



## PEAB AB (PUBL) YEAR-END REPORT JANUARY–DECEMBER 2007.

Net sales for continuing operations increased by 22 per cent to SEK 31 977 million (26 132)

Operating profit from continuing operations amounted to SEK 1 261 million (722)

Profit for the year from continuing operations amounted to SEK 774 million (708). Profit for the year amounted to SEK 811 million (1 048). Profits include a change of SEK -203 million (224) in the value of the Brinova holding

Profit per share from continuing operations before dilution amounted to SEK 4.69 (4.18)

Profit per share before dilution amounted to SEK 4.92 (6.18)

Orders received increased by 31 per cent and amounted to SEK 37 529 million (28 711)

Order backlog amounted to SEK 26 299 million (20 642)

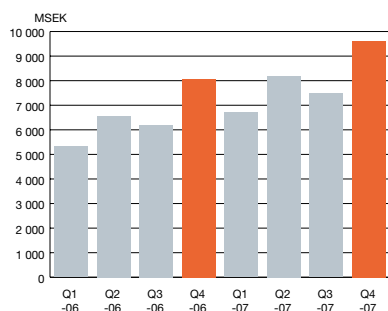
Board proposes SEK 2.25 (1.75) per share as dividend

Peab Industri is reported as discontinued operations



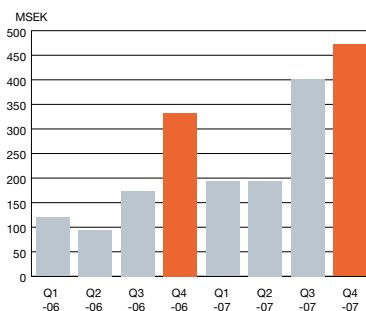
## YEAR-END REPORT JANUARY - DECEMBER 2007

### Net sales



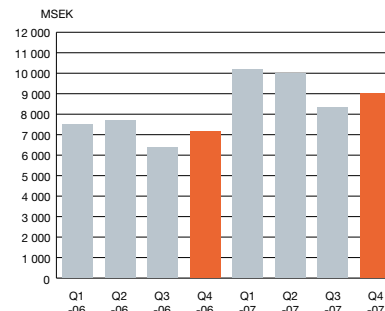
The Group's net sales for continuing operations for the year 2007 amounted to SEK 31 977 million, corresponding to an increase of 22 per cent compared with the previous year. Adjusted for acquired and divested units, the increase in net sales amounted to 17 per cent.

### Operating profit



The Group's operating profit for continuing operations for the year 2007 amounted to SEK 1 261 million compared with SEK 722 million the previous year.

### Orders received per quarter



Orders received for the year 2007 amounted to SEK 37 529 million compared with SEK 28 711 million for the previous year. Order backlog amounted to SEK 26 299 million compared with SEK 20 642 million for 2006.

## The Group

MSEK	Jan-Dec 2007	Jan-Dec 2006	Financial objectives (full year)
Net sales	31 977	26 132	
Operating profit	1 261	722	
Operating margin	3.9%	2.8%	
Profit before tax	1 099	932	
Profit for the year <sup>1)</sup>	811	1 048	
Profit per share before dilution, SEK <sup>1)</sup>	4.92	6.18	
Return on equity <sup>1)</sup>	23.6%	31.6%	>20%
Equity/assets ratio	23.5%	19.9%	>25%

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

## NEW CONTRACTS DURING FOURTH QUARTER

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

- Peab has been commissioned by the Swedish Road Administration to build a new part of the E6 motorway between Rabbalshede and Strömstad in Bohuslän. The contract amounts to SEK 175 million.
- Peab has been commissioned to build flats, offices and stores at Östermalmstorg in the central part of Stockholm. The contract amounts to SEK 302 million and the client is Deamatrix Förvaltnings AB.
- Peab has been commissioned to build Nya Stockholm Klara Office Hotel and Conference in the central of Stockholm. The client is the Real Estate Company Norrmalm 43 Stockholm AB and the contract amounts to totally SEK 1.4 billion.
- Peab has been commissioned to carry through a large extension of the University Hospital MAS in Malmö. Regionfastigheter is the client and the contract amounts to SEK 605 million.
- Peab has been commissioned to build 161 flats and a garage with 190 parking places in Kungsängen, west of Stockholm. The client is the tenant-owner society Branten and the community of Upplands-Bro and the contract is worth SEK 390 million.
- Peab has been commissioned to carry out the rebuild and extension of Idrottsparken in Norrköping. The client is AB Norrköpings Idrottspark and the contract amounts to SEK 227 million.

## MD's COMMENTS.

In a favourable building market, in 2007 Peab enjoyed record high profits. Sales rose by 22 per cent to SEK 31 977 million and operating profit improved by 75 per cent to SEK 1 261 million compared with SEK 722 million in 2006. We improved our margins, primarily as a consequence of the increased profitability of our contracting business, good earnings capacity in housing project development and increased cost efficiency.

There are many signs that growth in the Swedish construction market is now decreasing from approximately 7 per cent in 2007 to approximately 4 per cent in 2008. Unrest in the international financial markets and the resulting impact on the stock market is noticeable in the longer selling times for new homes. However, we are able to state that Peab was awarded several major projects relating to road construction, commercial space and public buildings during the last quarter. As a result of these conditions, in our opinion, the building market are still good, thanks to a strong Swedish economy, increased employment and continuing favourable interest rates. This is also reflected in the continued strength of our order book with an order backlog at the end of the year of SEK 26 299 million, an increase of 27 per cent compared with the preceding year.

In this light, we believe that the shortage of resources continues to be the greatest challenge facing Peab and the sector as a whole. As part of our endeavours to be the best employer in the sector, convertible bonds were offered Peab's employees, who will as a result become part owners of Peab in the longer term. More than 41 per cent of our employees grasped this opportunity, thus demonstrating our personnel's confidence in the future and dedication.



Because of the strong earnings and the impact of the distribution of Peab Industri, Peab's financial position continues to strengthen, thereby offering us further 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-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 items "Profit from discontinued operations, net after tax". Comparative figures for previous periods have been restated to show continuing operations separated from discontinued operations.

Peab Industri has been excluded from the balance sheet as at 31 December 2007, whilst the comparative balance sheets accord with historic accounts.

For further information on Peab Industri concerning 2007, see separately published year-end report.

## NET SALES AND PROFIT

The Group's net sales for the year 2007 increased by 22 per cent to SEK 31 977 million (26 132). Adjusted for acquired and divested units the increase in net sales amounted to 17 per cent. Of the year's net sales, SEK 5 471 million (3 761) relates to sales and production outside Sweden.

Annual operating profit amounted to SEK 1 261 million compared with SEK 722 million for the previous year. A competition damage charge of SEK -85 million has been charged to profit for the year (for further information see the section on Important events during the year, page 6).

Shares in the profits of joint ventures are accounted for in accordance with the equity method. Shares in the profits of joint ventures amounted to SEK 33 million (-12) for the year.

The net financials item amounted to SEK -162 million (210), of which the financial net income/expense amounted to SEK 16 million (-15). The effect of valuing financial instruments at fair value was included in net financial items to the tune of SEK -200 million (225), of which the result valuing the Brinova holding at fair value amounted to SEK -203 million (224). The share holding is entered at the market price on balance sheet day.

Pre-tax profit amounted to SEK 1 099 million, compared with SEK 932 million for the previous year.

Tax for the year amounted to SEK -325 million (-224), which is equivalent to a tax rate of 29.5 per cent and mainly consist 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 refers to Peab Industri's net profit for the Janua-

ry-April 2007 period, whilst corresponding profit for the year whole 2006 amounted to SEK 340 million.

Profit for the year amounted to SEK 811 million (1 048).

## FINANCIAL POSITION

The equity/assets ratio as at 31 December 2007 was 23.5 per cent, compared with 19.9 per cent the previous year-end. Net interest-bearing receivables amounted to SEK 587 million compared with net debt of SEK -1 534 million at the same time previous year. The average interest rate on the loan portfolio amounted to 5.0 per cent (3.9).

The Group's liquid funds including non-utilised credit facilities amounted to SEK 5 173 million at the end of the year, compared with SEK 4 608 million as at 31 December 2006.

At the end of the year, the Group's contingent liabilities excluding joint and several liability in trading and limited partnerships amounted to SEK 1 476 million compared with SEK 1 498 million as at 31 December 2006. Of contingent liabilities, obligations to tenant-owners' cooperatives under construction amounted to SEK 1 430 million compared with SEK 1 107 million at the end of 2006.

## INVESTMENTS

Net investments during the year in tangible and intangible fixed assets amounted to SEK 742 million (1 251), of which SEK 385 million is related to continuing operations. Totally SEK 670 million (246) net was invested in project- and development properties.

## CASH FLOW

Peab Industri's cash flow has been included in the cash flow statement for January to April 2007 and for full year 2006. Cash flow from current operations before working capital changes amounted to SEK 1 585 million (1 716). Cash flow from changes in working capital was reduced by a decrease in liabilities of Invoiced but non-recognized income and by acquisition of project and development properties of SEK -487 million (-143). When project and development property is acquired through company acquisitions, this is charged to cash flow from investment activities similarly to acquisitions of subsidiaries. Cash flow from investment activities amounted to SEK 605 million (-727) and mainly stems from the repayment of loans by Peab Industri in conjunction with the distribution.

## PERSONNEL

At the end of 2007, the company employed a staff of 11 589 compared with 10 771 at the same time previous year.

## FINANCIAL TARGETS AND REPORTING STRUCTURE

As a result of the distribution of the shares in Peab Industri, in future Peab's activities will consist of construction and civil engineering work in Sweden, Norway and Finland. This resulted during the spring 2007 in a review of the financial targets and of the external reporting structure.

## FINANCIAL TARGETS

The new financial objectives 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 (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)

## REPORTING STRUCTURE

The business sectors as from the first quarter 2007 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 restated 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 year 2007 amounted to SEK 20 050 million, compared with SEK 17 719 million during previous year, equivalent to a rise of 13 per cent. Adjusted for acquired units the increase in net sales amounted to 10 per cent.

The operating profit for the year 2007 amounted to SEK 1 090 million, compared with SEK 704 million during previous year. Annual operating profit and operating margin benefited from the increased profitability of contracting business, good earnings capacity of new housing project development and increased cost efficiency.

Operating margin for the year was 5.4 per cent compared with 4.0 per cent for 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 year 2007 amounted to SEK 5 426 million, compared with SEK 3 756 million the previous year, equivalent to a rise of 44 per cent. Adjusted for acquired units the increase in net sales amounted to 23 per cent.

Operating profit for the year amounted to SEK 24 million, compared with SEK -6 million the previous year.

## CIVIL ENGINEERING

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

Net sales for the year 2007 for Civil Engineering amounted to SEK 7 933 million compared with SEK 6 515 million for the previous year, which corresponds to an increase of 22 per cent. Adjusted for acquired units the increase in net sales amounted to 20 per cent.

Operating profit for the year amounted to SEK 352 million compared with SEK 161 million for the previous year. Annual operating profit and operating margin were boosted by good earnings from work in progress, final settlement of some major contracts and a well-balanced risk profile. Operating margin for the year was 4.4 per cent compared with 2.5 per cent for the full year 2006.

## ORDERS RECEIVED AND ORDER BACKLOG

Total orders received amounted to SEK 37 529 million (28 711) for year 2007, which is an increase of 31 per cent. The order backlog at the end of the year totalled SEK 26 299 million compared with SEK 20 642 million at the same time last year. This represents an increase of 27 per cent. Of the total order backlog, 26 per cent (21) is expected to be produced after 2008. Construction projects accounted for 77 per cent (77) of the order backlog. Swedish operations accounted for 85 per cent (82) of the order backlog.

### Order backlog and orders received

MSEK	31 Dec 2007	31 Dec 2006	31 Dec 2005
Coming financial year	19 541	16 314	13 413
Next financial year	5 620	3 486	3 534
Thereafter	1 138	842	775
<b>Total order backlog</b>	<b>26 299</b>	<b>20 642</b>	<b>17 722</b>
<b>Orders received</b>	<b>37 529</b>	<b>28 711</b>	<b>24 227</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 year, 3 843 (4 193) internally developed homes were under construction, 75 per cent (75) of which were sold. The total holding of project and development properties amounted to SEK 2 700 million (2 030) at the end of the year. Of the 104 repurchased homes, 96 are attributable to Finnish housing companies, compared with 32 at the end of last year.

### Internally developed housing construction

	Jan-Dec 2007	Jan-Dec 2006	Jan-Dec 2005
Number of housing starts during the year	2 011	2 518	2 230
Number of homes sold during the year	2 035	2 300	1 907
Total number of homes under construction, at the end of the year	3 843	4 193	2 771
Share of sold homes under construction, at the end of the year	75%	75%	69%
Number of repurchased tenant-owner rights/ shares in Finnish housing companies in own balance sheet, at the end of the year	104	38	16

During the year, Peab's commitment to reasonably priced housing continued to result in good sales of projects in progress but with more sluggish sales in December. In Norway and Finland, the higher interest rates have clearly contributed to longer sales times. Despite this, Peab retained requirements for advance subscription prior to embarking on new projects.

#### **TRUST/MANAGEMENT**

Trust/Management comprises the central companies, certain subsidiaries and joint ventures and other holdings. Operating profit amounted to SEK -205 million (-135). A competition damage charge of SEK -85 million was charged to profit during the second quarter.

#### **THE CONSTRUCTION MARKET**

The construction market continued to make positive progress in the autumn and according to sector analysts growth is expected to have reached approximately 7 per cent in 2007. Continued weaker economic growth in 2008 and a continued shortage of skilled workers and production managers indicates that the growth rate will slow to approximately 4 per cent in 2008.

The unrest in international financial markets with the consequent impact on the stock market will have short-term effects on prices and activities in the housing market. Once this unrest has settled, it is assessed that the underlying demand will result in annual new home volumes in line with the average for 2006-2007 of approximately 38 000.

Where civil engineering investment is concerned, the rise in private civil engineering investment continues, driven by power and energy installation initiatives, due to such factors as continued high energy prices and also new commitments to renewable sources of energy. Public infrastructure investment in the form of road investments and railway investments is lower than expected with uncertainty about future government aspirations. Hopefully, a number of urgent road and railway investments will result in increased demand for new projects.

High local government demand for both new and converted property is expected to contribute to the continued growth in the building of business premises. Private local investment will also contribute to this rise. This upturn is being driven by investment in office conversions and relocation of dedicated premises to the right positions, and investment in external shopping centres, arenas and hotels. 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 may, for example, be associated with tender procedures, revenue recognition and 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 the percentage of completion method in the

projects. 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 deteriorate 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. Large fluctuations in the price of the Brinova share may exert a major impact on the valuation of the holding, which would affect Peab's net financial items.

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

#### **ACQUISITIONS DURING THE REPORTING PERIOD**

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

#### **IMPORTANT EVENTS DURING THE REPORTING PERIOD**

The Byggnads union called a strike on 18 April which focused entirely on Peab. The strike lasted for four working days. Some 800-900 Peab workers were affected.

Mats O Paulsson has resigned as deputy managing director of Peab AB in order to act as CEO of Peab Industri AB.

The district court's decision on competition damage 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 damage charges of SEK 85 million. On 1 March 2007, Peab AB issued two letters of indemnity whereby Peab AB undertakes to pay any charges Peab Asphalt AB and Peab Asphalt Syd AB, which are part of the Peab Industri Group, might be ordered to pay in competition damage charges. These charges are included in the above amount. The competition damage charges have been charged to profit for the period. 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.

Peab has renegotiated and extended bilateral loan agreements for a total of SEK 3.25 billion (previously SEK 3.0 billion) with six banks. As a result of the extension, the loan agreements which previously expired in February 2013 will now expire in September 2014. The loans are not subject to amortisation.

## ACCOUNTING PRINCIPLES

The year-end report for 2007 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 Financial Reporting.

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

The year-end report has been prepared in accordance with the same accounting policies and assumptions that were described in 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.

The AGM of Peab held on 16 May 2007 resolved in accordance with the so-called "Lex Asea" to distribute the shares in Peab Industri AB, which since the end of last year comprises the group's Industry business area. 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 were distributed with regard to Peab Industri amounted to SEK 638 million (before distribution costs).

The shares in Peab Industri, divided into A-shares and B-shares, were divested on 27 September 2007 and the B-share was listed on the OMX Nordic Stock Exchange Stockholm on 1 October 2007.

Previous lending by Peab in the form of a mortgage loan to Peab Industri of SEK 200 million was amortized in December when Peab subscribed to convertible bonds in Peab Industri, described below in the section on Convertible Bonds in Peab Industri.

## PERSONNEL CONVERTIBLE DEBENTURES 2007/2012

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

- The offer of participation in the program has been made to all employees of Peab and Peab Industri on ordinary market terms, and every employee has been offered the right to subscribe to a minimum of 200 convertibles in each program.

- The convertible debentures will run from 1 December 2007 until 30 November 2012 with settlement date of 15 January 2008. Each convertible can be converted during a part of December 2010 and 2011 and part of September 2012 to a B-share in the respective companies.

- On 15 November 2007, the conversion price was set at SEK 68, with the issue of Peab Convertibles 2007/2012 to an amount of SEK 598 400 000, corresponding to 8 800 000 new convertibles. Upon conversion to shares, dilution will amount to 5.05 per cent of the share capital and 2.51 per cent of the votes, based on the number of shares registered on the subscription date. The convertible rate is 5.44 per cent.

Altogether more than 41 per cent of Peab's employees applied to subscribe to convertible bonds in Peab AB. Of Peab Industri's employees, 38 per cent applied to subscribe to convertible bonds in Peab AB. The convertible bonds were oversubscribed by 1.8 times.

In order to offset any dilution effects, the 2007 AGM resolved to authorise the respective boards of directors to buy back shares. This authorisation allows the board to buy back shares in the open market and subsequently withdraw B-shares in the respective companies to an amount equivalent to those that may be issued when the convertible bonds are converted.

The proposed issues will give all employees an opportunity to share 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 aimed at Peab AB. Peab AB has on 1 December 2007 subscribed to convertible bonds in Peab Industri Convertibles 2007/2012 to an amount of SEK 198 million, corresponding to 3 000 000 convertibles, at the conversion price of SEK 66.

## 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 by 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
Split 2:1 2007-09-27	—	9 805 702	77 263 846	87 069 548	1 815 000	85 254 548
Conversion personnel convertible debentures 2007-12-20	1.7	—	313 610	313 610	—	313 610
Acquisition/disposal of own shares during the year	—	—	—	—	1 995 000	-1 995 000
<b>Share capital and number of shares, 31 December 2007</b>	<b>933.3</b>	<b>19 611 404</b>	<b>154 841 302</b>	<b>174 452 706</b>	<b>5 625 000</b>	<b>168 827 706</b>

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 on 16 May 2007 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 has been done without the issue of new shares.

#### **CONVERSION OF CONVERTIBLE PROMISSORY NOTES 2005/2008**

Peab's AGM on 16 May 2007 resolved, on an additional window, for converting Peab's convertible promissory notes 2005/2008 to B-shares from 18 June - 2 July 2007. Of the overall nominal amount of SEK 479 million, SEK 468 million, or 97.7 per cent, were converted to 5 373 604 new B-shares. The second occasion for conversion to B-shares was from 26 November to 12 December 2007. During this window, bonds to a nominal amount of SEK 7.5 million were converted, equivalent to 313 610 new B-shares. After these conversions, there are outstanding Peab Convertible Promissory Notes 2005/2008 to a nominal value of SEK 3.5 million, which can be converted to a maximum of 148 425 new B-shares.

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

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

#### **HOLDINGS OF OWN SHARES**

At the beginning 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. On 16 May 2007, the Peab Annual General Meeting resolved to authorise the board of directors to acquire at the most the number of shares in Peab AB such that after acquisition Peab would hold a maximum of 10 per cent of the registered number of shares in the company. During 2007, the holding of own shares has declined by 5 500 000 B-shares through withdrawal and thereafter increased by 1 815 000 B-shares after the 2:1 split. In October 2007, based on the AGM's authorisation, Peab's board of directors decided to buy back an additional maximum of 2 000 000 B-shares. Since this decision, 1 995 000 B-shares have been bought back. As at 31 December 2007, Peab's holding of own shares amounted to 5 625 000 B-shares, corresponding to 3.2 per cent of the total number of shares.

#### **THE PEAB-SHARE**

Peab's B-share is listed on the OMX Nordic Stock Exchange Stockholm. On 1 January 2008, the Peab share was moved from the stock exchange's Large Cap list to the Mid Cap list. Historic Peab share prices were converted after the distribution of Peab Industri and adjustment for the 2:1 split. As at 31 December 2007, the price of the Peab share was SEK 66.75, an increase of 16 per cent during the year. During the same period, the Swedish stock market declined by 7 per cent according to Affärsvärlden's general index. During 2008, the Peab share has been quoted at a maximum of SEK 68.25 and a minimum of SEK 43.70.

#### **THE PARENT COMPANY**

The parent company Peab AB's net sales amounted to SEK 55 million (59) and mainly consisted of internal Group services. Profit after tax amounted to SEK 1 134 million (564). Profit includes dividends from subsidiaries of SEK 1 557 million (2 796).

The parent company's assets mainly consist of participations in group companies amounting to SEK 7 281 million (7 816), shares in Brinova Fastigheter AB worth SEK 477 million (681), convertible bonds in Peab Industri worth SEK 205 million, shares in Annehem Fastigheter AB worth SEK 26 million (-), shares in Victoria Park i Malmö AB worth SEK 13 million (-) and other interest-bearing receivables of SEK 15 million (15). The assets have been financed from equity of SEK 4 287 million (3 518) and long-term liabilities amounting to SEK 4 473 million (7 426).

The parent company's liquid assets amounted to SEK 4 million (19) at the end of the year.

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

#### **PROPOSED DIVIDEND**

A dividend of SEK 2.25 per share (1.75) is proposed for year 2007. Calculated as a share of the group's reported profit after tax, the proposed dividend amounts to 47 per cent (27). Excluding the 5 625 000 B-shares owned by Peab AB as at 13 February 2008, which do not entitle to dividend, the proposed dividend is equivalent to a total dividend distribution of SEK 380 million (280). The proposed dividend is equivalent to a direct return of 3.7 per cent based on the closing price on 13 February 2008.

#### **AGM**

The AGM of Peab will be held on 15 May 2008 at 3 pm in Grevieparken in Grevie.

#### **NOMINATING COMMITTEE**

At the AGM held on 16 May 2007, Malte Åkerström (chairman), Leif Franzon, Göran Grosskopf and Fredrik Paulsson were appointed to the Peab nominating committee.



## **FUTURE FINANCIAL INFORMATION**

- Annual report 2007: In the beginning of April 2008
- Interim report January – March 2008 and Annual General Meeting: 15 May 2008
- Interim report January – June 2008: 26 August 2008
- Interim report January – September 2008: 25 November 2008
- Year-end Report 2008: 14 February 2009

Förslöv, 14 February 2008

*Mats Paulsson*  
*Managing Director*

*The information in this year-end report has not been reviewed separately by the company's auditors.*

## Condensed income statement

The Group MSEK	Oct-Dec 2007	Oct-Dec 2006	Jan-Dec 2007	Jan-Dec 2006
<b>Continued operations</b>				
Net sales	9 607	8 077	31 977	26 132
Production expenses	-8 756	-7 392	-29 049	-24 001
<b>Gross profit</b>	<b>851</b>	<b>685</b>	<b>2 928</b>	<b>2 131</b>
Selling and administrative expenses	-416	-368	-1 621	-1 416
Participation in profit of joint venture	31	-6	33	-12
Result from participations in joint ventures sold	6	11	6	11
Result from participations Group companies sold	—	11	—	8
Competition claim charge	0	—	-85	—
<b>Operating profit</b>	<b>472</b>	<b>333</b>	<b>1 261</b>	<b>722</b>
Net finance	-26	162	-162	210
<b>Profit before tax</b>	<b>446</b>	<b>495</b>	<b>1 099</b>	<b>932</b>
Tax	-128	-102	-325	-224
<b>Profit for the period from continuous operations</b>	<b>318</b>	<b>393</b>	<b>774</b>	<b>708</b>
Profit from discontinued operations, net after tax	0	86	37	340
<b>Profit for the period</b>	<b>318</b>	<b>479</b>	<b>811</b>	<b>1 048</b>
Profit attributable to shareholders' in Parent Company	318	479	811	1 047
Profit attributable to minority interest	0	0	0	1
<b>Key ratios</b>				
Profit per share, SEK	1.92	2.84	4.92	6.18
– after dilution	1.84	2.75	4.77	5.89
Profit per share from continuing operations, SEK	1.92	2.33	4.69	4.18
– after dilution	1.84	2.14	4.55	4.01
Average number of outstanding shares, million	169.6	167.6	165.0	169.2
– after dilution	172.7	178.6	171.3	180.2
Return of capital employed			26.6%	17.2%
Return on equity			23.6%	31.6%

## Condensed balance sheet

The Group MSEK	31 Dec 2007	31 Dec 2006
<b>Assets</b>		
Intangible assets	452	659
Tangible assets	642	2 595
Interest-bearing long-term receivables	322	99
Other financial fixed assets	903	1 023
Deferred tax assets	129	244
<b>Total fixed assets</b>	<b>2 448</b>	<b>4 620</b>
Project- and development properties	2 700	2 030
Inventories	86	284
Interest-bearing short-term receivables	121	81
Other current receivables	8 785	8 579
Short-term shareholdings	0	6
Liquid funds	1 212	913
<b>Total current assets</b>	<b>12 904</b>	<b>11 893</b>
<b>Total assets</b>	<b>15 352</b>	<b>16 513</b>
<b>Shareholders' equity and liabilities</b>		
<b>Shareholders' equity</b>	<b>3 606</b>	<b>3 278</b>
<b>Liabilities</b>		
Interest-bearing long-term liabilities	789	1 460
Other long-term liabilities	123	180
<b>Total long-term liabilities</b>	<b>912</b>	<b>1 640</b>
Interest-bearing short-term liabilities	279	1 173
Other short-term liabilities	10 555	10 422
<b>Total current liabilities</b>	<b>10 834</b>	<b>11 595</b>
<b>Total liabilities</b>	<b>11 746</b>	<b>13 235</b>
<b>Total shareholders' equity and liabilities</b>	<b>15 352</b>	<b>16 513</b>
<b>Key ratios</b>		
Capital employed	4 674	5 911
Equity/assets ratio	23.5%	19.9%
Net assets (+) / Net debt (-)	587	-1 534
Equity per share, SEK	21.32	20.51
– after dilution	20.27	22.00
Number of outstanding shares at end of period, million	168.8	159.8
– after dilution	177.8	170.8

## Change in shareholders' equity

The Group MSEK	31 Dec 2007	31 Dec 2006
<b>Shareholders' equity attributable to shareholders' in Parent Company</b>		
Opening balance shareholders' equity, 1 January	3 277	3 348
Changes in translation reserve for the year	94	-61
Change in hedging reserve for the year	-3	
Profit for the year	811	1 047
Cash dividend	-280	-255
Distribution of shares in Peab Industri AB <sup>1)</sup>	-639	
Acquisition of own shares	-129	-822
Disposal of own shares		20
Conversion convertible promissory notes	466	
Written back deferred tax on convertible promissory notes which have been converted	3	
<b>Closing balance shareholders' equity</b>	<b>3 600</b>	<b>3 277</b>
<b>Shareholders' equity attributable to minority interest</b>		
Opening balance shareholders' equity, 1 January	1	0
Profit for the year	0	1
Acquisition	5	
<b>Closing balance shareholders' equity</b>	<b>6</b>	<b>1</b>
<b>Total closing balance shareholders' equity</b>	<b>3 606</b>	<b>3 278</b>

<sup>1)</sup> Of which distribution costs -1

## Condensed cash flow statement

The Group MSEK	Oct-Dec 2007	Oct-Dec 2006	Jan-Dec 2007	Jan-Dec 2006
Cash flow from current operations before working capital changes	505	701	1 585	1 716
Cash flow from changes in working capital	-305	761	-755	1 473
<b>Cash flow from current operations</b>	<b>200</b>	<b>1 462</b>	<b>830</b>	<b>3 189</b>
Acquisition of subsidiaries	-9	-304	-230	-470
Disposal of subsidiaries	7	2	15	2
Liquid funds, discontinued operations	—	—	-64	—
Acquisition of fixed assets	-87	-183	-614	-496
Sales of fixed assets	70	180	1 498	237
<b>Cash flow from investment operations</b>	<b>-19</b>	<b>-305</b>	<b>605</b>	<b>-727</b>
<b>Cash flow before financing</b>	<b>181</b>	<b>1 157</b>	<b>1 435</b>	<b>2 462</b>
Cash flow from financing operations	11	-1 091	-1 152	-1 689
<b>Cash flow for the period</b>	<b>192</b>	<b>66</b>	<b>283</b>	<b>773</b>
Cash at the beginning of the period	1 019	837	913	130
Exchange rate differences in cash	1	10	16	10
<b>Cash at the end of the period</b>	<b>1 212</b>	<b>913</b>	<b>1 212</b>	<b>913</b>

Peab Industri's cash flow has been included in the cash flow statement for January to April 2007 and for full year 2006.

## Net sales and operating profit per business area

MSEK	Net sales		Operating profit		Operating margin	
	Jan-Dec 2007	Jan-Dec 2006	Jan-Dec 2007	Jan-Dec 2006	Jan-Dec 2007	Jan-Dec 2006
Construction Sweden	20 050	17 719	1 090	704	5.4%	4.0%
Construction Abroad	5 426	3 756	24	-6	0.4%	-0.2%
Civil Engineering	7 933	6 515	352	161	4.4%	2.5%
Trust/Management	124	154	-205	-135		
Eliminations	-1 556	-1 312				
<b>Group total</b>	<b>31 977</b>	<b>26 832</b>	<b>1 261</b>	<b>724</b>	<b>3.9%</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-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

restated to show discontinued operations separate from continuing operations. Peab Industri has been excluded from the balance sheet as at 31 December 2007, whilst the comparative balance sheets accord with historic accounts.

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

### Profit from discontinued operations

The Group MSEK	Jan-Dec <sup>1)</sup> 2007	Jan-Dec 2006	Oct-Dec 2007	Oct-Dec 2006
Net sales	1 652	6 005	—	1 796
Production expenses	-1 495	-5 253	—	-1 597
Selling and administrative expenses	-89	-226	—	-62
Participation in profit of joint ventures	0	3	—	3
Result from participations in joint ventures sold	—	—	—	-3
<b>Operating profit</b>	<b>68</b>	<b>529</b>	<b>—</b>	<b>137</b>
Net finance	-23	-50	—	-10
<b>Profit before tax</b>	<b>45</b>	<b>479</b>	<b>—</b>	<b>127</b>
Tax	-12	-139	—	-41
<b>Profit after tax</b>	<b>33</b>	<b>340</b>	<b>—</b>	<b>86</b>
Adjustment relating to minority in jointly owned company <sup>2)</sup>	4	—	—	—
<b>Profit from discontinued operations, net after tax</b>	<b>37</b>	<b>340</b>	<b>—</b>	<b>86</b>

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

MSEK	31 December 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-Dec <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

	Oct-Dec 2007	Jul-Sep 2007	Apr-Jun 2007	Jan-Mar 2007	Oct-Dec 2006	Jul-Sep 2006	Apr-Jun 2006	Jan-Mar 2006
<b>MSEK</b>								
<b>Continuing operations</b>								
Net sales	9 607	7 478	8 187	6 705	8 077	6 187	6 552	5 316
Production expenses	-8 756	-6 774	-7 402	-6 117	-7 392	-5 725	-6 006	-4 878
<b>Gross profit</b>	<b>851</b>	<b>704</b>	<b>785</b>	<b>588</b>	<b>685</b>	<b>462</b>	<b>546</b>	<b>438</b>
Selling and administrative expenses	-416	-306	-502	-397	-368	-289	-441	-318
Participations in profit of joint ventures	31	4	-5	3	-6	1	-7	0
Result from participations in joint ventures sold	6	—	0	0	11	—	—	—
Result from participations in Group companies sold	—	—	—	—	11	0	-3	—
Competition claim charge	—	—	-85	—	—	—	—	—
<b>Operating profit</b>	<b>472</b>	<b>402</b>	<b>193</b>	<b>194</b>	<b>333</b>	<b>174</b>	<b>95</b>	<b>120</b>
Net finance	-26	-115	21	-42	162	23	-119	144
<b>Profit before tax</b>	<b>446</b>	<b>287</b>	<b>214</b>	<b>152</b>	<b>495</b>	<b>197</b>	<b>-24</b>	<b>264</b>
Tax	-128	-80	-74	-43	-102	-55	9	-76
<b>Profit for the period from continuing operations</b>	<b>318</b>	<b>207</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>318</b>	<b>207</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	318	207	169	117	479	278	114	176
Profit attributable to minority interest	0	0	0	0	0	0	1	0
Earnings per share, SEK	1.92	1.23	1.06	0.73	2.84	1.64	0.67	1.03
– after dilution	1.84	1.21	1.04	0.73	2.75	1.54	0.63	0.97
Average number of outstanding shares, million	169.6	170.5	159.9	159.8	167.6	169.1	170.0	170.2
– after dilution	172.7	170.8	170.8	170.8	178.6	180.1	181.0	181.2

### Business area per quarter

	Oct-Dec 2007	Jul-Sep 2007	Apr-Jun 2007	Jan-Mar 2007	Oct-Dec 2006	Jul-Sep 2006	Apr-Jun 2006	Jan-Mar 2006
<b>MSEK</b>								
<b>Net sales</b>								
Construction Sweden	5 912	4 460	5 221	4 457	5 445	3 897	4 606	3 771
Construction Abroad	1 705	1 339	1 315	1 067	1 196	975	864	721
Civil Engineering	2 407	1 987	2 012	1 527	2 082	1 595	1 620	1 218
Trust/Management	17	27	36	44	72	30	27	25
Eliminations	-434	-335	-397	-390	-342	-267	-400	-303
<b>Total</b>	<b>9 607</b>	<b>7 478</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	334	306	260	190	272	144	162	126
Construction Abroad	27	13	-13	-3	23	-11	-11	-7
Civil Engineering	138	106	68	40	26	63	39	33
Trust/Management	-27	-23	-122	-33	-35	-30	-41	-29
<b>Total</b>	<b>472</b>	<b>402</b>	<b>193</b>	<b>194</b>	<b>286</b>	<b>166</b>	<b>149</b>	<b>123</b>
<b>Order situaion</b>								
Orders received	9 024	8 340	10 004	10 161	7 172	6 370	7 688	7 481
Order backlog at the end of the period	26 299	26 891	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 restated according to these handovers.

## Condensed income statement

Parent company MSEK	Oct-Dec 2007	Oct-Dec 2006	Jan-Dec 2007	Jan-Dec 2006
Net sales	14	16	55	59
Administrative expenses	-51	-41	-169	-139
Competition claim charge	—	—	-35	—
<b>Operating profit</b>	<b>-37</b>	<b>-25</b>	<b>-149</b>	<b>-80</b>
<b>Result from financial investments</b>				
Result from participations in Group companies	—	-1	1 450	510
Other financial items	-68	152	-287	152
<b>Profit after financial items</b>	<b>-105</b>	<b>126</b>	<b>1 014</b>	<b>582</b>
Appropriations	-1	—	-1	—
<b>Profit before tax</b>	<b>-106</b>	<b>126</b>	<b>1 013</b>	<b>582</b>
Tax	32	-14	119	-18
<b>Profit for the period</b>	<b>-74</b>	<b>112</b>	<b>1 132</b>	<b>564</b>

## Condensed balance sheet

Parent company MSEK	31 Dec 2007	31 Dec 2006
<b>Assets</b>		
<b>Fixed assets</b>		
Machinery and equipment	3	3
Participations in Group companies	7 281	7 816
Receivables from Group companies	612	241
Other securities held as fixed assets	548	711
Interest-bearing long-term receivables	180	—
Other long-term receivables	1	1
<b>Total fixed assets</b>	<b>8 625</b>	<b>8 772</b>
<b>Current assets</b>		
Accounts receivables	0	0
Receivables from Group companies	0	1
Interest-bearing short-term receivables	15	15
Income taxes recoverables	—	1
Other short-term receivables	199	2 355
Prepaid expenses and accrued income	4	3
Liquid funds	4	19
<b>Total current assets</b>	<b>222</b>	<b>2 394</b>
<b>Total assets</b>	<b>8 847</b>	<b>11 166</b>
<b>Shareholders' equity and liabilities</b>		
<b>Shareholders' equity</b>	<b>4 287</b>	<b>3 518</b>
<b>Untaxed reserves</b>	<b>1</b>	<b>—</b>
<b>Long-term liabilities</b>		
Liabilities to Group companies	3 902	6 898
Convertible promissory note	562	465
Deferred tax liabilities	9	63
<b>Total long-term liabilities</b>	<b>4 473</b>	<b>7 426</b>
<b>Short-term liabilities</b>		
Accounts payable	22	7
Liabilities to Group companies	9	15
Other short-term liabilities	39	170
Accrued expenses and deferred income	16	30
<b>Total short-term liabilities</b>	<b>86</b>	<b>222</b>
<b>Total shareholders' equity and liabilities</b>	<b>8 847</b>	<b>11 166</b>
<b>Pledged assets and contingent liabilities for Parent Company</b>		
Pledged assets	—	—
Contingent liabilities	8 783	8 710

## List of shareholders, 31 January 2008

Shareholders	A-shares	B-shares	Total no of shares	Proportion of capital, %	Proportion of votes, %
Mats Paulsson with family and company	5 574 234	19 235 510	24 809 744	14.2	21.4
Erik Paulsson with family and company	6 975 780	11 405 028	18 380 808	10.5	23.1
Karl-Axel Granlund with company		10 200 000	10 200 000	5.8	2.9
Fredrik Paulsson with family and company	2 402 343	3 394 100	5 796 443	3.3	7.8
Stefan Paulsson with family and company	2 402 343	3 362 074	5 764 417	3.3	7.8
Swedbank Robur funds		4 448 169	4 448 169	2.6	1.3
Svante Paulsson with family and company	983 376	1 367 760	2 351 136	1.3	3.2
Skandia Liv		2 101 800	2 101 800	1.2	0.6
Sara Karlsson with family and company	1 016 080	696 038	1 712 118	1.0	3.1
Handelsbanken		2 072 813	2 072 813	1.2	0.6
Foreign owners		32 283 657	32 283 657	18.5	9.2
Others	257 248	58 649 353	58 906 601	33.9	17.4
<b>Number of outstanding shares</b>	<b>19 611 404</b>	<b>149 216 302</b>	<b>168 827 706</b>		
Peab AB		5 625 000	5 625 000	3.2	1.6
<b>Number of registered shares</b>	<b>19 611 404</b>	<b>154 841 302</b>	<b>174 452 706</b>	<b>100.0</b>	<b>100.0</b>

Source: VPC

