

## PEAB AB (PUBL) HALF-YEARLY REPORT JANUARY–JUNE 2007.

Net sales for continuing operations increased by 25 per cent to SEK 14 892 million (11 868)

Operating profit from continuing operations amounted to SEK 387 million (215), which included SEK -85 million in competition claim charge

Profit for the period amounted to SEK 286 million (291). Profits include a change of SEK -64 million (37) in the value of the Brinova holding

Profit per share before dilution amounted to SEK 3.58 (3.41)

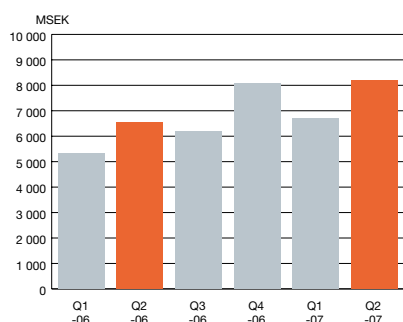
Orders received increased by 33 per cent and amounted to SEK 20 165 million (15 169)

Order backlog amounted to SEK 26 017 million (21 715)

Peab Industri is reported as discontinued operation

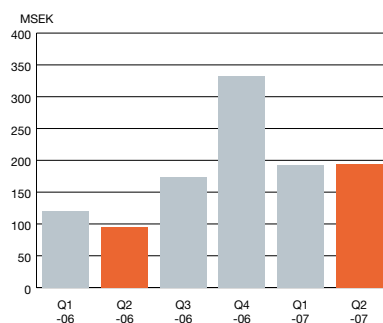
## HALF-YEARLY REPORT JANUARY-JUNE 2007.

### Net sales



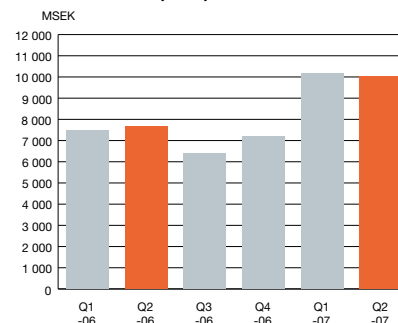
The Group's net sales for the January-June 2007 period amounted to SEK 14 892 million, which is an increase of 25 per cent compared to corresponding period the previous year. Adjusted for acquired and divested units, the increase in net sales amounted to 20 per cent.

### Operating profit



The Group's operating profit for the first half of 2007 amounted to SEK 387 million compared to SEK 215 million the previous year. Operating profits for the latest rolling 12-month period amounted to SEK 894 million compared to SEK 722 million for the full year 2006.

### Orders received per quarter



Orders received during the first half of 2007 amounted to SEK 20 165 million, compared to SEK 15 169 million the previous year. Order backlog amounted to SEK 26 017 million compared with SEK 20 642 million at the end of 2006.

## The Group

MSEK	Jan-Jun 2007	Jan-Jun 2006	Jul-Jun 2006/2007	Jan-Dec 2006	Financial objectives (full year)
Net sales	14 892	11 868	29 156	26 132	
Operating profit	387	215	894	722	
Operating margin	2.6%	1.8%	3.1%	2.8%	
Profit before tax	366	240	1 058	932	
Profit for the period <sup>1)</sup>	286	291	1 043	1 048	
Profit per share before dilution, SEK <sup>1)</sup>	3.58	3.41	12.70	12.37	
Return on equity <sup>1)</sup>	8.9%	8.7%	32.1%	31.6%	>20%
Equity/assets ratio	21.4%	21.8%	21.4%	19.9%	>25%

<sup>1)</sup> Including profit from discontinued operations, net after tax

## NEW CONTRACTS DURING FIRST QUARTER.

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

- Peab has been contracted to build a new concentrator with connecting infrastructure at the Aitik copper mine of Boliden outside Gällivare in northern Sweden. The contract amounts to about SEK 700 million.
- Peab has won the contract to build 196 rental flats in Farsta, southern Stockholm. The client is Svenska Bostäder and the contract amounts to SEK 265 million.
- Peab has won the contract to build 15 kilometres motorway between Enköping and Sagån in the Västerås direction. The client is Vägverket and the contract amounts to SEK 590 million.
- Peab has signed a partnering contract with Svenska Mässan, concerning an extension of Hotel Gothia Towers in Gothenburg. The building process can start during the second part of 2008, when the final order amounting to about SEK 580 million will be signed.
- Peab has won the contract to carry through the extension of motorway E6, north of Tanumshede in Bohuslän. The project includes six kilometres motorway, five bridges, soil enforcement and local roads. The client is the Swedish road administration and the contract amounts to about SEK 200 million.



### **MD's COMMENTS.**

Market conditions in the Nordic construction market continued favourable in the first half of 2007. Peab's order backlog has further improved and after the first half amounted to SEK 26 017 million, an increase of 26 per cent since the end of the year 2006.

During recent years, Peab has improved its profits gradually and progress today still remains positive. First half operating profit excluding Peab Industri amounted to SEK 387 million (215). Perhaps the greatest cause for satisfaction is the margin enjoyed by the Swedish construction business, which amounts to 4.6 per cent for the latest 12-month period compared with 4.0 per cent for the whole of 2006.

Price rises in the construction industry relating, for example, to intermediate goods and subcontractors, and these combined with capacity shortfalls are restraining growth.

The preparations in the run-up to the distribution and listing of Peab Industri on 1 October 2007 are now in their final stages. The board of directors and the management are in place and Peab Industri's organisation is operating as an independent unit. We are convinced that the distribution will create additional opportunities for growth, profitability and increased shareholder value. One of the effects on Peab of distributing Peab Industri is that we will now have an interest-bearing net receivable instead of a net debt, and this will provide additional opportunities for developing the company.

*Mats Paulsson*  
*Managing Director*

## **REPORTING ON PEAB INDUSTRI.**

The AGM of Peab held on 16 May 2007 resolved to distribute the shares in the subsidiary Peab Industri AB to Peab's shareholders.

Peab Industri's profit for the January to April period has been reported as discontinued operations in the Peab Group. Results from Peab Industri have been omitted from all income and cost items in the income statement and are reported net under the item "Profit from discontinued operations, net after tax". Comparative figures for previous periods have been revised to show continuing operations separate from discontinued operations.

Peab Industri has been excluded from the balance sheet as at 30 June 2007, whilst the comparative balance sheets accord with historic accounts.

For further information on Peab Industri's first half 2007, see separately published half-yearly report.

## **NET SALES AND PROFIT.**

The Group's net sales for the January to June period increased by 25 per cent to SEK 14 892 million (11 868). Adjusted for acquired and divested units the increase in net sales amounted to 20 per cent. Of the period's net sales, SEK 2 395 million (1 781) related to sales and production outside Sweden.

First half operating profit amounted to SEK 387 million, compared to SEK 215 million during the same period the previous year. Profit for the period included SEK -85 million in competition claim charge (for more information see section Important events after the period, page 7). Operating profit for the latest rolling 12-month period amounted to SEK 894 million compared with SEK 722 million for the full year 2006.

Net financial items amounted to SEK -21 million (25), of which the net interest expense item amounted to SEK 0 million (-10). The effect of valuing financial instruments at fair value has been recognised in net financial items at SEK -41 million (38). The impact on profit of valuing the Brinova holding at fair value was SEK -64 million (37). The share holding is accounted for at market price on balance sheet day.

Participation in the profits of joint ventures are booked in accordance with the equity method. Shares in the profits of joint ventures amounted to SEK -2 million (-7) for the period.

Profit before tax amounted to SEK 366 million compared to SEK 240 million during the first half of the previous year.

Tax for the period amounted to SEK -117 million (-67), which is equivalent to a tax rate of approximately 32 per cent and principally consists of deferred tax costs stemming from the exercising of tax loss carryforwards which had previously been capitalised as deferred tax receivables. Among other things, the tax rate was affected by non-deductible charges for the Swedish Competition Authority.

Profit from discontinued operations, net after tax, amounted to SEK 37 million, and comprise Peab Industri's net profit for the January to April 2007 period.

Profit for the period amounted to SEK 286 million (291).

## **FINANCIAL POSITION.**

The equity/assets ratio was 21.4 per cent, compared with 19.9 per cent at the end of the year. Interest-bearing net assets amounted to SEK 1 205 million, compared with SEK -1 778 million (net debt) at the same time last year. The average interest rate on the loan portfolio amounted to 4.3 per cent (3.5).

At the end of the period, the Group's disposable liquid funds including non-exercised credit lines amounted to SEK 4 474 million compared with SEK 4 608 million as at 31 December 2006.

At the end of the half year, the Group's contingent liabilities excluding joint and several liability in trading and limited partnerships amounted to SEK 1 151 million compared to 1 498 million as at 31 December 2006. Of contingent liabilities obligations to tenant-owners' cooperatives under construction amounted to SEK 1 036 million compared with SEK 1 107 million at the end of 2006.

## **INVESTMENTS.**

Net investments in tangible and intangible fixed assets amounted to SEK 560 million (388) during the period. During the period SEK 195 million (277) net was invested in project- and development properties.

## **CASH FLOW.**

The positive cash flow from current operations may above all be attributed to the increased profitability and high invoicing to degree of completion. Cash flow from changes in operating profits was reduced by SEK -142 million (-284) as a result of the acquisition of project- and development properties. When project- and development property is acquired through company acquisition, this is charged to cash flow from the investment activity as acquisitions of subsidiaries. Cash flow from investment operations amounted to SEK -466 million (-273).

## **PERSONNEL.**

At the end of the period, the company employed a staff of 12 494 compared to 10 783 at the same time the previous year.

## **NEW FINANCIAL TARGETS AND REPORTING STRUCTURE.**

As a result of the distribution of shares in Peab Industri, Peab's activities consists of construction and civil engineering operations in Sweden, Norway and Finland. This has resulted in a review of the financial targets and of the external reporting structure.

## **FINANCIAL TARGETS**

Peab has set new financial targets in order to clearly state the group's objectives and potential as a dedicated construction and civil engineering company. These targets are:

- Return on equity of at least 20 per cent (up from the previous 15 per cent)
- Equity/assets ratio of at least 25 per cent (unchanged)
- Dividend of at least 50 per cent of profit after tax (unchanged)

The earlier objectives for return on capital employed and cash flow have been discontinued.

#### NEW REPORTING STRUCTURE

From the first quarter of 2007 the new business sectors are as follows:

- Construction Sweden
- Construction Abroad
- Civil Engineering
- Trust/Management

#### COMMENTS BY BUSINESS SECTORS.

When establishing Peab Industri AB on 31 December 2006 there were certain minor company handovers between the Industry, Construction Sweden and Civil Engineering business areas. Historical comparative figures for the business areas have not been translated with regard to these handovers.

#### CONSTRUCTION SWEDEN

The Construction Sweden business sector comprises the group's resources relating to construction services in Sweden.

Net sales in Construction Sweden for the first half of 2007 amounted to SEK 9 678 million, compared to SEK 8 377 million during the same period the previous year, equivalent to a rise of 16 per cent.

First half operating profit amounted to SEK 450 million, compared to SEK 288 million during the same period the previous year. The operating margin for the latest rolling 12-month period was 4.6 per cent compared with 4.0 per cent for the full year 2006.

#### CONSTRUCTION ABROAD

The Construction Abroad business sector consists of Peab's Norwegian and Finnish businesses. The metropolitan areas are the centres of gravity of these operations.

Net sales in Construction Abroad for the first half of 2007 amounted to SEK 2 382 million, compared to SEK 1 585 million during the same period the previous year, equivalent to a rise of 50 per cent. Adjusted for acquired units the increase in net sales amounted to 29 per cent.

First half operating loss amounted to SEK -16 million, compared to SEK -18 million during the same period the previous year.

#### CIVIL ENGINEERING

The Civil Engineering business sector consists of civil engineering related business in Sweden.

Net sales in Civil Engineering for the first half of 2007 amounted to SEK 3 539 million, compared with SEK 2 838 million during the same period the previous year, equivalent to a rise of 25 per cent.

First half operating profit amounted to SEK 108 million, compared with SEK 72 million during the same period the previous year. The operating margin for the latest rolling 12-month period was 2.7 per cent compared with 2.5 per cent for the full year 2006.

#### ORDERS RECEIVED

Total orders received by the Construction Sweden, Construction Abroad and Civil Engineering business sectors amounted to SEK 20 165 million (15 169) for the first half of 2007, which is an increase of 33 per cent. The order backlog at the end of the period amounted to SEK 26 017 million, compared to SEK 20 642 million at the end of the year 2006. This represents an increase of 26 per cent. Of the total order backlog, 47 per cent (49) is expected to be produced after the current year. Construction projects accounted for 77 per cent (76) of the order backlog. Swedish operations accounted for 78 per cent (80) of the backlog.

#### Order backlog and orders received Construction and Civil Engineering

MSEK	2007-06-30	2006-06-30	2006-12-31
Current financial year	13 697	11 010	16 314
Next financial year	9 781	8 354	3 486
There after	2 539	2 351	842
<b>Total order backlog</b>	<b>26 017</b>	<b>21 715</b>	<b>20 642</b>
<b>Orders received</b>	<b>20 165</b>	<b>15 169</b>	<b>28 711</b>

#### PROJECT DEVELOPMENT

Within its contracting operations, Peab also engages in internally developed construction of housing, comprising tenant-owner rights and single homes sold directly to the end customer. At the end of the period, 4 268 (3 768) internally developed homes were under construction, 76 per cent (69) of which were sold. The total holding of project- and development properties in Construction Sweden and Construction Abroad amounted to SEK 2 225 million (2 061) at the end of the first half year 2007.

#### Internally developed housing construction

	Jan-Jun 2007	Jan-Jun 2006	Jan-Dec 2006
Number of housing starts during the period	1 123	1 321	2 518
Number of homes sold during the period	1 154	1 051	2 300
Total number of homes under construction, at the end of the period	4 268	3 768	4 193
Share of sold homes under construction, at the end of the period	76%	69%	75%
Number of repurchased tenant-owner rights/ shares in Finnish housing companies in own balance sheet, at the end of the period	39	5	38

## **TRUST/MANAGEMENT**

Trust/Management comprises the central companies, certain subsidiaries and joint ventures and other holdings. Operating loss amounted to SEK -155 million (-70). A competition claim charge of SEK -85 million was charged to profit.

## **THE CONSTRUCTION MARKET.**

The Swedish building market is still strong and growth is expected to amount to seven - eight per cent in 2007 according to estimates within the sector. It has been assessed that all segments of the construction market will enjoy good growth during the year.

Investment in housing is still increasing despite the decrease in tenancy right building as a result of the removal of subsidies. Higher employment and salary increases are factors which have so far increased demand and counteracted the impact of interest rate rises.

Civil engineering investments continue to grow driven by public infrastructure initiatives in the form of road investments and railway projects. During the forthcoming few years it is also expected that private investment in power and energy plants will continue to rise, due to such factors as continued high energy prices and also new commitments to renewable sources of energy.

High local government demand for both new and converted property is expected to contribute to continued growth in the building of business premises. Private local investment will also contribute to this rise. This increase is being driven by growing retail sales and investments in office conversions. Demand for investment in new industrial premises has also grown.

## **RISKS AND UNCERTAINTY FACTORS.**

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

Structured risk assessment is crucial in the construction business to ensure that risks are identified and correctly priced in any tenders submitted. Peab applies percentage of completion revenue recognition. The application of the percentage of completion method depends on reliable forecasting. Well developed monitoring and system support for monitoring and forecasting for each project are crucial to limiting risks of incorrect revenue recognition.

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. 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.

The group is also exposed to financial risks, such as changes in debt and interest rate levels. Through its shareholding in Brinova, Peab has a major exposure to a single holding. Major fluctuations in the price of the Brinova share can have a large impact on the valuation of the holding, which will influence Peab's net financials item.

For more information on financial risks, see Note 32 of the 2006 annual report.

## **IMPORTANT EVENTS DURING THE PERIOD.**

A strike was called by the Byggnads union on 18 April against Peab alone. The strike lasted four work days. Some 800-900 Peab workers were affected.

## **IMPORTANT EVENTS AFTER THE PERIOD.**

Deputy MD Mats O Paulsson has left the management of the Peab AB. Mats O Paulsson will in full time focus on his position as Managing Director of Peab Industri AB. Mats O Paulsson was employed in Peab 1999 and he has among other things been MD in Swerock, responsible for business area Industry and during the passed years also for the civil engineering activities of Peab. Mats O Paulsson has been deputy MD since 2000 in Peab AB.

The district court's decision on competition claim charges related to asphaltting business was announced on 10 July 2007. Peab Sverige AB, Peab Asphalt AB and Peab Asphalt Syd AB were ordered to pay total competition claim charges of SEK 85 million.

On 1 March 2007, Peab AB issued two indemnities whereby Peab AB undertook to indemnify any charges Peab Asphalt AB and Peab Asphalt Syd AB, which form part of the Peab Industri group, may be ordered to pay in competition claim charge. These charges are included in the above amount. The competition claim charges imposed were charged to profit in the second quarter of 2007.

Peab Sverige AB, Peab Asphalt AB and Peab Asphalt Syd AB have appealed against the decision of the district court to the Swedish Market Court. The decision of the Swedish Market Court will not be made public until the second half of 2008 at the earliest.

## **ACQUISITION AFTER THE PERIOD.**

Peab has acquired Stockholms Hamnentreprenad AB. The company has 35 employees and the turnover 2006 amounted to SEK 70 million. Stockholms Hamnentreprenad has its works and activities in and close to water, mainly for Stockholms Hamnar AB and public administrations within the city of Stockholm.

## **ACCOUNTING PRINCIPLES.**

The 2007 first half year report has been drawn up in accordance with the IFRS standards adopted by the EU and the IFRIC interpretations of the current standards adopted by the EU. This report has been prepared in accordance with IAS 34, Interim reports and RR 31, Interim reporting for groups.

Parent company reports have been prepared in accordance with the Swedish Company Accounts Act and RR 32:06 Reporting of legal entities.

The first half year report has been prepared in accordance with the same accounting policies and assumptions as described for the 2006 annual report.

## **DISTRIBUTION OF PEAB INDUSTRI.**

The Peab Industri group was established on 31 December 2006 through the acquisition of companies from the rest of the Peab group for the consolidated value reported in Peab.

Peab's AGM on 16 May 2007 decided to distribute the shares in Peab Industri AB, which since 31 December 2006 comprises the group's Industry business area.

The shares in Peab Industri, 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 OMX Nordic Exchange in Stockholm.

We have assessed that the distribution of Peab Industri will create the right preconditions for and make possible further specialisation, development, growth and profitability for both Peab and Peab Industri.

The consolidated value of the net assets which are distributed with regard to Peab Industri amounted to SEK 638 million (before distribution costs), equivalent to approximately SEK 7.50 per outstanding share.

At the end of the half year, Peab's interest-bearing loans to Peab Industri amounted to SEK 1 100 million. This amount includes a short-term loan of SEK 900 million which matures in September 2007 and a subordinated loan of SEK 200 million, which will be amortised in December 2007 when Peab subscribes to convertible debentures in Peab Industri. The loans are subject to market interest.

#### Timetable 2007 for distribution of Peab Industri

17 September	Listing memorandum
24 September	Last day for trading including the right to receive dividend
25 September	Peab is traded without the right to receive shares in Peab Industri
27 September	Record day for separation
1 October	Quotation of the shares in Peab Industri

#### PERSONNEL CONVERTIBLE DEBENTURES.

On 16 May 2007, the AGMs of Peab AB and Peab Industri AB resolved to issue and offer convertible debentures to all employees. The proposal involves:

- Peab AB issuing convertible debentures for nominal SEK 600 million with the issue of a maximum of 12 million convertibles.
- Peab Industri AB issuing convertible debentures for nominal SEK 400 million with the issue of a maximum of 6.7 million convertibles.
- The convertibles will run from 1 December 2007 until 30 November 2012. Each convertible can be converted during a part of December 2010, 2011 and part of September 2012 to a B-share in the respective companies.

- The offer of participation in the programs will be made to all employees of Peab AB and Peab Industri AB on ordinary market terms, and each employee will be offered the option of subscribing for a minimum of 200 convertibles in each program.

In order to offset possible dilution, the AGM of the respective companies have authorised the boards of directors of the respective companies to buy back shares, including authorisation to buy back and then withdraw the same number of B-shares which are issued when the convertible debentures are exercised.

Through the issues all employees gives an opportunity to share in both companies' progress, thus boosting their sense of belonging and dedication.

#### CONVERTIBLES IN PEAB INDUSTRI.

An extraordinary general meeting of Peab Industri AB held on 13 August 2007 resolved to issue convertible debentures to a nominal value of max SEK 200 million. Peab Industri will issue in December 2007 a maximum of 3.3 million convertible debentures and the whole of the convertible offer will be entirely aimed at Peab AB who have decided to subscribe. The terms and conditions for these convertible debentures will be consistent with the terms and conditions of the convertible debentures which Peab Industri intends for its staff, described in the previous paragraph.

#### WITHDRAWAL OF SHARES AND BONUS ISSUE.

Peab's AGM resolved on a reduction in share capital of SEK 55 000 000 through the withdrawal without repayment of 5 500 000 B-shares which were previously bought back by the company with the requisite authority and on a increase in the company's share capital of SEK 57 187 162 through transfer from unrestricted equity to the share capital (bonus issue). The capital increasing without the issue of new shares.

#### CONVERSION OF CONVERTIBLE PROMISSORY NOTES.

Peab's AGM resolved on an additional window for converting Peab's convertible promissory notes 2005/2008 to B-shares from 18 June to 2 July 2007. Of the overall nominal amount of SEK 479 million, SEK 486 million, or 97.7 per cent, were converted to 5 373 604 new B-shares. The new shares were registered on 19 July 2007. After conversion, a nominal SEK 11 million remain of Peab's convertible promissory notes 2005/2008.

#### Share capital and number of shares

	Share capital MSEK	Number of registered A-shares	Number of registered B-shares	Total number of registered shares	Holdings of own shares	Shares owned of other shareholders
<b>Share capital and number of shares, 1 January 2007</b>	<b>872.0</b>	<b>9 805 702</b>	<b>77 390 242</b>	<b>87 195 944</b>	<b>7 315 000</b>	<b>79 880 944</b>
Withdrawal of own shares 2007-06-15	-55.0	—	-5 500 000	-5 500 000	-5 500 000	—
Bonus issue 2007-06-15	57.2	—	—	—	—	—
Conversion personnel convertible debentures 2007-07-19	57.4	—	5 373 604	5 373 604	—	5 373 604
Acquisition/disposal of own shares during the period	—	—	—	—	—	—
<b>Share capital and number of shares, 23 August 2007</b>	<b>931.6</b>	<b>9 805 702</b>	<b>77 263 846</b>	<b>87 069 548</b>	<b>1 815 000</b>	<b>85 254 548</b>

## **HOLDINGS OF OWN SHARES.**

At the start of 2007, 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. No own shares have been sold or transferred in 2007. After withdrawal of 5 500 000 B-shares, holding of own shares amounted to 1 815 000 B-shares, corresponding to 2.1 per cent of the total number of shares.

## **2:1 SHARE SPLIT.**

Peab's AGM resolved upon a 2:1 share split such that each existing share be divided into two shares of the same share type. The record day is 27 September 2007 after the right to participate in the distribution of Peab Industri AB has been separated.

## **THE PEAB-SHARE.**

The Peab B-share is listed on OMX Nordic Exchange in Stockholm. As at 22 August 2007 the price of the Peab share was SEK 189.00, which is equivalent to an increase of 16 per cent since the end of the year 2006. During the same period, the Swedish stock market increased by 4 per cent according to Affärsvärlden's general index. In 2007, the Peab share has been traded at a maximum of SEK 245.00 and a minimum of SEK 149.00.

## **THE PARENT COMPANY.**

The parent company Peab AB's net sales amounted to SEK 29 million (30) and consisted mostly of internal Group services. Profit after tax amounted to SEK 1 320 million (477). Profits include dividends of SEK 1 450 million (511) from subsidiaries.

The parent company's assets principally consists of shares in Group companies of SEK 7 109 million (6 048), shares in Brinova Fastigheter AB with SEK 616 million (493), shares in Annehem Fastigheter AB with SEK 53 million (-), shares in Peab Industri AB with SEK 600 million (-) and interest-bearing receivables of SEK 1 115 million (105). These assets have been financed from equity of SEK 4 419 million (4 082) and long-term liabilities amounting to SEK 4 661 million (2 607).

The parent company's liquid funds amounted at the end of the period to SEK 11 million (12).

The parent company is indirectly affected by the risks described in the section Risks and Uncertainty Factors.

## **FUTURE FINANCIAL INFORMATION.**

- Prospectus for distribution and listing of shares in Peab Industri AB: 17 september 2007
- Interim report January-September 2007: 23 November 2007
- Year-end Report 2007: 14 February 2008

The half-yearly report gives a fair overview of the parent company's and the group's business, position and profit and describes important risks and uncertainty factors faced by the parent company and the companies included in the group.

Förslöv, 23 August 2007

*Göran Grosskopf*  
Chairman

*Mats Paulsson*  
Managing Director,  
Board member

*Annette Brodin Rampe*  
Board member

*Karl-Axel Granlund*  
Board member

*Svante Paulsson*  
Board member

*Stefan Paulsson*  
Board member

*Lars Sköld*  
Board member

*Bengt Ericsson*  
Board member

*Kent Ericsson*  
Board member

*Ulf Lundström*  
Board member

## **REVIEW REPORT.**

I have reviewed the interim report for the period 1 January to 30 June, 2007, for Peab AB (publ). The board of directors and the managing director are responsible for preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. My responsibility is to express a conclusion on this interim report based on my review.

I conducted my review in accordance with the Standard on Review Engagements SÖG 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by FAR. A review consists of making inquiries primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing in Sweden (RS) and other generally accepted auditing practices. The procedures performed in a review do not enable me to obtain a level of assurance that would make me aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Based on my review, nothing has come to my attention that causes me to believe that the accompany interim report is not, in all material respects, in accordance with IAS 34 and the Annual Accounts Act. and for the parent company, in accordance with the Swedish Annual Accounts Act.

Förslöv, 23 August 2007

*Alf Svensson*  
Authorised Public Accountant



## Condensed income statement

The Group MSEK	Jan-Jun 2007	Jan-Jun 2006	Apr-Jun 2007	Apr-Jun 2006	Jul-Jun 2006/2007	Jan-Dec 2006
<b>Continuing operations</b>						
Net sales	14 892	11 868	8 187	6 552	29 156	26 132
Production costs	-13 519	-10 884	-7 402	-6 006	-26 636	-24 001
<b>Gross profit</b>	<b>1 373</b>	<b>984</b>	<b>785</b>	<b>546</b>	<b>2 520</b>	<b>2 131</b>
Selling and administrative expenses	-899	-759	-502	-441	-1 556	-1 416
Participation in profit of joint ventures	-2	-7	-5	-7	-7	-12
Result from participations in joint ventures sold	0	0	0	0	11	11
Result from participations Group companies sold	—	-3	—	-3	11	8
Competition claim charge	-85	—	-85	—	-85	—
<b>Operating profit</b>	<b>387</b>	<b>215</b>	<b>193</b>	<b>95</b>	<b>894</b>	<b>722</b>
Financial net income/expense	-21	25	21	-119	164	210
<b>Profit before tax</b>	<b>366</b>	<b>240</b>	<b>214</b>	<b>-24</b>	<b>1 058</b>	<b>932</b>
Tax	-117	-67	-74	9	-274	-224
<b>Profit for the period from continuing operations</b>	<b>249</b>	<b>173</b>	<b>140</b>	<b>-15</b>	<b>784</b>	<b>708</b>
Profit from discontinued operations, net after tax	37	118	29	130	259	340
<b>Profit for the period</b>	<b>286</b>	<b>291</b>	<b>169</b>	<b>115</b>	<b>1 043</b>	<b>1 048</b>
Profit attributable to shareholders' in Parent Company	286	290	169	114	1 043	1 047
Profit attributable to minority interest	0	1	0	1	0	1
<b>Key ratios</b>						
Profit per share, SEK	3.58	3.41	2.13	1.34	12.70	12.37
– after dilution	3.44	3.20	2.04	1.26	12.89	11.79
Profit per share from discontinued operations, SEK	3.12	2.02	1.75	-0.19	9.55	8.36
– after dilution	3.01	1.99	1.69	0.01	9.13	8.03
Average number of outstanding shares, million	79.9	85.1	79.9	85.0	82.1	84.6
– after dilution	85.4	90.6	85.4	90.5	87.6	90.1
Return of capital employed	8.6%	4.5%			23.1%	17.2%
Return on equity	8.9%	8.7%			32.1%	31.6%

## Condensed balance sheet

The Group MSEK	30 Jun 2007	30 Jun 2006	31 Dec 2006
<b>Assets</b>			
Intangible assets	403	428	659
Tangible assets	558	2 193	2 595
Interest-bearing long-term receivables	371	112	99
Other financial fixed assets	957	857	1 023
Deferred tax assets	442	715	244
<b>Total fixed assets</b>	<b>2 731</b>	<b>4 305</b>	<b>4 620</b>
Project- and development properties	2 225	2 061	2 030
Inventories	54	346	284
Interest-bearing short-term receivables	971	186	81
Other current receivables	7 976	7 602	8 579
Short-term shareholdings	0	5	6
Liquid funds	870	753	913
<b>Total current assets</b>	<b>12 096</b>	<b>10 953</b>	<b>11 893</b>
<b>Total assets</b>	<b>14 827</b>	<b>15 258</b>	<b>16 513</b>
<b>Shareholders' equity and liabilities</b>			
<b>Shareholders' equity</b>	<b>3 168</b>	<b>3 323</b>	<b>3 278</b>
<b>Liabilities</b>			
Interest-bearing long-term liabilities	662	1 783	1 460
Other long-term liabilities	113	143	180
<b>Total long-term liabilities</b>	<b>775</b>	<b>1 926</b>	<b>1 640</b>
Interest-bearing short-term liabilities	345	1 051	1 173
Other short-term liabilities	10 539	8 958	10 422
<b>Total current liabilities</b>	<b>10 884</b>	<b>10 009</b>	<b>11 595</b>
<b>Total liabilities</b>	<b>11 659</b>	<b>11 935</b>	<b>13 235</b>
<b>Total shareholders' equity and liabilities</b>	<b>14 827</b>	<b>15 258</b>	<b>16 513</b>
<b>Key ratios</b>			
Capital employed	4 175	6 157	5 911
Equity/assets ratio	21.4%	21.8%	19.9%
Net assets (+) / Net debt (-)	1 205	-1 778	-1 534
Adjusted equity per share, SEK	37.15	39.22	41.02
– after dilution	37.22	42.14	43.99
Number of outstanding shares at end of period, million	85.3	84.7	79.9
– after dilution	85.4	90.2	85.4

## Change in shareholders' equity

The Group MSEK	30 Jun 2007	30 Jun 2006	31 Dec 2006
<b>Shareholders' equity attributable to shareholders' in Parent Company</b>			
Opening balance shareholders' equity, 1 January	3 277	3 348	3 348
Changes in translation reserve for the period	61	-15	-61
Profit for the period	286	290	1 047
Cash dividend	-280	-255	-255
Distribution of shares in Peab Industri AB	-638		
Acquisition of own shares		-46	-822
Disposal of own shares			20
Conversion convertible promissory notes	459		
Written back deferred tax on convertible promissory notes which have been converted	2		
<b>Closing balance shareholders' equity</b>	<b>3 167</b>	<b>3 322</b>	<b>3 277</b>
<b>Shareholders' equity attributable to minority interest</b>			
Opening balance shareholders' equity, 1 January	1	0	0
Profit for the period	0	1	1
<b>Closing balance shareholders' equity</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>Total closing balance shareholders' equity</b>	<b>3 168</b>	<b>3 323</b>	<b>3 278</b>

## Condensed cash flow statement

The Group MSEK	Jan-Jun 2007	Jan-Jun 2006	Apr-Jun 2007	Apr-Jun 2006	Jul-Jun 2006/2007	Jan-Dec 2006
Cash flow from current operations before working capital changes	656	548	357	421	1 824	1 716
Cash flow from changes in working capital	328	722	115	389	1 079	1 473
<b>Cash flow from current operations</b>	<b>984</b>	<b>1 270</b>	<b>472</b>	<b>810</b>	<b>2 903</b>	<b>3 189</b>
Acquisition of subsidiaries	-167	-122	-25	-69	-515	-470
Disposal of subsidiaries	5	—	—	—	7	2
Liquid funds, discontinued operations	-64	—	-64	—	-64	—
Acquisition of fixed assets	-298	-174	-115	-97	-620	-496
Sales of fixed assets	58	23	8	13	272	237
<b>Cash flow from investment operations</b>	<b>-466</b>	<b>-273</b>	<b>-196</b>	<b>-153</b>	<b>-920</b>	<b>-727</b>
<b>Cash flow before financing</b>	<b>518</b>	<b>997</b>	<b>276</b>	<b>657</b>	<b>1 983</b>	<b>2 462</b>
Cash flow from financing operations	-567	-373	-271	-501	-1 883	-1 689
<b>Cash flow for the period</b>	<b>-49</b>	<b>624</b>	<b>5</b>	<b>156</b>	<b>100</b>	<b>773</b>
Cash at the beginning of the period	913	130	865	598	753	130
Exchange rate differences in cash	6	-1	—	-1	17	10
<b>Cash at the end of the period</b>	<b>870</b>	<b>753</b>	<b>870</b>	<b>753</b>	<b>870</b>	<b>913</b>

## Net sales and operating profit per business area

MSEK	Net sales				Operating profit				Operating margin			
	Jan-Jun 2007	Jan-Jun 2006	Jul-Jun 2006/2007	Jan-Dec 2006	Jan-Jun 2007	Jan-Jun 2006	Jul-Jun 2006/2007	Jan-Dec 2006	Jan-Jun 2007	Jan-Jun 2006	Jul-Jun 2006/2007	Jan-Dec 2006
Construction Sweden	9 678	8 377	19 020	17 719	450	288	866	704	4.6%	3.4%	4.6%	4.0%
Construction Abroad	2 382	1 585	4 553	3 756	-16	-18	-4	-6	-0.7%	-1.1%	-0.1%	-0.2%
Civil Engineering	3 539	2 838	7 216	6 515	108	72	197	161	3.1%	2.5%	2.7%	2.5%
Trust/Management	80	52	182	154	-155	-70	-220	-135				
Eliminations	-787	-703	-1 396	-1 312								
<b>Group total</b>	<b>14 892</b>	<b>12 149</b>	<b>29 575</b>	<b>26 832</b>	<b>387</b>	<b>272</b>	<b>839</b>	<b>724</b>	<b>2.6%</b>	<b>2.2%</b>	<b>2.8%</b>	<b>2.7%</b>

When establishing Peab Industri AB on 31 December 2006 there were certain minor company handovers between the Industry, Construction Sweden and Civil Engineering business areas. Comparative figures have not been translated at historical values because of these handovers.

## DISCONTINUED OPERATIONS - DISTRIBUTION OF PEAB INDUSTRI.

The AGM held on 16 May 2007 resolved to distribute the shares in Peab Industri AB to Peab's shareholders. Peab Industri's profit for the January to April period has been recognised as Profit from discontinued operations, net after tax in the Peab Group. Discontinued operations are recognised separately from continuing operations in the income statement. Comparative figures for previous periods have been

revised to show discontinued operations separate from continuing operations. Peab Industri has been excluded from the balance sheet as at 30 June 2007, whilst the comparative balance sheets accord with historic accounts.

Peab Industri's cash flow has been included in the cash flow statement for the January to April period. Liquid funds in Peab Industri as at 30 April 2007, amounting to SEK 64 million, have been recognised as a discontinued operations under investment operations.

### Profit from discontinued operations

The Group MSEK	Jan-Jun <sup>1)</sup> 2007	Jan-Jun 2006	Apr-Jun <sup>1)</sup> 2007	Apr-Jun 2006	Jul-Jun <sup>1)</sup> 2006/2007	Jan-Dec 2006
Net sales	1 652	2 455	494	1 667	5 202	6 005
Production costs	-1 495	-2 159	-423	-1 414	-4 589	-5 253
Selling and administrative expenses	-89	-107	-26	-54	-208	-226
Participation in profit of joint ventures	0	-2	0	-1	5	3
Result from participations in joint ventures sold	—	—	—	—	—	—
<b>Operating profit</b>	<b>68</b>	<b>187</b>	<b>45</b>	<b>198</b>	<b>410</b>	<b>529</b>
Financial net income/expenses	-23	-24	-8	-15	-49	-50
<b>Profit before tax</b>	<b>45</b>	<b>163</b>	<b>37</b>	<b>183</b>	<b>361</b>	<b>479</b>
Tax	-12	-45	-10	-53	-106	-139
<b>Profit after tax</b>	<b>33</b>	<b>118</b>	<b>27</b>	<b>130</b>	<b>255</b>	<b>340</b>
Adjustment relating to minority in jointly owned company <sup>2)</sup>	4	—	2	—	4	—
<b>Profit from discontinued operations, net after tax</b>	<b>37</b>	<b>118</b>	<b>29</b>	<b>130</b>	<b>259</b>	<b>340</b>

### The impact of discontinued operations on individual group assets and liabilities

MSEK	30 Jun 2007
Intangible assets	319
Tangible assets	2 355
Financial fixed assets	375
Inventories	282
Short-term financial receivables	5
Current receivables	1 111
Short-term shareholdings	2
Liquid funds	64
Deferred tax liabilities	-141
Provisions	-41
Long-term liabilities	-2 329
Short-term liabilities	-1 359
	643
Adjustment relating to minority in jointly owned company <sup>2)</sup>	-5
<b>Discontinued assets and liabilities, net</b>	<b>638</b>

### Net cash flow in discontinued operations

MSEK	Jan-Jun <sup>1)</sup> 2007
Cash flow from current operations	165
Cash flow from investment operations	-278
Cash flow from financing operations	132
<b>Net cash flow in discontinued operations</b>	<b>19</b>

<sup>1)</sup> Refers to the period until April 2007

<sup>2)</sup> Relates to adjustment of minority participation which is recognised as a joint venture in continuing operations.

## QUARTERLY FIGURES

### The Group per quarter

MSEK	Apr-Jun 2007	Jan-Mar 2007	Oct-Dec 2006	Jul-Sep 2006	Apr-Jun 2006	Jan-Mar 2006
<b>Continuing operations</b>						
Net sales	8 187	6 705	8 077	6 187	6 552	5 316
Production costs	-7 402	-6 117	-7 392	-5 725	-6 006	-4 878
<b>Gross profit</b>	<b>785</b>	<b>588</b>	<b>685</b>	<b>462</b>	<b>546</b>	<b>438</b>
Selling and administrative expenses	-502	-397	-368	-289	-441	-318
Participations in profit of joint ventures	-5	3	-6	1	-7	0
Result from participations in joint ventures sold	0	0	11	—	—	—
Result from participations in Group companies sold	—	—	11	0	-3	—
Competition claim charge	-85	—	—	—	—	—
<b>Operating profit</b>	<b>193</b>	<b>194</b>	<b>333</b>	<b>174</b>	<b>95</b>	<b>120</b>
Financial net income/expense	21	-42	162	23	-119	144
<b>Profit before tax</b>	<b>214</b>	<b>152</b>	<b>495</b>	<b>197</b>	<b>-24</b>	<b>264</b>
Tax	-74	-43	-102	-55	9	-76
<b>Profit for the period from continuing operations</b>	<b>140</b>	<b>109</b>	<b>393</b>	<b>142</b>	<b>-15</b>	<b>188</b>
Profit from discontinued operations, net after tax	29	8	86	136	130	-12
<b>Profit for the period</b>	<b>169</b>	<b>117</b>	<b>479</b>	<b>278</b>	<b>115</b>	<b>176</b>
Profit attributable to shareholders' in Parent Company	169	117	479	278	114	176
Profit attributable to minority interest	0	0	0	0	1	0
Earnings per share, SEK	2.13	1.45	5.68	3.28	1.34	2.07
– after dilution	2.04	1.40	5.51	3.08	1.26	1.94
Average number of outstanding shares, million	79.9	79.9	83.8	84.6	85.0	85.1
– after dilution	85.4	85.4	89.3	90.1	90.5	90.6

### Business area per quarter

MSEK	Apr-Jun 2007	Jan-Mar 2007	Oct-Dec 2006	Jul-Sep 2006	Apr-Jun 2006	Jan-Mar 2006
<b>Net sales</b>						
Construction Sweden	5 221	4 457	5 445	3 897	4 606	3 771
Construction Abroad	1 315	1 067	1 196	975	864	721
Civil Engineering	2 012	1 527	2 082	1 595	1 620	1 218
Trust/Management	36	44	72	30	27	25
Eliminations	-397	-390	-342	-267	-400	-303
<b>Total</b>	<b>8 187</b>	<b>6 705</b>	<b>8 453</b>	<b>6 230</b>	<b>6 717</b>	<b>5 432</b>
<b>Operating profit</b>						
Construction Sweden	260	190	272	144	162	126
Construction Abroad	-13	-3	23	-11	-11	-7
Civil Engineering	68	40	26	63	39	33
Trust/Management	-122	-33	-35	-30	-41	-29
<b>Total</b>	<b>193</b>	<b>194</b>	<b>286</b>	<b>166</b>	<b>149</b>	<b>123</b>
<b>Order situaion Construction and Civil Engineering</b>						
Orders received	10 004	10 161	7 172	6 370	7 688	7 481
Order backlog at the end of the period	26 017	24 150	20 642	21 852	21 715	20 714

When establishing Peab Industri AB on 31 December 2006 there were certain minor company handovers between the Industry, Construction Sweden and Civil Engineering business areas. Comparative figures have not been translated at historical values because of these handovers.

## Condensed income statement

Parent company MSEK	Jan-Jun 2007	Jan-Jun 2006	Jan-dec 2006
Net sales	29	30	59
Administrative expenses	-84	-70	-139
Competition claim charge	-35	—	—
<b>Operating profit</b>	<b>-90</b>	<b>-40</b>	<b>-80</b>
<b>Resultat from financial investments</b>			
Result from participations in Group companies	1 450	511	510
Other financial financial investments	-85	-3	152
<b>Profit before tax</b>	<b>1 275</b>	<b>468</b>	<b>582</b>
Tax	45	9	-18
<b>Profit for the period</b>	<b>1 320</b>	<b>477</b>	<b>564</b>

## Condensed balance sheet

Parent company MSEK	30 Jun 2007	30 Jun 2006	31 Dec 2006
<b>Assets</b>			
<b>Fixed assets</b>			
Machinery and equipment	3	4	3
Participations in Group companies	7 109	6 048	7 816
Participations in joint ventures	—	17	—
Receivables from Group companies	111	11	241
Other securities held as fixed assets	1 270	514	711
Interest-bearing long-term receivables	200	—	—
Deferred tax assets	—	5	—
Other long-term receivables	1	1	1
<b>Total fixed assets</b>	<b>8 694</b>	<b>6 600</b>	<b>8 772</b>
<b>Current assets</b>			
Project- and development properties	—	3	—
Accounts receivables	2	—	0
Receivables from Group companies	26	3	1
Interest-bearing short-term receivables	915	105	15
Income tax recoverables	2	1	1
Other short-term receivables	117	3	2 355
Prepaid expenses and accrued income	5	2	3
Liquid funds	11	12	19
<b>Total current assets</b>	<b>1 078</b>	<b>129</b>	<b>2 394</b>
<b>Total assets</b>	<b>9 772</b>	<b>6 729</b>	<b>11 166</b>
<b>Shareholders' equity and liabilities</b>			
<b>Shareholders' equity</b>	<b>4 419</b>	<b>4 082</b>	<b>3 518</b>
<b>Long-term liabilities</b>			
Liabilities to Group companies	4 650	2 146	6 898
Convertible promissory note	11	461	465
Deferred tax liabilities	16	—	63
<b>Total long-term liabilities</b>	<b>4 677</b>	<b>2 607</b>	<b>7 426</b>
<b>Short-term liabilities</b>			
Accounts payable	13	11	7
Liabilities to Group companies	0	0	15
Other short-term liabilities	643	9	170
Accrued expenses and deferred income	20	20	30
<b>Total short-term liabilities</b>	<b>676</b>	<b>40</b>	<b>222</b>
<b>Total shareholders' equity and liabilities</b>	<b>9 772</b>	<b>6 729</b>	<b>11 166</b>

## List of shareholders, 31 July 2007

Shareholders	A-shares	B-shares	Total no of shares	Proportion of capital, %	Proportion votes, %
Mats Paulsson with company	2 787 117	9 617 755	12 404 872	14.2%	21.4%
Erik Paulsson with family and company	3 487 890	5 702 514	9 190 404	10.6%	23.1%
Karl-Axel Granlund with company		5 100 000	5 100 000	5.9%	2.9%
Fredrik Paulsson with family and company	1 201 171	1 696 450	2 897 621	3.3%	7.8%
Stefan Paulsson with family and company	1 201 172	1 681 056	2 882 228	3.3%	7.8%
Swedbank Robur funds		1 901 589	1 901 589	2.2%	1.1%
Skandia Life		1 274 700	1 274 700	1.5%	0.7%
JP Morgan Chase Bank		1 162 367	1 162 367	1.3%	0.7%
Handelsbanken Funds		1 039 219	1 039 219	1.2%	0.6%
Svante Paulsson with family and company	491 688	700 580	1 192 268	1.4%	3.2%
Sara Karlsson with family and company	508 040	348 019	856 059	1.0%	3.1%
Other	128 624	45 224 597	45 353 221	52.0%	26.6%
<b>Number of outstanding shares</b>	<b>9 805 702</b>	<b>75 448 846</b>	<b>85 254 548</b>		
Peab AB		1 815 000	1 815 000	2.1%	1.0%
<b>Number of registered shares</b>	<b>9 805 702</b>	<b>77 263 846</b>	<b>87 069 548</b>	<b>100.0%</b>	<b>100.0%</b>

Source: VPC

