managers and support functions. Meets twice a year and deals with issues focused on structure and co-ordination.

MANAGEMENT GROUP.

CONSTRUCTION SWEDEN

Anders Svensson
Southern Division
Born in 1951
Employed since 1994
Holding
500 Class B-shares
8,600 Convertible debentures

Tore Hallersbo
Western Division
Born in 1955
Employed since 2005
Holding
100,000 Class B-shares
8,600 Convertible debentures

Thomas Anderson
Housing Division
Born in 1956
Employed since 1996
Holding
1,000 Class B-shares
8,600 Convertible debentures

Lars-Erik Söderberg
Stockholm Commercial Division
Born in 1947
Employed since 1991
Holding
8,600 Convertible debentures

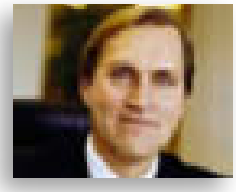
Jan-Olof Nordin
North East Division
Born in 1958
Employed since 1979
Holding
8,600 Convertible debentures

Göran Almin
Project development Division
Born in 1956
Employed since 2004
Holding
8,600 Convertible debentures

CIVIL ENGINEERING/INDUSTRY

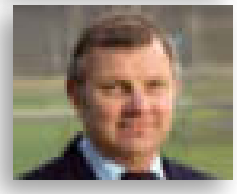
Karl-Gunnar Karlsson
Civil Engineering Division
Born in 1956
Employed since 2004
Holding
8,600 Convertible debentures

Nils Clausén
Swerock
Born in 1952
Employed since 2004
Holding
5,000 Class B-shares
8,600 Convertible debentures



Inge Andersson
Skandinaviska Byggelement
Born in 1956
Employed since 2003
Holding
4,600 Convertible debentures

Peter Nilsson
Peab Asfalt
Born in 1957
Employed since 1998
Holding
7,800 Convertible debentures



Thomas Nilsson
Lambertsson
Born in 1949
Employed since 1968
Holding
1,000 Class B-shares
8,600 Convertible debentures

CONSTRUCTION ABROAD

Stein Eriksen
Peab AS
Born in 1961
Employed since 2001
Holding
8,600 Convertible debentures

Antti Peltoniemi
Peab Seicon Oy
Born in 1956
Employed since 2003
Holding
12,000 Class B-shares
8,600 Convertible debentures

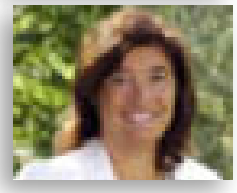
SUPPORT FUNCTIONS

Lars Gutwasser
Production support
Born in 1947
Employed since 1969
Holding
8,600 Convertible debentures

Mikael Rydén
IT
Born in 1965
Employed since 1986
Holding
3,800 Convertible debentures

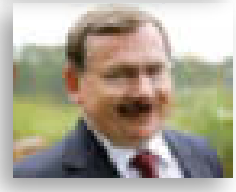
Gösta Sjöström
Information
Born in 1948
Employed since 1997
Holding
131,400 Class B-shares
8,600 Convertible debentures

Jan Persson
Operating accounting
Born in 1957
Employed since 1990
Holding
40,000 Class B-shares
8,600 Convertible debentures



Karin Malmgren
Legal affairs
Born in 1960
Employed since 1999
Holding
500 Class B-shares
8,600 Convertible debentures

Annika Spångberg
Information
Born in 1957
Employed since 2000
Holding
3,000 Convertible debentures



Göran Terning
Purchasing
Born in 1948
Employed since 2004
Holding
5,400 Convertible debentures

SHAREHOLDERS' INFORMATION.

DIARY 2007.

Annual General Meeting	May 16
Interim Report, January-March	May 16
Interim Report, January-June	August 23
Interim Report, January-September	November 23
Year-end Report, 2007	February 14, 2008
Annual Report, 2007	April 2008

FINANCIAL INFORMATION.

Peab publishes quarterly reports in Swedish and English about progress within the company. Financial information, PeabJournalen and other information about the company, can be down-loaded from Peabs website, www.peab.com, or be ordered from:

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Mikael Johansson, IR Manager
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SEB Enskilda
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Hagströmer & Qviberg Fondkommission
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Handelsbanken Capital Markets
Tobias Kaj
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Swedbank Markets
Niclas Höglund
niclas.hoglund@swedbank.com

FIVE-YEAR REVIEW.

GROUP MSEK	2006	2005	2004	2003 [1]	2002 [1]
Income statement items					
Net sales	30 321	25 501	22 039	20 086	19 818
Operating profit	1 251	747	577	305	636
Profit after financial items	1 411	824	521	240	552
Net profit for the year	1 048	855	389	226	488
Balance sheet items					
Fixed assets	4 620	3 999	3 535	2 980	2 630
Current assets	11 893	9 743	7 951	7 393	7 222
Total assets	**16 513**	**13 742**	**11 486**	**10 373**	**9 852**
Shareholders' equity	3 277	3 348	2 653	2 196	2 750
Minority interests	1	–	–	63	30
Provisions	–	–	–	95	182
Long-term liabilities	1 640	2 304	1 129	1 847	1 397
Current liabilities	11 595	8 090	7 704	6 172	5 493
Total shareholders' equity and liabilities	**16 513**	**13 742**	**11 486**	**10 373**	**9 852**
Key ratios					
Operating margin, %	4.1	2.9	2.6	1.5	3.2
Profit margin, %	5.0	3.7	3.0	2.0	3.5
Return on equity, %	31.6	28.7	15.4	9.2	18.8
Capital employed	5 911	6 119	5 014	4 520	4 523
Return on capital employed, %	25.4	17.1	13.4	9.2	15.1
Equity/assets ratio, %	19.9	24.4	23.1	21.8	28.2
Net debt	1 534	2 110	1 666	1 331	987
Debt/equity ratio, multiple	0.8	0.8	0.9	0.9	0.6
Interest coverage ratio, multiple	13.4	8.5	5.2	2.9	5.0
Capital expenditures					
Goodwill	177	19	72	146	48
Buildings and land	225	100	–38	191	105
Machinery and equipment	725	502	350	341	296
Shares and participations	723	47	20	–360	52
Project and development properties	246	185	499	–50	155
Orders: Construction and Civil Engineering					
Orders received	28 711	24 227	21 559	18 339	19 121
Order backlog	20 642	17 722	15 899	13 590	12 852
Personnel					
Average numer of employees	12 197	11 317	10 907	10 618	10 776
Data per share					
Earnings, SEK	12.37	10.06	4.56	2.67	5.80
after completed subscription and conversion	11.79	9.84	4.56	2.67	5.70
Cash flow, SEK	29.10	6.33	3.62	–4.48	9.60
after completed subscription and conversion	27.46	6.12	3.62	–4.48	9.50
Equity, SEK	41.02	39.34	30.84	26.66	33.00
after completed subscription and conversion	43.99	42.24	30.84	26.66	33.00
Share price at year-end, SEK	162.50	102.00	65.00	43.60	49.40
Ordinary dividend, SEK [2]	3.50	3.00	2.50	2.20	2.20
Extra dividend, SEK [2]	7.50	–	–	–	5.60
Number of shares at year-end, millions	79.9	85.1	85.0	84.8	84.3
after completed subscription and conversion	85.4	90.6	85.0	84.8	84.3
Average number of outstanding shares, millions	84.6	85.1	84.9	84.7	84.6
after completed subscription and conversion	90.1	87.9	84.9	84.7	84.9

1) The years 2002-2003 have not been adjusted for changed accounting policies that came into effect in 2004. For the effect of the transition to accounting in accordance with the IFRS, see the Annual report 2005

2) For 2006, the Board of Directors' proposal to the AGM

DEFINITIONS.

FINANCIAL DEFINITIONS.

Capital employed
Total assets at year-end less non-interest-bearing operating liabilities and provisions.

Cash flow per share
Cash flow per share calculated as the total of the cash flow from current operations and cash flow from investment activities divided by the average number of outstanding shares during the year.

Debt/equity ratio
Interest-bearing liabilities in relation to equity.

Earnings per share
Profit for the period attributable to holders of participations in the parent company divided by the average number of outstanding shares during the period.

Equity/assets ratio
Equity as a percentage of total assets at year-end.

Equity per share
Equity attributable to holders of participations in the parent company divided by the number of outstanding shares at the end of the period.

Interest coverage ratio
Profit after financial items plus interest expenses in relation to interest expenses.

Net borrowings
Interest-bearing liabilities including the provisions for pensions less liquid and interest-bearing assets.

Operating margin
Operating profit as a percentage of net sales

Order backlog
Orders being constructed or waiting for construction

Orders received
The sum of orders received during the year

P/E ratio
Share price at year-end divided by earnings per share after tax.

Profit margin
Profit after financial items plus financial expenses as a percentage of average capital employed.

Return on capital employed
Profit after financial items plus financial expenses as a percentage of average capital employed.

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

Yield
Dividend as a percentage of the share price at year-end.

CONSTRUCTION-RELATED DEFINITIONS.

À price
Unit price for a good, for instance 1 sq.m. asphalt or 1 cubic metre of earth.

Contract amount
The payment stated in the contract for contract work excluding VAT.

Contract total
The contract amount excluding VAT adjusted for supplements and deductions and, when relevant, index adjustment.

Current account
Payment to the contractor in relation to the expenses incurred and accounted plus an administrative addition in percent or kronor.

Development property
Land suitable for development or a building which is to be developed or improved and thereafter sold within 36 months.

Fixed price
Contract to be carried out for a fixed price without the contractor being able to alter it, unless the client makes changes to the contract or makes supplementary orders.

General contract
A contract where the contractor carries out construction and appoints and is responsible for sub-contractors on the basis of documentation provided by the client.

Incentive
An agreement where the contractor and the client according to a principle decided upon in advance share the amount by which the contract amount exceeds/is less than an agreed price ceiling.

Peab's Trust-based Contracts
Type of collaboration between Peab and the customer involving collaboration at an early stage, shared goals and decisions and complete openness in processes and systems such as finance and purchasing. To start with, the customer sets out his wishes and then Peab comes up with proposals for execution. Customers are not as closely involved in the construction process in Peab's Trust-based Contracts as they are in Peab Partnering.

Peab Partnering
Type of collaboration which is similar to Peab's Trust-based Contracts in essence. The difference is that partnering requires whole-hearted collaboration by two or more equal partners during all phases of the construction process. Partnering is suitable for customers who want to, can and are actively involved from start to finish.

Project development
Finding project- and development properties in the market and developing these into complete projects.

Project property
Property that is purchased to be developed and resold within 18 months.

Total contract
A contract where the contractor in addition to building is also responsible for designing the contract.

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SE-260 92 Förslöv, tel +46 431 890 00, fax +46 431 45 19 75, info@peab.se

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