


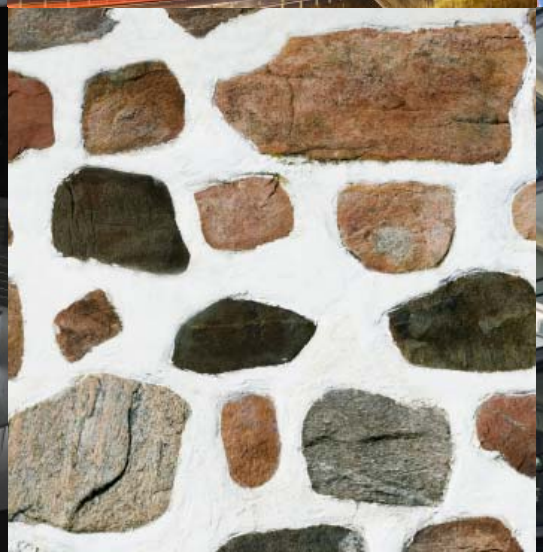


ANNUAL REPORT 2007.

PEAB

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WELCOME TO THE ANNUAL GENERAL MEETING OF PEAB

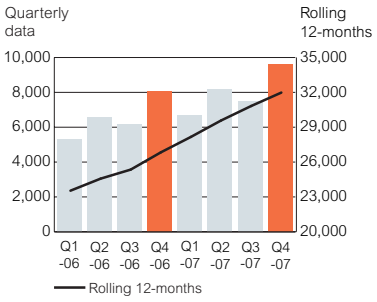
The annual general meeting will be held at 3 pm on 15 May 2008 at Idrottshallen, Grevieparken in Grevie. For further information, see page 98.

THE YEAR IN BRIEF

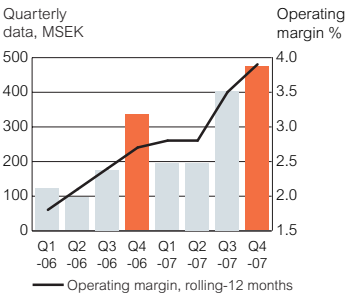
Financial summary	2007	2006
Net sales. MSEK	31,977	26,132
Operating profit, MSEK	1,261	722
Operating margin, %	3.9	2.8
Profit before tax, MSEK	1,099	932
Earnings per share before dilution, SEK[1), 3)]	4.92	6.18
Ordinary dividend per share, SEK[2) 3)]	2.25	1.75
Return on equity, %[1), 4)]	23.6	31.6
Equity/assets ratio, %[4)]	23.5	19.9
Net receivables (+) / Net liabilities(–), MSEK	587	–1,534

1) Including profit from terminated activities.
2) For 2007, board of directors' proposal to the AGM.
3) Calculated on adjusted number of shares after the 2:1 split.
4) All balance sheet items until 2006 include Peab Industri.

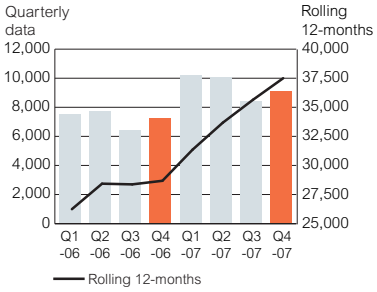
Net sales, MSEK



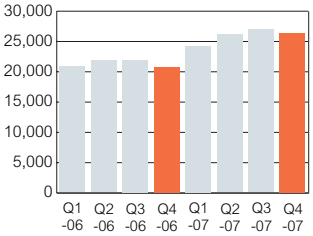
Operating profit



Orders received, MSEK



Order stock, MSEK

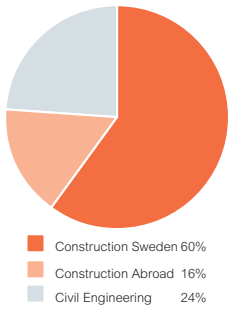


PEAB BUILDING FOR THE FUTURE.

Peab is an innovative and personal construction and civil engineering company with the strength of a large group combined with a local company's opportunities and flexible solutions.

It is founded upon personal dedication pervaded by a genuine spirit of enterprise, with customer relations and participation at the centre of focus. With our skilled professional staff and an ability to create long-lasting customer relations we can offer rapid, simple and cost effective solutions which exceed customer expectations and which are based on collaboration and openness.

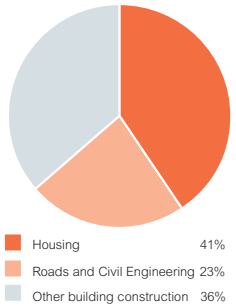
Net sales 2007 by business area



BUSINESS CONCEPT

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

Net sales 2007 by product type



CORE VALUES

Peab's core values upon which the whole group is based are Down-to-Earth, Developmental, Personal and Reliable.

Net sales and operating profit per business area

	Net sales		Operating profit		Operating margin	
MSEK	**2007**	2006	**2007**	2006	**2007**	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				
Total	**31,977**	**26,832**	**1,261**	**724**	**3.9%**	**2.7%**

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

SELECTION OF MAJOR PROJECTS IN 2007	
21 Dec 2007	Peab remodels Idrottsparken sports ground in Norrköping for MSEK 227
13 Dec 2007	Peab builds apartments in Kungsängen for MSEK 390
9 Nov 2007	Peab extends the University Hospital in Malmö for MSEK 606
6 Nov 2007	Peab builds Stockholm Klara – offices, hotel and conference facilities – for MSEK 1,400
18 Oct 2007	Peab builds motorway section at Strömstad for MSEK 175
17 July 2007	Peab builds store for IKEA in Turku, Finland, for MSEK 250
12 July 2007	Peab builds Swedbank Stadium in Malmö for MSEK 580
10 July 2007	Peab involved in building Norra Länken in Stockholm for MSEK 341
25 June 2007	Peab builds motorway section on the E6 motorway in Bohus County for MSEK 200
14 May 2007	Peab builds Europe's largest hotel in Gothenburg for MSEK 580
10 May 2007	Peab builds for Boliden in Aitik for MSEK 700
13 April 2007	Peab builds motorway section from Enköping for MSEK 590
2 Feb 2007	Peab renovates and extends NHO in Oslo for MNOK 420
31 Jan 2007	Peab builds apartments in Hammarby Sjöstad for MSEK 215

ANOTHER REWARDING YEAR IN CONSTRUCTION.

INTERVIEW WITH MATS PAULSSON, CEO OF PEAB, APRIL 2008

2007 was a strong year for Peab. What did your success depend on?
Our order books already looked very healthy as we went into 2007. Then the orders rolled in during the year while the building market climate remained strong. Utilising resources in the best possible way is the greatest challenge you have to deal with when the economic climate is good. And one of the reasons things went so well for us in 2007 was how well we distributed our resources. In addition, we have good customers and principals who know what they want. Good, long-term customer relations have always been important to us. Last but by no means least, our craftsmen did a great job out at our construction sites.

You distributed Peab Industri to the shareholders. What does this mean for Peab?
It means that Peab will grow into a more specialised and competitive construction company. For some time now we have prioritised the home construction and civil engineering segments, which fit in well with our structure.

What ties will Peab have with Peab Industri in the future?
Peab Industri will be our largest supplier of intermediate goods and services for our construction activities. Peab Industri will focus its business on the construction sector as a whole, so we will quite simply be one of its most important customers. Both companies will collaborate closely with each other in the future.

The recruitment of skilled personnel is increasingly important. What is Peab's approach to this issue?
This is one of the highest priorities where we are concerned. So far, we have managed fairly well, but we know that in the next few years competition for the most highly skilled craftsmen will be tough. We are trying to make Peab so attractive that skilled personnel will find their way to us on their own initiative. We will make every effort to succeed in this.

You have a proactive personnel policy and do a lot for your employees. What response do you receive?
Our employees are incredibly dedicated at most of our workplaces. This is one of the reasons things have gone so well for Peab in recent years. It is our staff who get the job done and I want them to participate in the added value they are helping to create. Therefore it is important for us to continue expanding our profit sharing concept. In 2007, we once again offered our employees an opportunity to subscribe to convertible bonds, and I am extremely pleased that so many of our staff wish to become part-owners of Peab. Since our personnel is our strongest competitive weapon, we need to have a proactive and creative human resource policy.

How do your craftsmen react to your efforts?
The reactions I receive are overwhelmingly positive. The opportunities for education we offer our craftsmen are more and more in demand, and I know this is highly appreciated. Moreover, I interpret the extremely high degree of loyalty and professional pride among our craftsmen, something which is invaluable to us, as a form of appreciation.

Peab was the only construction company where he union went on strike in the spring of 2007.
Why was this, and what were the final consequences?
As yet we have received no satisfactory explanation from the Byggnads union for why we were subject to the strike. I am trying to create cooperation with the union, and I am convinced that both parties would benefit from it. Members of the Byggnads union should make greater demands on their union. Naturally, the strike resulted in the projects affected being delayed and their costs increased. But the professional pride which many of our craftsmen showed when the strike was over was a tremendous demonstration of the fervour within our organisation. Many of the working hours lost were recovered.

2007 was also Peab's Health and Work Environment Year.
How did this manifest itself?
We increased the pace of work with Peab Leisure, which now exists throughout Sweden. The work of Peab Leisure is dedicated to improving wellbeing and job satisfaction among our employees through exercise, group activities and other initiatives. I am convinced that in the long term this will result in a further reduction in absence through illness. As for work environment issues, we have tried to be as clear as we can. There is no limit to our efforts when it comes to eliminating accidents and near accidents. It's not acceptable in any of our workplaces for our own employees or subcontractors to show a lack of respect by not complying with the current safety regulations.

Business in Norway and Finland is still sluggish.
Why is it proving so difficult to turn this situation around?
It takes a long time to build a brand, a business and an organisation in another country, among other things because of language and cultural differences. Moreover, it is difficult to get hold of the right resources because of the good economic climate which both Norway and Finland have enjoyed in the last few years. But our approach is a long-term one, and we are determined to develop our operations in Norway and Finland.

What is Peab doing to deal with the imminent lack of resources and costs increases?
By further developing collaboration with customers and principals. Our trust-based contracts are a good example of how we can minimise costs through joint planning and project design work. By being involved in projects at an early stage there are considerable savings to be enjoyed. Mass-produced building is also helping to keep costs down. We are trying to eliminate the resource shortage problem through good long-term planning and openness with our customers, who will often accept a delay in the commencement of work in exchange for us offering more efficient solutions.

You say that Peab is the local contractor with the resources of a large group. How does this benefit your customers?
We have consciously chosen to keep small companies around Sweden. As a result we have a local network which is thoroughly familiar with local markets, thereby facilitating the decision-making process. I believe giving customers quick decisions with proper documentation is a competitive advantage. Our central finance, purchasing, HR, information etc. units act as support functions to our local organisations. Our "local contractors" benefit from our "large group resources" on a daily basis.

How are things going with the industrial construction you speak so often about?
Things are definitely going in the right direction. It is through our industrial construction initiative that we are able to reduce end prices while retaining quality. It is important to point out that industrial construction does not mean a boring and monotonous end product. This method of building allows us to offer an infinite number of solutions to our customers.

Finally, how would you describe the essence of the Peab Spirit concept?
There's nothing complicated about that. It's a question of applying ordinary common sense to your work. We are judged on what we do and what we deliver, not on what we say. This is why it is important to do the right things and to do things right. We live up to our promises to customers and we know that satisfied customers always come back. We also know that thrift is a virtue, and at the same time we wish to lead the field when it comes to developing the construction process. To a large extent this is about encouraging the personal development of our employees.

CWS ÖRESUNDSVERKET PLANT, MALMÖ

PEAB'S FOCUS.

BUSINESS CONCEPT

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

THE INTENTION OF THE BUSINESS CONCEPT

Peab is building for the future. We build to create added value for our customers, suppliers, employees and shareholders, and to contribute to the sustainable development of society. Good financial profitability is a precondition of our success.

Peab is an out-and-out construction and civil engineering company. Through our own resources, contact network of subcontractors and subsuppliers we reinforce our position as a stable and independent company in the Nordic construction market.

To offer and supply total quality at all stages of the building process is an important instrument in the competitive arena where Peab is active. We are eager for our customers to see the relationship between price and quality that we offer as being the best alternative available.

Building methods and building materials are developing rapidly and it is important to maintain a thought-through balance between the old and familiar on the one hand and the innovative on the other. Together with our customers we concentrate on being in the vanguard of both planning and project engineering. The end product which our customers are entitled to demand requires our employees to possess a high level of professional expertise. It is important for us to offer our employees opportunities for personal development and training. Professional expertise and professional pride are a matter of honour at Peab.

The basic concept behind our trust-based contracts is to carry out our assignments in collaboration with the customer. In this way the customer participates in the entire planning and production process and this mutual trust often creates long-term customer relationships.

Our ambition is to be a company that prioritises sustainable development and good environmental know-how. For us, building for the future means that what we build today must also meet tomorrow's ethical requirements and demands for well thought-through environmental work.

DISTRIBUTION OF PEAB INDUSTRI

The annual general meeting of Peab held in May 2007 resolved to distribute the shares in the subsidiary Peab Industri AB, which mainly consisted of the group's Industry business area, to Peab's shareholders and to float the company on the OMX Nordic Exchange in Stockholm. The company was distributed and listed on the Stock Exchange in September and October 2007. We have assessed that the distribution of Peab Industri will create the right preconditions for facilitating further specialisation, development, growth and profitability for both Peab and Peab Industri.

NEW FINANCIAL TARGETS

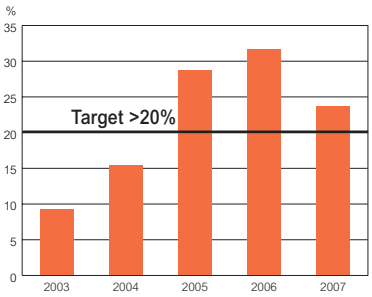
As a result of the distribution of Peab Industri, Peab has set new financial objectives in order to clearly specify the group's ambitions and potential as a straightforward construction and civil engineering group active in Sweden, Norway and Finland. These targets are:

- **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)

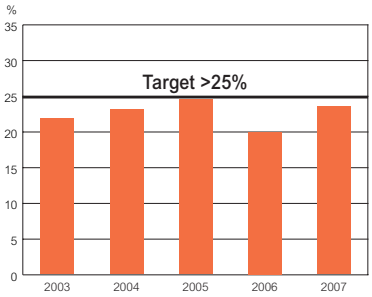
The group's targets will then be divided proportionately between the business areas relative to individual growth and operating margin targets.

The distribution of Peab Industri freed Peab of the most capital intensive business, thus reducing the company's needs for investment and working capital below previous levels and the withdrawal of the capital employed target. The previous cash flow target has also been withdrawn.

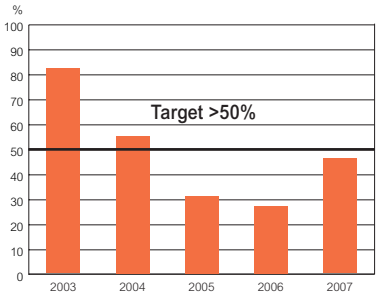
Return on equity[1), 2)]



Equity/assets ratio[2)]



Dividend/net profit[1), 3)]



1) Including profit from terminated activities.
2) All balance sheet items until 2006 include Peab Industri.
3) For 2007, proposed by the Board of Directors to the AGM.

OVERALL OPERATING OBJECTIVES

- To ensure personnel recruitment and constantly improve the group's human capital through being an attractive employer.
- To increase competitiveness and ensure good growth and profitability through active cooperation between operations and countries – one Peab.
- To constantly reduce purchasing costs by choosing new materials, international trade and an intra-group purchasing organisation.
- To continue developing industrial construction and by constant improvements and cost consciousness create the most efficient production process in the sector.
- To contribute to sustainable social development through clear objectives and guidelines as well as making sure that environmental and social responsibilities are being met.

CHANGED REPORTING STRUCTURE

The distribution of Peab Industri has resulted in a changed external reporting structure. From the first quarter of 2007, Peab reports the following business areas:

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

TRUST-BASED CONTRACTS

In 2007, Peab completed a 10,700 sq. m. shop and office property in the Dockan area of Malmö. The customer was Wihlborgs Fastigheter AB which had commissioned Peab to build up the property. Leif Svensson from Wihlborgs, who was the project manager, believes that Peab was the obvious choice of builder when it became clear that the property was to be built as a trust-based contract paid on a current basis.

"To pay for work as it is done is not something you do with just anybody. It is based on trust in the other party, and we trust in Peab."

Leif Svensson believes that it is easier to manage finances in a trust-based contract. Open discussion facilitates finding alternatives which cost considerably less than traditional contracts do. The customer has complete insight into finances and has a greater understanding of what everything costs. It is easier to influence the choice of materials and production methods during the construction process that it would otherwise be.

"If finances appear to be going wrong, changes can be made in better mutual understanding with the contractor than is the norm."

Is the trust-based contract method the one you would recommend to others?

"Yes. As a professional customer you get more, but you also need to have some staff working at the contractor's in order to obtain full benefit from a trust-based contract. Openness is precisely the point of the exercise."

UPPSALA CONCERT AND CONGRESS HALL

THE TOWN HALL, STOCKHOLM

PEAB PERSONNEL.

Human resource work is a prioritised area in Peab and is viewed as an integral part of the group's governance and development. Peab seeks to be a group where individuals feel they can influence their work situations and where they have wider opportunities for skills and career development. Our simple motto is that by developing and improving staff, you develop and improve the business. This in turn strengthens the brand and contributes to ensuring future personnel recruitment. Peab aims to be the best workplace in the sector.

CORE VALUES

Peab's core values upon which the whole group is based are Down-to-Earth, Developmental, Personal and Reliable. These core values go back a long way and pervade the entire organisation and all assignments performed by our staff. All new recruits are introduced to the core values during their first year of employment and the group managers are largely responsible for conformity with these core values in order to safeguard the excellence of the Peab brand and strengthen it in the long term.

THE INFLUENCE AND PARTICIPATION OF PERSONNEL

Peab seeks to have responsible and creative personnel. For this reason, personal influence and being able to influence one's work situation are important. The group is also characterised by its flat organisation with short decision pathways. We at Peab believe that personal dedication boosts employee motivation to act on their own initiative, thus providing better quality and, in the final analysis, more satisfied customers.

That Peab is an attractive employer was confirmed by our own personnel survey, the Handshake, which was carried out in 2007 for the second time. The survey shows that our employees are proud of working for the group and think that Peab has an extremely good work organisation with clear customer focus, and where personal dedication is appreciated. Peab staff also think that there are major opportunities for skills and career development.

COMMITMENT TO SKILLS DEVELOPMENT AND MANAGEMENT TRAINING

Peab is a company with rapidly growing business volumes where we compete with our skilled professional employees. Peab has been very successful in attracting and recruiting new staff during the good financial climate of the last few years. The large number of new recruits we have employed in recent years is proof of Peab's powers of attraction. Today, Peab is a young and expanding company where more than 25 per cent of all staff have worked less than two years for the group. The rapid expansion makes heavy demands on the company to offer our staff good career opportunities. Therefore, Peab has committed much to management training in order to recruit the managers of the future internally and develop their skills, and increase the management abilities of today's bosses. Employees are given opportunities to increase their theoretical knowledge and qualify for higher positions within Peab as work managers, site managers or regional managers through specially designed management preparation programs at all levels within the company both as

NEWLY RECRUITED STAFF IN PEAB

For Sara Bergagård, 26, Peab was a natural choice as an employer. The day after she received her degree from the University of Linköping in 2004 she was contacted by Skandinaviska Byggelement AB in Katrineholm, a former subsidiary in the Peab Group. The week after she started working there as a construction engineer.

"We were immediately in demand after our degree," explains Sara Bergagård. After two years at Skandinaviska Byggelement, Sara started looking around. The other construction giants like Skanska and NCC were alternatives, but it was Peab she fell for. The very first contact was decisive.

"I got the best response from Peab when I was looking for a new job. They were nice and very to good to me, and showed an interest in me right from the start. But I also knew about Peab as a company after working at Skandinaviska Byggelement.

Today Sara Bergagård is a supervisor in Norrköping and she warmly recommends Peab as an employer.

"It's a reliable company where the staff are committed to their work. And that's something I value."

white collar and blue collar workers, managers and regional managers. The work of developing strong leadership started in 2006 in open discussions with employees about what was required of the leader and manager of the future. For this reason, the Peab Academy started in Ängelholm in 2007, and plans to accept 200–300 employees every year for internal training. Theory is woven with practice out at Peab's workplaces. The training given is one of a kind. It is the longest and broadest management training among Swedish companies today. It gives Peab employees opportunities for acquiring specialist skills and being promoted more quickly in order to preserve the Peab Spirit and the company's unique skills in the long term.

65+ OFFERED THE CHANCE OF STAYING AT PEAB

As a link in creating continuity and retaining skills within the company at a time when there are many new recruits Peab will be offering those of its managers and craftsmen who are approaching retirement age the opportunity of staying on at work a little longer. The participants of the senior bank will have opportunities for continuing to work out on construction sites, acting as mentors to younger employees or being instructors at the Peab School or the Peab Academy.

THE WORKPLACE MUST BE SECURE AND SAFE

Peab created a new organisation and work methods in 2007, where the coordination takes place under one roof. This has been implemented for the purpose of obtaining an overall view and to become the best employer in the industry in relation to the health and working environment.

As an employer Peab has a major responsibility for ensuring the well-being and safety of its staff in the workplace. Shortcomings in the work environment not only cause suffering for the individual employee but also entail increased costs for the company in the form of sick leave and loss of work.

All company managers and employees must share in the responsibility of improving the work environment.

The work environment managers have visited more than 200 workplaces throughout the country during the year and conducted reviews on site to follow up the effectiveness of the work environment, point out improvements and establish action plans. Work with local reviews of the work environment will continue with undiminished efforts in 2008.

To reduce the duration of sick leave Peab started a project in 2005 called "More effective rehabilitation processes" together with Aktiv Arbetsmedicin AB. The project, which produced extremely good results, was completed in 2007. The object of the project was to get employees on sick leave back to their ordinary work more quickly and develop Peab's own rehabilitation processes so as to enable measures to be taken earlier on.

In 2007 Peab introduced a zero-error vision in relation to accidents at the workplace and the application of rules and regulations for its own employees and its subcontractors. A strategy has been established and communicated, and has begun to be applied at our workplaces. The role of health and safety officers has been strengthened, and competence enhancing annual meetings will be held in all the different regions to increase their involvement and dedication.

The main health problem in construction, as well as for Peab, is strain injuries. To reduce these we developed together with Previa AB in 2007 training to enhance competence and to change behaviour, and to reinforce the personal responsibility of employees to minimise accidents and strain injuries.

THE SENIOR BANK

Leif Jacobsén started in the building industry way back in 1966, when he was 29. Now he is 69 and is still working today.

"My boss told me I didn't need to stop when I was 65 and about to retire," Leif tells with a twinkle.

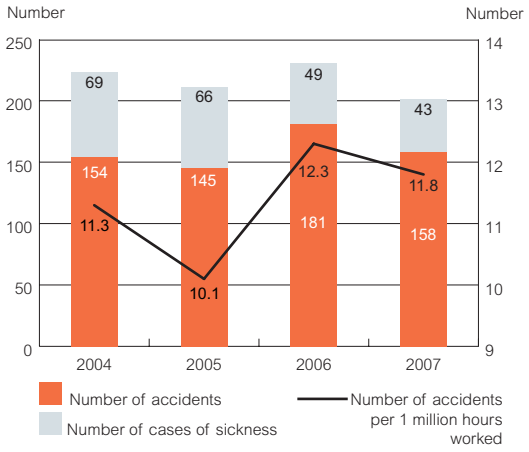
Leif Jacobsén has know-how possessed by few in the industry and is much in demand. He knows how to interpret tricky price lists, wage agreements and shift work documentation. He learned the fundamentals of his job as a salary engineer, Leif's formal title, at the Stockholm Association of Building Contractors in the middle of the 1960s. Later in 1969 he started to work for Widmark och Platzer Bygg AB, a company which was later to be taken over by Peab. So on October 16 last, Leif Jacobsén celebrated his 40th anniversary with Peab. Leif comes to work everyday and works 6–7 hours.

"I like working and having workmates. I definitely recommend working after you are 65. Quite simply, I have an entirely different quality of life."

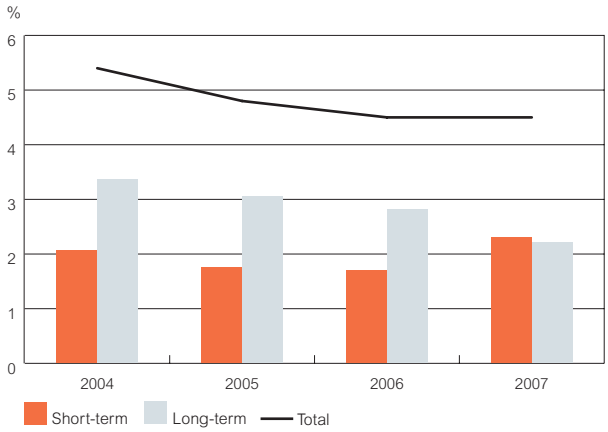
How long do you intend to continue?

"Until I am 70 this autumn."

Trend in work-related accidents and sickness at Peab



Trend in sickness absence at Peab



PEAB IS COMMITTED TO WOMEN

The composition of Peab personnel must reflect society at large. Today Peab is a male-dominated company which still lacks women in higher strategic positions in the line organisation. Therefore the group management has drawn up an action plan to show that there are real career opportunities for women in the company. Female examples are used to attract other women to the industry and persuade today's women employees to remain with the company. The presence of women in the organisation must be strengthened and they must be encouraged to accept offers of promotion to higher managerial posts through tailor-made courses and advice. The group aims to have two female regional managers by 2009, where today there are none. In addition, there must be 15 female work managers, where today there are just seven.

Women also work out at construction sites as craftswomen. The second stage of the eBBA network (female entrepreneurs on route to the Best Workplace in the Sector) was implemented in 2007. The purpose of the eBBA network is to get women to apply for, enjoy and remain in the sector. In 2007, the group focused on adapting the work environment out at construction sites to also accommodate women. Moreover, a meeting place on the intranet has been set up to promote a greater sense of belonging among women.

PEAB IS STRENGTHENING DIVERSITY

Peab must be a leading construction and civil engineering company for all people. Therefore, we must strengthen and increase diversity with Peab. Thus the Peab management has decided to participate as a partner in the Diversity Challenge project set up by Academic Search 2006. The aim is to give students from various cultures a chance to gain work experience and set up early contacts between students and companies. Student's taking construction-related courses at university and college level with two years of their studies remaining may submit their CVs together with ideas on how Swedish companies should develop their business activities in our multicultural society.

PEAB STARTS SCHOOLS UNDER ITS OWN AUSPICES

Peab is also committed to youth in the broader perspective. Following Peab's successful Peab School initiative, a 3-year high school training course for craftsmen at Valhall Park (previously F10) in Ängelholm, which started in 2006, academic activities are now being considerably expanded. Peab has obtained a permit from the Swedish National Agency for Education to run high school courses privately from 2008 onwards under its own auspices. As a first step, the Peab School at Ängelholm will be taken over completely. Moreover, Peab will start two entirely new schools, one in Malmö and one in Solna, by the autumn term of 2008. The courses will be partly aimed at pupils who do not formally qualify to apply for the high school construction program and partly at pupils who qualify to be accepted by the ordinary national high school construction program. Each pupil will be given an individual study and instruction plan, which will be adapted according to each pupil's circumstances. Practical aspects will be performed out at Peab construction sites with instructors from Peab. The course has been positively received by pupils, who in surveys have stated that the Peab School is the "best thing so far in their school lives". Once all three Peab schools are in full operation Peab will be able to offer 288 places annually under its own auspices in the national high school construction program.

THE PEAB SCHOOL

"I commute three hours everyday to and from the school. You really have to enjoy it to do this – and I do."

Dennis Hammarstedt is 17 and is attending the first year of the Peab School construction high school in Ängelholm. Building runs in Dennis's family, and at the school he has chosen the carpentry line. Dennis Hammarstedt thinks that the best thing about the school is that practice and theory are woven together out at Peab's construction sites.

"The fun thing is to be out at various construction sites. One day you're banging nails in one place, and the next somewhere else."

What's school been like?

"Great! I felt welcome from the very first day. And you feel you're a member of one big family. The school philosophy is that you learn better out in the real world, and I like that."

How is the Peab School different to other schools?"

"If anything happens, they deal with it immediately. I like that."

What do you do in your leisure time?

"I am a show jumper. I like helping out at the club that I'm a member of."

PEAB SEARCHING FOR SWEDEN'S MOST PROMISING ENGINEERS AND CRAFTSMEN

As part of the program to attract young people interested in the construction industry, in 2007 Peab set up a scholarship entitled "Young and Promising". The scholarship is aimed both at pupils attending the last year of the high school construction program and at those attending the final year of construction-related training programs at college and university level. Peab will be awarding two scholarships of SEK 50,000 each in 2008 as an encouragement for those about to enter the construction and civil engineering industry. Besides the money, the scholarships will cover study visits to some of the most topical and interesting projects.

A COMMON INTRANET

In order to increase involvement, dedication and strengthen the feeling of togetherness for all working at Peab, we want all our employees to have access the intranet bulletin board, Planket. The latest and most important target group for the expanded intranet will be craftsmen, who today make up the majority of the group's approximate 12,000 employees. In the long term all staff must be able to view, for example, their own pay slips and accumulated holiday pay in a simple manner. In addition, it will also be possible to learn in a more efficient manner about the company's special staff offers and personnel benefits. Planket will also act as an effective channel for the company to disseminate information to its employees more quickly. The new joint Planket will be rolled out by the beginning of autumn 2008.

BENEFITS

The Peab board of directors and management believes that dedicated employees should be rewarded. In order to give all employees opportunities for participating in Peab's value growth a new program of convertible bonds was implemented last autumn. Employees of both Peab AB and Peab Industri in Sweden, Norway and Finland were offered the chance to be part-owners of both companies, as broad ownership contributes to greater involvement and dedication among staff.

Peab's profit sharing system was reorganised and enhanced in 2007. Through the profit sharing system Peab seeks to give its employees a share in annual group profits. As of 2007 a trust for the profit sharing system has been set up to manage employees' share of profits. According to the policy of the trust the assets of the trust will mainly be placed in shares in Peab and Peab Industri.

Satisfactory leisure also results in a good work environment. Peab Leisure is one of the concepts aimed at achieving this goal. The job of Peab Leisure is to promote the good health of staff and offer quality leisure activities. In 2007, the concept went nationwide so all staff now receive the same offer. We have divided the country into four regions, and a human resource consultant manages and develops the joint concept. We offer a broad range of activities in Sport & Health, Leisure & Hobbies and Culture & Entertainment so that everyone can find something that suits their own level of involvement and interest.

THE PEAB ACADEMY

Thomas Forssell is 47. He was employed by Peab in 2001. From having been a carpenter and a craftsman, Thomas Forsell is today site manager and work manager at the Botnia Line construction site. He has completed several qualifying programs and courses under Peab's auspices.

"They were great courses! They were highly inspirational and gave me a personal boost."

How did they inspire you?

"They gave me a chance to better myself at the age of 40 and move on with my life. They taught me leadership skills and how to play a different role at the workplace. This has had a profound effect on my self respect."

What do you think about Peab recruiting future managers from among employees and training them?

"It's extremely good to take people from the community and give them an opportunity to advance. It's the right way to go about things."

PEAB'S BUSINESS.

The Group

The group reports four business areas:

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

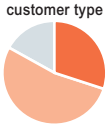
The number of employees on 31 December 2007 was 11,589.

	2007	2006	Deviation 07/06 %
Net sales, MSEK	31,977	26,832	19
Operating profit, MSEK	1,261	724	74
Operating margin, %	3.9	2.7	44

Net sales by type of operations

New building 62%
Conversion 20%
Building service 5%
Operation and maintenance 4%
Other 9%

Net sales by customer type



Public 30%
Private 53%
Other 17%

Net sales by product type

Housing 41%
Roads and Civil Engineering 23%
Other non-residential building 36%

Construction Sweden

This business area conducts contracts for external clients and special projects. It is organised on a national basis. Production mainly included housing, both for external clients and special projects, but also public and commercial premises and buildings. Clients include private property owners, municipalities and commercial customers. Building services and maintenance are also included in this business area.

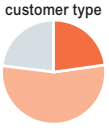
The number of employees on 31 December 2007 was 7,386.

	2007	Percentage of Group	2006	Percentage of Group
Net sales, MSEK	20,050	60%	17,719	63%
Operating profit, MSEK	1,090	74%	704	82%
Operating margin, %	5.4		4.0	

Net sales by type of operations

New building 56%
Conversion 29%
Building service 8%
Operation and maintenance 0%
Other 7%

Net sales by customer type



Public 23%
Private 54%
Other 23%

Net sales by product type

Housing 51%
Roads and Civil Engineering 0%
Other non-residential building 49%

Construction Abroad

Peab operates in Norway and Finland. The focus in both countries is on the development of housing. A large part of the total productions also consists of commercial premises and public buildings. Clients include private property owners, commercial customers and municipalities. The Norwegian operations are based in Oslo, Tromsö and Drammen. There are also operations in Helsingfors, Tammerfors, Åbo, Vasa, Seinäjoki, Rovaniemi and Uleåborg in Finland.

The number of employees on 31 December 2007 was 1,381.

	2007	Percentage of Group	2006	Percentage of Group
Net sales, MSEK	5,426	16%	3,756	13%
Operating profit, MSEK	24	2%	–6	–1%
Operating margin, %	0.4		–0.2	

Net sales by type of operations

New building 95%
Conversion 5%
Building service 0%
Operation and maintenance 0%
Other 0%

Net sales by customer type

Public 23%
Private 77%
Other 0%

Net sales by product type

Housing 56%
Roads and Civil Engineering 12%
Other non-residential building 32%

Civil Engineering

This business area conducts assignments throughout the whole country such as the construction of major infrastructure projects and civil engineering works. Clients include the National Road and Rail Administrations, municipalities and local businesses. The management and maintenance of roads and municipal works are also an integral part.

The number of employees on 31 December 2007 was 2,777.

	2007	Percentage of Group	2006	Percentage of Group
Net sales, MSEK	7,933	24%	6,515	23%
Operating profit, MSEK	352	24%	161	19%
Operating margin, %	4.4		2.5	

Net sales by type of operations

New building 57%
Conversion 9%
Building service 0%
Operation and maintenance 17%
Other 17%

Net sales by customer type

Public 53%
Private 34%
Other 13%

Net sales by product type

Housing 4%
Roads and Civil Engineering 90%
Other non-residential building 6%

Trust/Management

The Trust/Management business sector comprises the main company, certain subsidiaries and joint ventures and other holdings.

The number of employees on 31 December 2007 was 45.

	2007	2006
Net sales, MSEK	124	154
Operating profit, MSEK	–205	–135

Peab is an innovative and personal construction and civil engineering company with the strength of a large group combined with a local company's ability to create flexible solutions.

It is founded upon personal dedication pervaded by a genuine spirit of enterprise, with customer relations and participation at the centre of focus. With our skilled professional staff and an ability to create long-lasting customer relations we can offer rapid, simple and cost effective solutions which exceed customer expectations and which are based on collaboration and openness.

After the hiving off of Peab Industri in the autumn of 2007, Peab is now a straightforward construction and civil engineering company with a strong financial position, which in turn provides further opportunities for developing the group. Thus Peab is well equipped for the construction and civil engineering market of the future, which will require an even more rational and efficient building contractor to deal with the ever more intense competition. Market demands for professional skills and flexibility will increase. The ability to tailor an organisation for a special project more quickly and easily will be an increasingly strong competitive weapon. This benefits Peab, which has a proven ability to work in close collaboration with customers in an evermore project-oriented environment while maintaining focus on cost effectiveness and quality.

The new Peab is a modern construction and civil engineering company with an enhanced focus on the construction of its own housing at reasonable prices and has greater opportunities to enhance its profile with innovative project development.

PEAB CUSTOMER RELATIONS

The Peab business concept is based on cooperation and trust. Our most prominent characteristic and competitive advantage is an attentive dialogue with customers and principals where the interests of the customer take centre stage. This we do in order to supply high quality and highly durable end products. We know that satisfied customers come back again and again and that satisfied customers make for the best possible marketing.

We have long and successful experience of trust-based contracts as a work method in which Peab, architects, consultants and subcontractors sit down around the table at an early stage together with customers to draw up the best bases and documentation for the project. Trust-based contracts give Peab greater opportunities for bringing its unique expertise and know-how to bear, with a resultant reduction in construction times, while customers enjoy lower prices and better quality than in traditional procurement procedures. Peab makes full use of its experience in trust-based contracts. Savings are more easily available and flexibility is greater. Changes during the course of construction work can be managed as part of the project and not as additional work, which is often the case in traditional procurement and which involve major risks and disputes. This can be entirely avoided in a trust-based contract where Peab enters the picture as early as possible. Peab performs the contract with open accounts and in close dialogue with the customer, a method we have been successfully applying since the company was founded.

Side by side with straightforward trust-based contracts, Peab also works with partnering, which is common in Europe. Partnering is based on broad collaboration between two or more equal partners during all parts of the construction process, and is a common method in the public sector. Partnering requires wholehearted dedication at an earlier stage than in conventional forms of collaboration and requires more work in the procurement stage than in a normal project. In the same way as trust-based contracts, partnering provides opportunities for the attentive listening and creativity that characterises Peab and which leads to long-term customer relations.

INDUSTRIAL CONSTRUCTION

Actual housing construction is becoming increasingly rationalised and mass produced in nature. Therefore, Peab is investing in industrial construction in order to reduce production costs during the construction process. Peab had already started the PUB – project documentation for housing – initiative, where we attempt to broaden and increase the number of joint and standardised solutions for our homes without sacrificing options for unique home character and design. Industrial construction is a new system which requires efficient execution at every stage of the construction process, which provides returns for both Peab and its customers.

The work of developing industrial construction for apartment blocks continues. Peab is developing a complete system for apartment block construction from manufacture to delivery and final assembly. In 2008, investment will commence in an entirely new plant for industrial construction components in Valhall Park in Ängelholm. The plant will act as a total and qualified supplier to our internally produced rented apartments.


LKAB IN KIRUNA

INCREASED COMPETITION DEMANDS INCREASED EFFICIENCY

Building is a complex process, of which each aspect must be performed in the right order for production to be as efficient and inexpensive as possible. The right products must be delivered at the right time at the right price. Peab consciously works on improving its logistics in order to reduce costs. The trend is towards fewer materials suppliers and subcontractors. Closer collaboration between Peab and its suppliers is resulting in lower purchase costs and increased quality. In 2008, Peab will further develop its already nationwide computerised purchasing and ordering system, PIA, which already enables the company to better utilise the agreements we have signed and has resulted in more reliable deliveries, improved cost management and more efficient production. By also including the procurement aspect in the system, we can obtain even more favourable purchasing agreements for achieving the goal of optimising our purchasing costs and thus reduce end costs for the customer.

Costs-savings purchasing is also being made necessary by the ever closer participation by customers and increases pressure on prices in the construction market. Peab's solution is not to go abroad for our purchases, but rather to develop our relations further with Swedish subcontractors in order to reach long-term contracts to obtain high quality Swedish building supplies first. Only when Swedish options cannot compete in price and quality do we seek foreign solutions.

FOCUS ON THE ENVIRONMENT

Our objective is sustainable building for a sustainable society. We endeavour to deal with environmental aspects early on when plans are on the drawing board. It is important that the materials used are suitable for sustainable and long-term building. We also endeavour to actively ensure that the actual construction process respects the environment and the health and safety of our employees. Each workplace must draw up an environmental plan and our car and machinery fleet must be included in the regular environmental audits. In addition, we are proactive in our efforts to reduce energy consumption at our workplaces.

OUR OBJECTIVE IS A DEFAULT-FREE PRODUCT

Peab has successfully tried out a zero-error vision philosophy in Norway, one which we will now introduce throughout Peab. Instead of a final inspection, the Norwegian trial showed that a system of continuous inspections throughout the construction process results in fewer faults and less costly remedial work. Our philosophy is that when a house is finished, it is finished. Zero-error vision leads to more satisfied customers and more positively disposed end-users, thus strengthening Peab's already strong brand.

PEAB IS IMPROVING ITS BRAND

Peab's strong brand is one of the company's most valuable assets. Over the last two years, focused work has been done on raising awareness of the Peab brand both within and outside the company. In 2007, we set up a brand committee which is charged with strengthening the company's brand and furthering emphasising Peab's core values of Down-to-Earth, Developmental, Personal and Reliable. Market surveys show that the campaigns have produced results. Peab is perceived as a reliable collaborative partner by its customers and as an attractive and modern employer. In the campaigns, Peab has also stressed the unique added value the company can offer its employees to attract new employees, i.e. qualified and broad skills development with major opportunities for fast-track careers with many employee benefits. The image of Peab as a modern company which cares about its employees and its customers has been strengthened and the campaigns have exhibited the company's many exciting projects, which are widely spoken about and which act as centres of focus.

CRISIS MANAGEMENT

When there is an accident, you can expect Birgitta Gaude on the scene. She is the work environment manager and local crisis coordinator in the Stockholm area.

"When I arrive at the site of an accident, I first approach the foreman to find out what has happened. Then I take care of the employees and support them in every way. Many are suffering from shock, so caring for people is important in an acute crisis situation as a first aid in getting over the shock."

Birgitta Gaude has worked with crisis management for several years can therefore compare things with the situation before Peab's new crisis organisation was formed.

"Before there was no support. There is a greater understanding of the need for support now. The foremen out on building sites also realise the value of support and help today, and they get it with the new crisis organisation."

Birgitta Gaude is also involved with contacts with the police and the Work Environment Authority, if they are needed. Her experience is also exploited in preventive health and safety work.

"Accidents are usually caused by an unfortunate set of circumstances. I experience a lot in my job which must be examined in more detail in order to improve safety work. It's a never-ending process."

MILESTONES IN PEAB'S DEVELOPMENT

2007 All the shares in Peab Industri AB were distributed to Peab's shareholders. Peab Industri's B share was listed on the O-list of the Stockholm Stock Exchange. Because of the distribution new financial targets were set for the out-and-out construction and civil engineering company.

2003 During the year Peab acquired the Finnish construction company Seicon and Vasa Betong, which manufactures and sells ready-mixed concrete. All the shares in Brinova Fastigheter AB were distributed to Peab's shareholders. Brinova's B share was listed on the O-list of the Stockholmsbörsen.

2002 At the 2003 AGM, the board of directors of Peab proposed distributing all shares in the subsidiary Brinova Fastigheter AB to the shareholders as part of Peab's strategy of not owning fully developed investment properties.

2000 In the course of a few months Peab sold off the shares in Wihlborgs and Folkebolagen. In addition, Peab and BPA divided up the assets in the real estate company Oskarsborg. The division of Oskarsborg resulted in Peab's Construction and Civil Engineering business obtaining direct control of project and development properties, thus enabling additional commitment to project development.

1999 In order to better describe the group's activities and results, reporting was divided into four business areas: Construction and Civil Engineering, Industry, Trust/Management and Operations under Termination. Swedish construction and civil engineering activities were harmonised into a single unit, Peab Sverige AB. Peab acquired the Finnish Rakennus OY Leo Heinänen company.

1998 Peab increases its holding in Swerock AB to 100 per cent through the acquisition of NCC's holding of 50 per cent.

1995 Together with Siab, Peab acquired 51 per cent of Swerock. Swerock is of strategic importance, as it owns and has at its disposal more than 340 stone quarries and gravel pits. There were 24 wholly-owned and 21 partly owned ready-mixed concrete factories. Peab's Norwegian subsidiary, Peab AS, merged with NOR Gruppen AS. The new contracting company became Norway's fourth largest contracting company with sales of about SEK 1 billion and 500 employees. In December, Peab sold off real estate and development land and other property-related assets to Oskarsborgs AB to a value of approximately SEK 450 million. The transaction allowed Peab to free up resources for use in the core business.

1994 At the start of the year, Peab acquired 91 per cent of Kungsfiskaren Bygg & Fastighets AB. Peab acquired Fagbygg A/S in Oslo.

1993 The name was changed from Tre Byggare to Peab AB. A new Peab was created, which concentrated on construction and civil engineering with nationwide coverage through a structural transaction with the group of organisations related to the Swedish Trade Unions Congress (LO), where Peab took over a large part of BPA's construction work. Peab handed over most of its holding in Wihlborg & Son AB in payment. Under the structural deal, BPA became an out-and-out installation company with painting, electricity, ventilation and plumbing, while its construction and civil engineering business was combined with Peab's contracting operations. Most of Peab's involvement in the real estate sector was wound down through sales of property to Wihlborg & Son, the LO organisations and to the partly owned real estate company Oskarsborg.

1992 The group changed name to Tre Byggare. In 1992, the Peab/HN group took over Kullenbergs and Lambertsson in Gothenburg. Parts of Eccere Bygg AB, Byggpaul's and CA Bygg's business were also absorbed into Peab.

1991 In 1991, Peab merged with the OTC listed construction and civil engineering company Hallströms & Nisses AB. Thereby becoming a major nationwide group within construction and civil engineering. The merger of Peab and HN made an important contribution to structuring within the Swedish construction business. Large companies were required to meet customer needs for a nationwide and at the same time local contractor.

1990 In the real estate business area Peab reinforced its position in the Malmö and Helsingborg region when it became the main owner of Wihlborg & Son.

1989 During the year, Peab invested in several limited partnerships, including 33 per cent of SBB, Svenska Beläggnings AB, which became an important complement to the land and civil engineering departments. Peab also acquired a large shareholding in Wihlborg & Son, a listed real estate company operating in southern Sweden.

1987 Peab acquired Diös Södra Bygg AB, which operates in Gothenburg, Jönköping, Växjö and Kalmar.

1986 Growth was good, property holdings increased and Peab restructured into three business areas, Contracting, Transport & Environment and Real Estate.

1985 Peab acquired 100 per cent of the shares in Wihlborgbyggen AB with operations in the Malmö region.

1978 Peab acquired AB Västra Bjäre Eltjänst, which later changed name to Peab Eltjänst AB. Its business consisted of electrical installation works within industry and housing and detached home building.

1975 To strengthen its position in the contracting industry in northwest Skåne, in 1975 Peab took over Örkelljunga Åkeri AB's transport, contracting, oil and stone crushing business.

1972 The first regional office opened in Helsingborg.

1970 This was the year Peab started a construction department which installed prefabricated houses.

1967 The Bröderna Paulsson Peab AB company was founded. The nature of assignments changed; they now involved major contracts, and that same year the first office was built in Förslöv.

1959 Peab was founded by the brothers Erik and Mats Paulsson who were then 16 and 14 years old respectively. They started helping farmers on the Bjäre Peninsula with cleaning and refuse collection.

THE TOWN HALL
STOCKHOLM

JAGAREN BLOCK, NISSASTRAND HALMSTAD

THE CONSTRUCTION MARKET.

The Swedish Construction market continued to make strong progress during 2007. Investments in housing and commercial building projects continued to grow rapidly during the year, whilst there was a marginal decline in civil engineering activities. The total growth in the construction and civil engineering sector for 2007 amounted to 7 per cent. In 2008, the market is expected to grow by some 4 per cent, according to the Swedish Construction Federation.

SWEDEN

With a certain lag the construction market usually follows general economic trends. In 2007 the Swedish economy continued to grow rapidly. Household incomes and consumption continued to rise, among other things due to increased employment, higher levels of salaries and reduced taxes. The effect of stronger household finances is first seen in the housing market, as sales are made directly to consumers. Despite increasing interest rates during the year there was continued high demand for new housing. This is being above all driven by the continuing price rises in the housing market, despite a certain downturn in the autumn, and because there are still major imbalances between supply and demand, especially in and around the major cities.

In general, office and commercial building is later in the economic cycle. With the favourable economic growth we have seen in Sweden in recent years demand for commercial premises was generally excellent during the year. Local government economies also grew well and this will continue in 2008, as there is a certain lag in tax income. The strong construction market in recent years has resulted in capacity shortfalls within certain areas, and this hinders growth. The building of self-contained homes has almost reached a ceiling, as manufacturers are, by and large, producing at full capacity and there is a lack of both intermediate goods and labour.

The total growth in the construction and civil engineering sector in 2007 amounted to 7 per cent, with a turnover of approx. SEK 247.4 billion (excluding maintenance investments), and corresponded to approx. 8 per cent of Sweden's GDP.

HOUSING

The construction of housing in Sweden is still far below the levels which would be required to remove the imbalance between supply and demand in the future. It has been estimated that construction started on some 29,000 apartments, of which 14,000 were self-contained houses. This is a decline from 2006 and new apartment starts suffered the negative effect of the so-called Odell paving stones in the first half of 2007. This resulted in a one-off effect when the building of 7,000 apartments commenced at the end of last year in order to benefit from the interest rate allowance which was discontinued on 1 January 2007. The market stabilised during the third quarter and ended up at the same level as the same quarter in 2006. The discontinuation of the investment support had a marginal impact on house building. The rules were relatively complicated and only applied to rented apartments smaller than 70 sq m. Moreover, the subsidy had limited funding and did not apply everywhere. A certain decline might be discernible, but most projects were reorganised to apply to larger rented apartments or tenant-owner rights. Historically, the construction of new rented apartments has always been extremely sluggish. A gradual relaxation of the utility value system where greater allowance is made for where apartments are located, with rents more in line with the market as a result, favours construction. Given the generally good financial position of the public housing sector companies there is growing political pressure for the increased building of tenant-owned apartments. Favourable growth in the tenant-owner market contributed to a stable increase in construction projects. The strong growth in home building is being driven by an underlying lack of homes and a great need for home conversions. Housing construction grew by 9 per cent in 2007.

BUSINESS PREMISES

The powerful economic growth in Sweden with increased consumption and trade as a consequence also increased the demand for business premises, shopping centres, hotels, arenas and industrial premises. There was growth on a broad front throughout the country. The construction of shopping centres remained strong in 2007, while a slight decline in the growth rate is expected in 2008. Expansion is part of the restructuring which the retail trade has been undergoing for quite some time, i.e. with the emergence of large shopping centres located outside the major towns and cities.

Changing consumer patterns for leisure activities and the increased demand for facilities have been the driving forces behind the construction of new sporting facilities, such as indoor bandy arenas and the erection of new football stadiums.

Industrial building grew strongly during the year – although from previously low levels – above all driven by new and conversion investment in facilities for the metal industry. This powerful upturn is expected to fall off in 2008 as a result of capacity having been rebalanced.

Demand from the public sector has also been good, particulary concerning the renovation of schools and day-care centres. Local governments have postponed a large number of projects for the time being, since all too few tenders are being received in response to invitations to tender compared with previous years and also because the price picture is less favourable.

CIVIL ENGINEERING

Civil engineering work grew less than expected in 2007, above all due to lower public investment. One reason is that cost and price levels have grown faster than subsidies, i.e. allocated subsidies stretch to less building thus reducing levels of activity. Costs appear to be rising quicker than grants in 2008 as well, but a certain upturn is predicted for the year. Important projects in progress in the business area include the City Tunnel in Malmö, the Haparanda Railway, the double track railway between Gothenburg and Trollhättan and the Norra Länken motorway in Stockholm. The government has announced its ambition to set aside more economic resources for infrastructure projects in the autumn budget, including the Hjulsta – Kista project in the Stockholm area, parts of the E22 in Skåne and the railway project. The Ådal Railway have been pointed out as being extra important. However, these appropriations will not be felt until 2009.

Within the private energy sector the expansion of wind power and the continued burying of high voltage cables in the wake of hurricane Gudrun continued undiminished. In the telecommunications new construcion has almost come to a complete stand still, since the completion of the 3G network in 2006. However, the increase in the energy sector more than outweighs the downturn within telecommunications.

NORWAY AND FINLAND

Similar to the situation in Sweden, the Nordic construction and civil engineering market continues its strong growth. 2007 was a record year for the Norwegian market. With a preliminary growth of approx. 7 per cent the Norwegian construction and civil engineering market turned over approx. NOK 250 billion (including maintenance investments), which is equivalent to approx. 12 per cent of Norwegian GDP. Given the rapid growth in the Norwegian market over the last four years certain capacity problems have arisen such as a shortage of labour. Euroconstruct has assessed that this will result in a certain leveling off in 2008.

This positive development has also continued in Finland. The Finnish construction market grew by 7 per cent according to preliminary figures and amounted to a value of EUR 27.2 billion (including maintenance investments), which corresponds to approx.15 per cent of Finland's GDP. According to Euroconstruct, in 2008 the market will grow slightly more slowly than in 2007.

THE PROSPECTS FOR 2008 AND WHERE DO THE THREATS LIE?

There are many signs that growth in the Swedish construction market is now decreasing from approx. 7 per cent in 2007 to approx. 4 per cent in 2008. This is because consumption is expected to remain at a high level, interest rates are expected to stablise, and disposable income is expected to increase. Moreover, there is still an imbalance between supply and demand for housing and the ever increasing need to repair and renovate the housing in the so-called million program.

Moreover, local governments may be said to constitute a buffer. Given increasing employment and tax income, which normally fills local government coffers with a certain delay, local governments economies will further improve in 2008. Given continuing high resource utilisation it may be in the best interests of local governments to await a slightly calmer economic construction market climate to implement new projects and the much needed conversion of neglected public environments. However, given the increasing tax income and political pressure for the implementation of improvements during the mandate of the present Government it is likely that many local governments will procure new projects ion 2008.

Are there any risks? With much of 2008 production already in the order books, a decline in orders received would above all affect the construction climate in 2009. Declining global growth as a consequence of the slowdown and recession in the American economy is a possible scenario which could effect the Nordic and Swedish economies.

Although increased uncertainty may delay investment decisions, the key to growth in the construction climate is the degree to which domestic employment is affected.

As long as people have jobs to go to and stable incomes, the risk of a strong decline in the construction market is not imminent. There is an underlying shortage of housing and in addition there are the demographic effects of the large eighties generation coming into the market and demanding their own homes. As a consequence of somewhat weaker economic growth and the current shortfall in capacity, the Swedish Construction Federation expects growth of 4 per cent for the construction and civil engineering sector in 2008.

LACK OF RESOURCES AND STRUCTURAL REORGANISATION

The strong construction market of recent years has resulted in a lack of resources both as regards the supply of materials and, perhaps above all, the supply of labour. Companies have experienced difficulties in recruiting personnel in recent years and therefore the strong development has surprised the sector. The

BÅSTAD TENNIS COURT

reason that companies have managed to maintain and increase production in spite of this may be that they have borrowed personnel from each other to manage peak periods, made greater use of foreign subcontractors and have used more prefabricated materials.

Bottlenecks are above all caused by the lack of work managers and site managers, and these posts cannot be filled with foreign labour, since besides needing professional qualifications, they must also master the Swedish language. In normal economic conditions replacements within these professional categories come from training and productivity increases, but because of the strong growth of recent years the market has not been able to keep up.

Restructuring is taking place on the materials side driven by the market leading construction companies, which entails a larger reception area to find the most cost effective solutions.

COMPETITION

In 2007, Peab had sales of SEK 32.0 billion, which means that the company is one of the three largest construction companies in the Nordic countries. Peab's sales in the Swedish construction



and civil engineering market amounted to SEK 26.5 billion during the year. Our main competitors in the Swedish market are Skanska, NCC, JM and Vägverket Produktion.

One probable effect of the so-called Laval decision is increased competition from smaller foreign subcontractors. This will not have any considerable effect on the larger construction companies, but will be a hard blow to smaller Swedish companies. The trend towards ever more and larger cross border procurement procedures continues to rise. However, this has not yet resulted in any larger European construction companies making any broad expansion, rather it has involved collaboration from project to project. A number of small and medium-sized companies compete in the local and regional markets. The importance of local presence is driving forward consolidation within the sector, and the large companies are acquiring smaller local players. Peab is one of the players which has been successful in acquiring smaller local players which fit in with the company structure and thus increase our presence in strategically selected markets which we previously did not cover.

Skanska, NCC and Peab work in similar ways in the Swedish market, and offer every type of construction and civil engineering service. JM mainly competes in the development of housing projects in large towns and cities and Vägverket Produktion competes for infrastructure projects.

Peab's market shares in Finland and Norway are relatively low, and in 2007 sales amounted to SEK 5.4 billion, divided between SEK 2.3 billion in Finland and SEK 3.1 billion in Norway. Peab has no nationwide presence in these countries, but concentrates on the areas around the main cities and predominantly concentrates on housing production. As in Sweden, our major rivals in both countries are Skanska and NCC. In Finland we also compete with Lämminkäinen and YIT, which are both larger than Peab Seicon, and in Norway Veidekke and the AF group are larger than Peab AS.

PROFITABILITY IN THE CONSTRUCTION INDUSTRY

Traditionally, the construction industry has always worked with extremely narrow margins and has been intensely focused on costs. The relatively low entrance barriers to the sector and customers with the same expertise as suppliers have resulted in knife-edge competition which has often resulted in construction companies being forced into projects subject to all too many risks.

However, good construction market conditions in recent years have led to the emergence of a new approach to profitability. Supported by good market conditions behind it Peab has chosen, as have many other players, not to submit tenders for projects which it considers are all too risky or difficult to evaluate. Since demand is strong, there are of course many projects, and this makes it easier to choose those which are judged to be most advantageous. Where profitability is good, there is room for the major companies to implement processes which reduce costs levels while retaining quality. This may involve reviewing and coordinating purchases from new suppliers in new geographical markets. Given opportunities for coordinating and thus attaining adequate volumes and sizes companies may enjoy economies of scale, which are extremely important when it comes to maintaining and improving margins in the longer term. A new approach to building based on functionality and lifecycles combined with Peab's collaborative processes such as trust-based contracts and partnering along with improved purchasing and prefabricated building processes are the way forward to improved margins over an economic cycle.

Sweden	Net sales 2007, SEK billion	Change in %, 2007	Expected development, %, 2008
Housing	103	9	2
Premises	80	8	7
Civil Engineering	64	2	3
Total	**247**	**7**	**4**

Norway	Net sales 2007, NOK billion	Change in %, 2007	Expected development, %, 2008
Housing	85	5	–8
Premises	110	11	5
Civil Engineering	55	4	3
Total	**250**	**7**	**0**

Finland	Net sales 2007, EUR billion	Change in %, 2007	Expected development, %, 2008
Housing	10.1	–3	–2
Premises	12.1	22	10
Civil Engineering	5.0	6	4
Total	**27.2**	**7**	**4**

Source: Sveriges Byggindustrier.

Net sales in the Swedish market does not include maintenance investments whilst the netsales of the Norweigan and Finnish markets include maintenance investments.

NEWLY RECRUITED PERSONNEL IN PEAB

Lars Nordmark felt he was welcome at Peab from the very first day. He took a summer job at Peab while he was studying and his impression of the company was extremely positive. Two months before he took his degree as a graduate engineer at the Luleå University of Technology in May 2007, he contacted Peab and asked for a job.

"They welcomed me with open arms," says Lars Nordmark. "It was good to come back after my practical training and the management were keen to have me."

Lars explains that the main reason he chose Peab was the down to earth atmosphere and the simple way of communicating in the company. But the feeling of comradeship at the workplaces and the helpful attitude of colleagues also made it an easy choice. They support you and want to see you develop.

"There are lots of opportunities to advance and try other types of assignments in the company."

Lars Nordmark is now 27 years old and works as a supervisor in Boden on the conversion of the care centre in Erikslund.


PEAB
Dennis Hammarstedt

THE SHARE AND THE OWNERS.

Peab's B-share is listed on the OMX Nordic Exchange Stockholm – Mid Cap list. As of 31 December 2007 the Peab share price was SEK 66.75, which is equivalent to a to a total market value for Peab of SEK 11.3 billion (14.2).

SHARE CAPITAL

As of 31 December 2007 the share capital amounted to SEK 933 million. There were 174,452,706 shares, with a nominal value of SEK 5.35. A-shares have 10 votes, and B-shares have 1 vote. All shares carry equal rights to dividends in the companies assets and profits. A round lot of shares is 100 shares.

TRADING IN THE PEAB SHARE

During 2007, 114.2 million shares (51.8) were traded, equivalent to 457,000 shares per trading day (204,000). During 2007, the Peab share has been quoted at a maximum of SEK 86.50 and a minimum of SEK 44.70. The average share price was SEK 67.70. The beta value is a relative measure of risk exposure, measured on how it followed the stock exchange index in the last 48 months. The beta value of the Peab share in 2007 was 1.18. On 1 January 2008, the Peab share was moved from the stock exchange's Large Cap list to the Mid Cap list.

DISTRIBUTION OF PEAB INDUSTRI

The AGM of Peab held in 2007 resolved in accordance with the so-called "Lex Asea", to distribute the shares in Peab Industri AB which since the year-end 2006/2007 comprises the group's Industry business area. The shares in Peab Industri, divided into A-shares and B-shares, were distributed on 27 September 2007 and the B-share was listed on the OMX Nordic Exchange Stockholm on 1 October 2007.

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 was 27 September 2007 after the record day for the right to participate in the distribution of Peab Industri AB.

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), thus increasing the capital without the issue of new shares.

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. The Peab AGM 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 shares in the company. In 2007, the holding of own shares declined by 5,500,000 B-shares through withdrawal and 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. As of 31 December 2007, Peab Industri's holding of own shares amounted to 5,625,000 B-shares, corresponding to 3.2 per cent of the total number of shares.

CONVERTIBLE PROMISSORY NOTES 2007/2012

The AGM's of Peab AB and Peab Industri AB resolved to issue and offer convertible bonds to all employees.

THE DECISION INVOLVES:

- The offer of participation in the program will be 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 convertible bonds in each program.
- The convertible bonds will run from 1 December 2007 until 30 November 2012 with the 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 for convertible promissory notes 2007/2012 was set at SEK 68, with an issue amount of SEK 598,400,000, corresponding to 8,800,000 new convertible bonds. 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.

CONVERSION OF CONVERTIBLE PROMISSORY NOTES 2005/2008

Peab's AGM resolved on an additional window for converting 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 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.

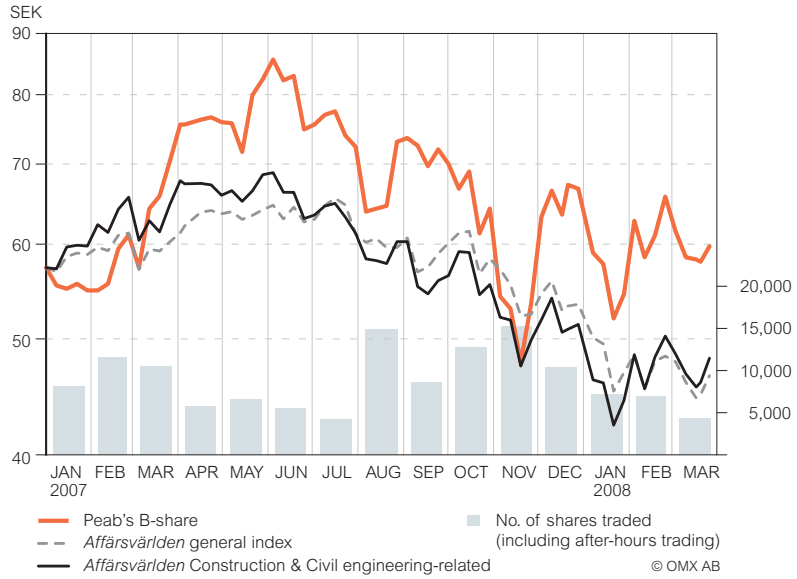
DIVIDEND

A dividend of SEK 2.25 (1.75) per share is proposed for 2007. Calculated as a share of the group's reported profit after tax, the proposed dividend amounts to 47 per cent (27). Exclusive of the 6,225,000 B-shares owned by Peab AB on 29 February 2008, which do not entitle to dividend, the proposed dividend is equivalent to a total dividend distribution of SEK 379 milion (280). The proposed dividend is equivalent to a direct return of 3.6 per cent based on the closing price on 29 February 2008.

CAPITAL MARKET

One of Peab's objectives is to supply factual and accurate reporting of the group's operations to shareholders, the capital market and the media through financial reporting and press releases following important business events. A number of analysts monitor and make analyses of Peab. A list of these analysts can be found on page 97 and on our website at peab.se/analytiker.

Price trend of the Peab share



Data per share

	2007	2006[1]
Earnings, SEK	4.92	6.18
– after dilution	4.77	5.89
Shareholders' equity, SEK	21.32	20.51
– after dilution	20.27	22.00
Cash flow before financing, SEK	8.70	14.55
– after dilution	8.38	13.66
Share price at year-end, SEK	66.75	57.35
Share price/equity, %	313.0	279.6
Dividend, SEK[2]	2.25	1.75
Extra dividend, SEK	–	3.75
Yield, %[3]	3.4	3.1
P/E ratio[3]	14	9

1) Calculated on translated number of shares after 2:1 split.
2) For 2007, board of directors' proposal to the AGM.
3) Based on closing price at year-end.

Share capital trend 1974–2007

Year		Change, MSEK	Total, MSEK
1974	New share issue	0.1	0.1
1978	Bonus issue 9:1	0.9	1.0
1983	Bonus issue 7:1	7.0	8.0
1986	Split 10:1	–	8.0
1986	New share issue 1:2	2.0	10.0
1987	Bonus issue 2:1	5.0	15.0
1989	Directed new issue	30.0	45.0
1992	Directed new issue	63.0	108.0
1993	New share issue 3:1	25.0	133.0
1994	New share issue 3:10	398.9	531.9
1997	Conversion	159.6	691.5
2000	Subscription	148.7	840.2
2000	Subscription	1.2	841.4
2002	Withdrawal	30.6	872.0
2007	Bonus issue	–55.0	817.0
2007	Conversion	57.1	874.1
2007	Split 2:1	59.2	933.3
2007	Split 2:1	–	933.3

List of owners, 29 February 2008

	Class A shares	Class B shares	Total number of shares	Proportion of capital	Proportion of shares
Mats Paulsson with family and companies	5,574,234	19,237,510	24,811,744	14.2%	21.4%
Erik Paulsson with family and companies	6,975,780	11,405,028	18,380,808	10.5%	23.1%
Karl-Axel Granlund with companies		10,200,000	10,200,000	5.8%	2.9%
Fredrik Paulsson with family and companies	2,402,343	3,394,100	5,796,443	3.3%	7.8%
Stefan Paulsson with family and companies	2,402,343	3,362,074	5,764,417	3.3%	7.8%
Swedbank Robur Funds		4,377,022	4,377,022	2.5%	1.2%
Svane Paulsson with family and companies	983,376	1,367,760	2,351,136	1.3%	3.2%
Skandia Liv		2,260,300	2,260,300	1.3%	0.6%
Handelsbanken		2,026,600	2,026,600	1.2%	0.6%
Sara Karlsson with family and companies	1,016,080	696,038	1,712,118	1.0%	3.1%
Foreign shareholders		31,985,601	31,985,601	18.3%	9.1%
Other shareholders	257,248	58,304,269	58,561,517	33.7%	17.4%
Total shares outstanding	**19,611,404**	**148,616,302**	**168,227,706**		
Peab AB		6,225,000	6,225,000	3.6%	1.8%
Total registered shares	**19,611,404**	**154,841,302**	**174,452,706**	**100.0%**	**100.0%**

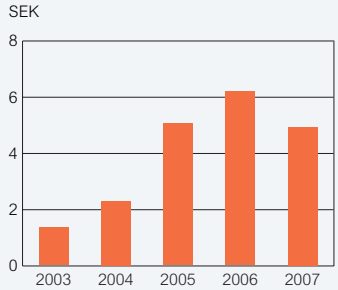
Division of shareholdings, 29 February 2008

Number of shares	Number of shareholders	Proportion of capital	Proportion of votes
1– 500	7,989	1.1%	0.5%
501– 1 000	3,270	1.6%	0.8%
1 001– 5 000	5,760	7.7%	3.8%
5 001–10 000	1,271	5.1%	2.5%
10 001–15 000	272	1.9%	1.0%
15 001–20 000	233	2.4%	1.2%
20 001–	441	80.2%	90.2%
	19,236	**100.0%**	**100.0%**

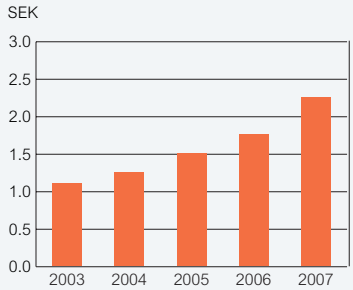
Shares and votes per share class

Share class	Number	Number of votes	Proportion of capital	Proportion of votes
A	19,611,404	10	11.2%	55.9%
B	154,841,302	1	88.8%	44.1%
	174,452,706		**100.0%**	**100.0%**

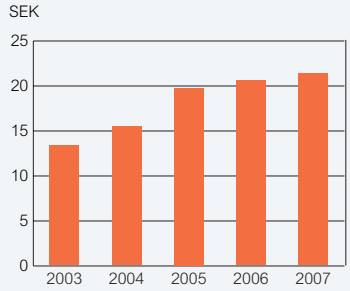
Earnings per share[1), 2), 4)]



Dividend per share[3), 4)]

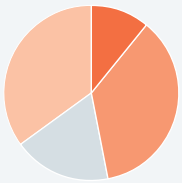


Shareholders' equity per share[1), 4), 5)]



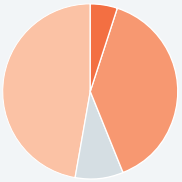
1) For 2003, not restated according to IFRS.
2) For 2003–2005, not translated due to the distribution of Peab Industri.
3) For 2007, board of directors' proposal to the Annual General Meeting.
4) Calculated on the translated number of shares after the 2:1 split for the years 2003–2006.
5) All balance sheet items until 2006 include Peab Industri.

Owner categories, proportion of capital, 29 February 2008



- Financial companies and trust funds 11%
- Other Swedish legal entities 36%
- Foreign resident owners 18%
- Swedish private persons 35%

Owner categories, proportion of votes, 29 February 2008



- Financial companies and trust funds 5%
- Other Swedish legal entities 39%
- Foreign resident owners 9%
- Swedish private persons 47%

FINANCIAL HIGHLIGHTS.

GROUP

MSEK	2007	2006[3]	2005[2), 3)]	2004[2), 3)]	2003[1), 2), 3)]
Income statement items					
Net sales	31,977	26,132	25,501	22,039	20,086
Operating profit	1,261	722	747	577	305
Profit after financial items	1,099	932	824	521	240
Net profit for the year from continuing operations	774	708	–	–	–
Net profit for the year	811	1,048	855	389	226
Balance sheet items					
Fixed assets	2,448	4,620	3,999	3,535	2,980
Current assets	12,904	11,893	9,743	7,951	7,393
Total assets	**15,352**	**16,513**	**13,742**	**11,486**	**10,373**
Shareholders' equity	3,600	3,277	3,348	2,653	2,196
Minority interests	6	1	–	–	63
Provisions	–	–	–	–	95
Long-term liabilities	912	1,640	2,304	1,129	1,847
Current liabilities	10,834	11,595	8,090	7,704	6,172
Total shareholders' equity and liabilities	**15,352**	**16,513**	**13,742**	**11,486**	**10,373**
Key ratios					
Operating margin, %	3.9	2.8	2.9	2.6	1.5
Profit margin, %	4.4	4.0	3.7	3.0	2.0
Return on equity, %	23.6	31.6	28.7	15.4	9.2
Capital employed	4,674	5,911	6,119	5,014	4,520
Return on capital employed, %	26.6	17.2	17.1	13.4	9.2
Equity/assets ratio, %	23.5	19.9	24.4	23.1	21.8
Net assets (+)/Net debt (–)	587	–1,534	–2,110	–1,666	–1,331
Debt/equity ratio, multiple	0.3	0.8	0.8	0.9	0.9
Interest coverage ratio, multiple	12.7	10.4	8.5	5.2	2.9
Capital expenditures					
Goodwill	14	177	19	72	146
Buildings and land	139	225	100	–38	191
Machinery and equipment	379	725	502	350	341
Shares and participations	133	723	47	20	–360
Project and development properties	670	246	185	499	–50
Orders					
Orders received	37,529	28,711	24,227	21,559	18,339
Order backlog	26,299	20,642	17,722	15,899	13,590
Personnel					
Average numer of employees	11,480	10,740	11,317	10,907	10,618
Data per share[4)]					
Earnings, SEK	4.92	6.18	5.03	2.28	1.34
after completed subscription and conversion	4.77	5.89	4.92	2.28	1.34
Cash flow, SEK	8.70	14.55	3.17	1.81	–2.24
after completed subscription and conversion	8.41	13.75	3.06	1.81	–2.24
Equity, SEK	21.32	20.51	19.67	15.42	13.33
after completed subscription and conversion	20.27	22.00	18.48	15.42	13.33
Share price at year-end, SEK	66.75	57.35	51.00	32.50	21.80
Ordinary dividend, SEK[5)]	2.25	1.75	1.50	1.25	1.10
Extra dividend, SEK	–	3.75	–	–	–
Number of shares at year-end, millions	168.8	159.8	170.2	170.0	169.6
after completed subscription and conversion	177.8	170.8	181.2	170.0	169.6
Average number of outstanding shares, millions	165.0	169.2	170.2	169.8	169.4
after completed subscription and conversion	171.3	180.2	175.8	169.8	169.4

1) The year 2003 has not been adjusted for changed accounting principles that came into effect in 2004.
2) The years 2003–2005 have not been recalculated in relation to the distribution of Peab Industri.
3) All balance sheet items until 2006 include Peab Industri.
4) Calculated on adjusted number of shares after the 2:1 split for 2003–2006.
5) For 2007, the Board of Directors' proposal to the AGM.

THE BOARD OF DIRECTORS' REPORT.

Peab AB (publ) Swedish Corporate ID Number: 556061-4330
The board of directors of Peab AB (publ) hereby submit the following annual report and consolidated accounts for the 2007 financial year.

ACTIVITIES

Peab is one of the Nordic region's leading building and construction companies. The group primarily engages in business in Sweden, where Peab operates nationwide, but it also operates in Norway and Finland where it focuses on the capital city areas.

PEAB INDUSTRI

The AGM held on 16 May 2007 resolved to distribute the shares in the subsidiary Peab Industri AB to Peab's shareholders. Peab Industri's financial results for the period January to April 2007 have been recognised as terminated activities 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 terminated activities, net after tax". Comparative figures for 2006 have been revised to show residual activities separate from terminated activities.

Peab Industri has been excluded from the balance sheet as of 31 December 2007, whilst the comparative balance sheets are presented in accordance with historic accounts.

SALES

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

PROFIT AND FINANCIAL POSITION

2007 operating profit improved within all business areas and for the group amounted to SEK 1,261 million compared with SEK 722 million the previous year. Profit for the year has been charged with SEK –85 million for competition damage following a judgement of the district court on 10 July 2007. For more information, see the section on Important Disputes on page 35. Shares in the profits of joint ventures are booked in accordance with the equity method. The year's share of profits in joint ventures amounted to SEK 33 million (–12).

Net financial items amounted SEK –162 million (210), of which the net interest item improved to SEK 16 million (–15). The effect of valuing financial instruments at fair value reduced the net financial item to the tune of SEK –200 million (225), of which the result of valuing the Brinova holding at fair value amounted to SEK –203 million. The previous year the total effect of valuing the Brinova holding at fair value amounted to SEK 224 million. The share holding is reported at market price on the 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 principally consists of deferred tax costs stemming from the exercising of tax loss carry forwards, the tax value of which had previously been capitalised as deferred tax receivables. Among other things, the tax rate was affected by non-deductible charges to the Swedish Competition Authority.

Profit from terminated activities, net after tax, amounted to SEK 37 million, and refers to Peab Industri's net profit for the January to April 2007 period, whilst corresponding profit for the whole of 2006 period amounted to SEK 340 million.

Operating profit for the year amounted to SEK 811 million, compared to SEK 1,048 million the previous year.

The equity/assets ratio as of 31 December 2007 was 23.5 per cent, compared with 19.9 per cent at the end of the year. In 2007, convertible promissory notes to a value of SEK 466 million were converted, thus improving the equity/assets ratio.

Net interest-bearing receivables amounted to SEK 587 million compared with net liabilities of SEK –1,534 million at the same time the previous year. The change from a net interest-bearing liability to a net receivable stemmed largely from the distribution of Peab Industri and the improved financial position of the whole Peab group.

The average interest rate in the loan portfolio at the end of the year amounted to 5.0 per cent in comparison with 3.9 per cent in 2006.

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

At the end of the year, the group's contingent liabilities amounted to SEK 2,131 million compared with SEK 2,051 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.

CASH FLOW

Peab Industri was included in the cash flow statement for the January to April 2007 period and for the whole of 2006. Cash flow from current operations before changes in working capital amounted to SEK 1,585 million (1,716). Cash flow from changes in working capital was reduced as a result of reduced accounts receivable from customers and as a result of the acquisition of project and development properties by SEK –487 million (–143) . When project and development properties are acquired through company acquisition, this is charged to cash flow from

investment business in the same way as 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 divestment.

INVESTMENTS

Net investment in tangible fixed assets and non-current assets amounted to SEK 742 million (1,251) during the year, of which SEK 385 million refers to residual activities. During the year SEK 670 million (246) net was invested in project and development properties.

CHANGED REPORTING STRUCTURE

The distribution of Peab Industri has resulted in a changed external reporting structure. From the first quarter of 2007, Peab reports the following business areas:

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

CONSTRUCTION SWEDEN

The Construction Sweden business sector comprises the group's resources relating to construction-related services in Sweden. Peab has nationwide coverage in Sweden and the strong construction market climate in 2007 contributed to positive growth in the business area.

During the 2007 net sales increased by 13 per cent to SEK 20,050 million compared with SEK 17,719 million the previous year. Adjusted for acquired units the increase in net sales increased by 10 per cent.

Operating profit improved drastically during the year and amounted to SEK 1,090 million, compared to SEK 704 million the previous year. Operating margin for the year was 5.4 per cent compared with 4.0 per cent for the whole of 2006. Annual operating profit and operating margin benefited from the increased profitability of contracting business, the good earnings capacity of new housing project development and increases in cost effectiveness.

CONSTRUCTION ABROAD

The Construction Abroad business sector consists of Peab's Norwegian and Finnish businesses. In Norway operations focus on the Oslo region and Tromsö, and in Finland on the Helsinki region and Södra Österbotten.

Net sales in 2007 amounted to SEK 5,426 million compared with SEK 3,756 million for 2006, which is an increase of 44 per cent. Adjusted for acquired units the increase in net sales increased by 23 per cent.

Annual operating profits amounted to SEK 24 million, compared to SEK –6 million the previous year.

NORWAY

The construction and civil engineering business in Norway has in general developed favourably in 2007. Net sales rose to SEK 3,139 million, an increase of 59 per cent compared to the previous year. This increase includes the acquisition of Björn Bygg AS and Raaen Entreprenör AS. The acquired companies have developed as expected, with satisfactory results in the first financial year in Peab.

Operating profit for Norwegian operations has developed positively during the year and shows an improvement in comparison with last year.

Order stocks remain good. Access to personnel continues, however, to be a critical factor.

FINLAND

The Finnish construction business has developed positively in 2007. Net sales increased by approx. 29 per cent in comparison with the previous year to SEK 2,299 million. The significant increase in volume is mainly related to internally developed housing construction. Operating profit has improved in comparison with the previous year and order stocks remain at a high level.

Important projects during the year include the Radiological Hospital for the University of Tammerfors and the Koulumestari School in Esbo. 998 apartments were completed during the year, of which 532 were internally developed.

Net sales and operating profit per business area

	Net sales		Operating profit		Operating margin	
MSEK	**2007**	2006	**2007**	2006	**2007**	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				
Total	**31,977**	**26,832**	**1,261**	**724**	**3.9%**	**2.7%**

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

CIVIL ENGINEERING

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

Net sales in the Civil Engineering business area in 2007 increased by 22 per cent to SEK 7,933 million compared with SEK 6,515 million the previous year. Adjusted for acquired units the increase in net sales increased by 20 per cent.

Annual operating profits amounted to SEK 352 million, compared to SEK 161 million the previous year. The operating margin for 2007 improved to 4.4 per cent in comparison with 2.5 per cent for the whole of 2006. Operating profit and the operating margin were boosted by good earnings from work in progress, final settlement of major contracts and a well-balanced risk profile.

ORDERS RECEIVED AND ORDER STOCK

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

Order stock and orders received

MSEK	2007-12-31	2006-12-31	2005-12-31
Coming financial year	19,041	16,314,	13,413
Following financial year	6,120	3,486	3,534
Thereafter	1,138	842	775
Total order stock	**26,299**	**20,642**	**17,722**
Orders received	**37,529**	**28,711**	**24,227**

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.

During the year, Peab's focus on reasonably priced housing continued to result in good sales of projects in progress with more sluggish sales towards the end of the year. In Norway and Finland, the higher interest rates at the latter end of 2007 have clearly contributed to longer sales times. Despite this, Peab retained requirements for advance subscription prior to embarking on new projects.

Internally developed housing construction

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

TRUST/MANAGEMENT

The Trust/Management business sector comprises the main company, certain subsidiaries and joint ventures and other holdings. The main company above all consists of the parent company Peab AB and Peab Finans AB. Peab AB's operations consists of group management and common group functions. The internal bank Peab Finans handles the group's liquidity, debt management and financial risk exposure. The company is also a service function for the subsidiaries and draws up solutions with regard to internal loans and investments, project-related financing and currency hedging.

Annual operating profit amounted to SEK –205 million (–135) . A competition damage charge of SEK –85 million charged profit for the year.

Joint group costs were recognised at a total of SEK –142 million (–130).

RESEARCH AND DEVELOPMENT

Peab carries out constant development work aimed at enabling us to offer our customers improved products and services, while at the same time boosting the competitiveness of the Peab group. Peab has no separate research and development organization; instead this work is integrated into ongoing production. One of the major development projects in progress is the development of industrialised construction through PGS (Peab Joint System). PGS develops and supplies a complete construction system for apartment blocks comprising product development, manufacture, delivery and assembly. It is Peab's goal to be at the forefront when it comes to developing new concepts, methods and knowledge concerning mass-produced construction. Together with Skandinaviska Byggelement, which is one of the companies forming Peab Industri AB and which manufactures high quality elements for the construction process, Peab will continue to supply cost effective and high quality building structures.

RISK MANAGEMENT

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

OPERATIONAL RISKS

Peab business is largely project related. Operational risks affect day-to-day business and are mainly associated with tender procedures, percentage of completion or price risks.

TENDERS

Structured risk assessment is crucial in the construction business to ensure that risks are identified and priced in the submitted tenders, and so that the right resources are available for the project.

PERCENTAGE OF COMPLETION

Peab applies percentage of completion revenue recognition. The application of the percentage of completion method depends on reliable forecasting. Well developed monitoring and forecast processes for each project and the relevant system support are crucial to limiting risks of incorrect percentage of completion revenue recognition.

PRICE RISKS

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

FINANCIAL RISKS

The group is also exposed to financial risks, such as changes in debt and interest rate levels. For more information on financial risks, see Note 36.

MAJOR DISPUTES

The main negotiations in the ongoing lawsuit concerning asphalt cartels started in September 2006 and ended in February 2007. The district court's decision was announced on 10 July 2007, and Peab Sverige AB, Peab Asfalt AB and Peab Asfalt Syd AB were ordered to pay total competition damage charges of SEK 85 million. On 1 March 2007, Peab AB issued two indemnities whereby Peab AB undertook to indemnify any charges Peab Asfalt AB and Peab Asfalt 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 annual profit. Peab Sverige AB, Peab Asfalt AB and Peab Asfalt 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.

SENSITIVITY AND RISK ANALYSIS

Peab's operations are sensitive to changes in such elements as volumes and margins. The sensitivity analysis below describes how profit before tax is affected by changes in some of the important group variables.

Sensitivity analysis

MSEK	Basis of calculation	Change	Profit impact before tax
Operating			
Volume (op. marg. constant)	32,000	+/– 10%	+/– 124
Operating margin (volume constant)	3.9%	+/– 1%	+/– 320
Materials and subcontracts	17,900	+/– 1%	–/+ 179
Financial			
Net receivables (consistent rate of interest)	500	+/– 10%	+/– 2
Average effective int. rate[1] (net rec. constant)	4.0%	+/– 1%	+/– 3
Holding of Brinova shares (carrying amount)	477	+/–10%	+/–48

1) The calculation assumes that net receivables have a fixed interest period of less than 1 year and are therefore relatively immediately affected by a change in market interest rates.

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 2006 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 distributed relative to Peab Industri amounted to SEK 638 million (before distribution costs).

For further information about discontinued activities, see Note 4. 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 in Stockholm on 1 October 2007.

IMPORTANT EVENTS DURING THE FINANCIAL YEAR

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 his post as vice CEO of Peab AB in order to dedicate all his efforts to his post of CEO of Peab Industri AB.

The district court's decision on competition damage charges related to asphalting business was announced on 10 July 2007. For more information, see the section on Important Disputes on page 35.

Peab has renegotiated and prolonged 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.

PEAB PERSONNEL

Human resource work is a prioritised area in Peab and is viewed as an integral part of the group's governance and development. Peab faces a challenge within the human resource supply area to deal with the forthcoming generational change. In addition, it is extremely important in a project-oriented environment that staffing within the organisation conforms with the volume growth new projects and activities bring with them.

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

The work of developing strong leadership qualities in the Peab leaders of the future commenced in 2006 and resulted in the Peab Academy, which started up in 2007 in Ängelholm. The management course weaves theory with practice out at Peab's workplaces. It gives Peab employees opportunities for acquiring specialist skills and being promoted more quickly in order to preserve the Peab Spirit and the company's unique skills in the long term.

Peab's vision of being the Best Company in Sector has now evolved into a clearer long-term goal whereby Peab is to be the "Best Company on the Sector by 2009". Consequently, in 2007 Peab embarked upon a series of projects including Health and the Work Environment at the Centre of Focus, and these resulted in a number of learning workplace audits which are aimed at locally identifying risks and taking preventative measures to avoid future accidents, injuries and sick leave. These workplace audits will continue with the same intensity in 2008.

Yet another project is "Reduced Absence through Sickness at Peab", which commenced in 2005 and ended in 2007. The object of the project was to get personnel on sick leave back to work more quickly and develop Peab's own rehabilitation processes so that remedial action can be taken earlier. The impact of simplified sick leave procedures and faster processing has been reflected in shorter sick absences and faster returns to work. The positive experience gained from the project has now become an integral part of Peab rehabilitation work.

The average number of Peab group employees in 2007 was 11,480 compared with 10,740 in 2006.

PROFIT SHARING FOUNDATION

Peab established in 2007 together with Peab Industri a profit sharing foundation to replace previous systems for profit sharing, see Note 7.

CONVERTIBLE PROMISSORY NOTES 2007/2012

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

- The offer of participation in the program will be 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 convertible bonds in each program.
- The convertible bonds 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 for convertible promissory notes 2007/2012 was set at SEK 68, with an issue amount of SEK 598,400,000, corresponding to 8,800,000 new convertible bonds. 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.

In all, 41 per cent of Peab's employees have applied to subscribe for convertible bonds. Of Peab Industri's employees, 38 per cent applied to subscribe to convertible bonds in Peab. The convertible bond was oversubscribed 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 in both companies' progress, thus boosting their sense of belonging and dedication.

THE ENVIRONMENT

A PART OF THE WAY WE WORK

In 2007, we at Peab commenced work to reduce our impact on climate. Energy issues are an important aspect of this work and we must reduce energy consumption both in our production and also in the buildings we deliver.

Peab works for sustainable development in society has been founded on the integration of environmental issues into our way of working. Peab's company policy incorporates the environment, sustainable development, quality, the work environment and human resource issues.

For many years Peab has attached great importance to integrating environmental issues into our working methods because we know that the impact of our projects is important to our customers and to coming generations.

PHASING OUT OF HAZARDOUS SUBSTANCES

Phasing out hazardous chemical substances from building materials is one of the priorities of Peab's environmental work and consequently Peab is playing an active part in the joint industry BASTA project. We demand that our suppliers be affiliated with BASTA. Peab is also a member of Byggvarubedömningen ek. för. (previously Milab), which is an environmental appraisal system for building materials.

Environmental appraisals are based on criteria with regard to the environmental impact of specific materials during their entire life cycle.

PREVENTIVE WORK AND RESPONSIBILITY

Skills development and environmental support are important parts of Peab's internal environmental work.

The crucial factor in deciding whether we are successful or not in our environmental work is what happens everyday out in our projects, and therefore Peab works constantly on skills development. Since 2007, environmental responsibility has been delegated in writing through our line organisation from CEO to Work Manager. In conjunction with this an interactive environmental training course with subsequent examinations has been carried out.

CONTINUED WORK

Environmental and climate issues are strategic issues where we are concerned, and we want the measures taken to actually result in reduced climate impact. In 2008, specific measures will be taken to reduce the environmental and climatic impact of our company and our products.

Peab will also give clear information about the environmental work both inside and outside the company.

CONVERTIBLE PROMISSORY NOTES IN PEAB INDUSTRI

An extraordinary general meeting of Peab Industri AB held on 13 August 2007 resolved to issue convertible bonds to a nominal value of max SEK 200 million aimed at Peab AB. On 1 December 2007 as part of the financing for Peab Industri, Peab AB subscribed to Peab Industri Convertibles 2007/2012 II for a total of SEK 198 million, equivalent to 3,000,000 new convertible bonds at a conversion rate of SEK 66. The terms and conditions for these convertible bonds are identical to the terms and conditions of the convertible bonds which Peab Industri has offered its staff, described in the section on Convertible Promissory notes 2007/2012.

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 to 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 313,600 new B-shares. After these conversions, there are outstanding 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 on 16 May 2007 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 record day for the right to participate in the distribution of Peab Industri AB.

HOLDINGS OF OWN SHARES

In 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 shares in the company. In 2007, the holding of own shares has declined by 5,500,000 B-shares through withdrawal and increased by 1,815,000 B-shares after the 2:1 split. During the period January to December, 1,995,000 B-shares have been bought back for SEK 129 million, equivalent of 1.1 per cent of the share capital. There were no disposals of shares in 2007.

On 31 December 2007 the group held 5,625,000 own B-shares to a nominal value of SEK 5.35 per share, corresponding to share capital of SEK 30 million, which makes up 3.2 per cent of the total share capital.

THE PEAB SHARE

Peab's share capital amounted at the end of the year to SEK 933,321,977, allocated to a total of 174,452,706 shares, and resulting in a nominal value of SEK 5.35 per share. 19,611,404 of the shares are A-shares with ten votes per share, and 154,841,302 are B-shares with one vote per share. All shares carry equal rights to participation in the company's assets, profits and dividends. There are no restrictions in the articles of association concerning the possibility of transferring shares or votes at the AGM.

At the end of the year there were 19,566 shareholders in Peab. Mats Paulsson and his family and companies represent the largest single shareholder with 14 per cent of the capital and 21 per cent of the votes. The joint ownership related to the company's founders Mats and Erik Paulsson amounted at the end of the year to 34 per cent of the capital and 66 per cent of the votes.

The company has no knowledge of any agreements between shareholders that can result in restriction of the right to transfer shares.

In 2007, together with Peab Industri, Peab established a profit sharing foundation. The assets of the foundation shall in accordance with its investment policy mainly be placed in shares in Peab and Peab Industri, starting in 2008.

The articles of association specify that the board members shall be appointed at the AGM. The articles of association do not include any stipulation on the dismissal of board members or changes to the articles of association.

The Peab Annual General Meeting on 16 May 2007 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 shares in the company. 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 AGM 2007 resolved to issue and offer convertibles to all employees. On 15 November 2007, the conversion price for convertible promissory notes 2007/2012 was set at SEK 68, with an issue amount of SEK 598,400,000, corresponding to 8,800,000 new convertible bonds. 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 company is not party to any important agreement that will come into effect, be changed, or cease, if the control of the company is changed as a result of a public takeover bid.

There are agreements between the company and its employees concerning compensation if an employee is given notice without reasonable grounds. If dismissed by the company, the CEO is entitled a maximum of two years' salary and has the right to receive an agreed pension, and other leading officials are entitled to a maximum of two annual salaries with a deduction for salaries from new employers. There are no agreements that stipulate that notice may be given as a result of a public takeover bid concerning the shares in the company.

REMUNERATION FOR LEADING OFFICIALS

The board of directors will propose leaving the remuneration policy unchanged at the AGM on 15 May 2008. For more information about the guidelines adopted for deciding salaries and other remuneration for the CEO and other leading officials, see Note 7.

EXPECTATIONS CONCERNING FUTURE DEVELOPMENTS

The prospects for the construction market are considered to be favourable thanks to a strong Swedish economy, increased employment and continuing favourable interest rates. The general assessment of the construction industry is that growth on the Swedish construction market will now decrease from a level of 7 per cent in 2007 to approx. 4 per cent in 2008, and it is therefore our opinion that the shortage of resources continues to be the greatest challenge facing the industry.

CORPORATE GOVERNANCE

For a detailed description of the work of the board of directors and corporate governance see page 90 Report on Corporate Governance.

THE PARENT COMPANY

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

PROPOSED ALLOCATION OF PROFITS

The board of directors propose the following allocation of disposable profits and non-restricted reserves of SEK 3,053,892,182:

174,452,706 shares at SEK 2.25 per share distributed to the shareholders	392,518,589 SEK
Carried forward[1)]	2,661,373,593 SEK
Total	**3,053,892,182 SEK**
1) Of which, to share premium reserve	436,025,205 SEK
Of which, to special reserve	55,000,000 SEK

MSEK	Note	2007	2006
Continuing operations			
Net sales	2, 3	31,977	26,132
Production expenses		–29,049	–24,001
Gross profit		**2,928**	**2,131**
Selling and administrative expenses		–1,621	–1,416
Participation in profit of joint ventures	17	33	–12
Result from participations in joint ventures sold		6	11
Result from participations in Group companies sold		0	8
Competition damage charge		–85	–
Operating profit	3, 6, 7, 8, 9, 37	**1,261**	**722**
Financial incomes		152	311
Financial expenses		–314	–101
Net finance	10	**–162**	**210**
Profit before tax		**1,099**	**932**
Tax	12	–325	–224
Profit for the year from continuing operations		**774**	**708**
Profit from discontinued operations, net after tax	4	37	340
Profit for the year		**811**	**1,048**
Attributable to:			
Shareholders in Parent company		811	1,047
Minority interest		0	1
		811	**1,048**
Profit per share	13		
before dilution, SEK		4.92	6.18
after dilution, SEK		4.77	5.89
Profit per share from continuing operations	13		
before dilution, SEK		4.69	4.18
after dilution, SEK		4.55	4.01

BALANCE SHEET FOR THE GROUP

MSEK	Note	2007	2006
Assets			
Intangible assets	14	452	659
Tangible assets	15	642	2,595
Participations in affiliated companies	16	9	–
Participations in joint ventures	17	238	256
Other securities held as fixed assets	19, 35	602	717
Interest-bearing long-term receivables	21, 35	322	99
Deferred tax recoverables	12	129	244
Other long-term receivables	22, 35	54	49
Total fixed assets		**2,448**	**4,619**
Project- and development properties	23	2,700	2,030
Inventories	24	86	284
Accounts receivable	25, 35, 36	4,973	5,150
Interest-bearing current receivables	21, 35, 36	121	81
Income tax recoverables		56	72
Recognised but not invoiced income	26	3,192	2,620
Prepaid expenses and accrued income		112	206
Other short-term receivables	22, 35	452	532
Short-term investments	35, 36	0	6
Liquid funds	35, 36	1,212	913
Total current assets		**12,904**	**11,894**
Total assets		**15,352**	**16,513**
Shareholders' equity	28		
Share capital		933	872
Other contributed capital		679	217
Reserves		89	0
Profit brought forward included profit for the year		1,899	2,188
Shareholders' equity attributable to shareholders in Parent company		**3,600**	**3,277**
Minority interest		**6**	**1**
Total shareholders' equity		**3,606**	**3,278**
Liabilities			
Interest-bearing long-term liabilities	29, 35, 36	778	1,443
Other long-term liabilities	32, 35	45	79
Provisions for pensions	30, 35	11	17
Other provisions	31	78	101
Total long-term liabilities		**912**	**1,640**
Interest-bearing short-term liabilities	29, 35, 36	279	1,173
Accounts payable	35, 36	3,392	3,707
Income tax liabilities		103	93
Invoiced income not yet recognised	33	3,580	3,359
Accrued expenses and deferred income		2,086	2,219
Other short-term liabilities	32, 35	1,293	989
Provisions	31	101	55
Total short-term liabilities		**10,834**	**11,595**
Total liabilities		**11,746**	**13,235**
Total shareholder's equity and liabilities		**15,352**	**16,513**

See Note 39 for information about The Groups pledged assets and contingent liabilities.

		Shareholders´ equity attributable to shareholders in Parent company						
MSEK	Note	Share capital	Other contributed capitall	Reserves	Profit brought forward included profit for the year	Total	Minority interest	Total share-holders´ equity
Opening balance shareholders´equity, 1 January 2006		**872**	**217**	**61**	**2,198**	**3,348**	**0**	**3,348**
Annual change in translation reserve	28			–61		–61		–61
Total changes in funds recognised directly in share-holders' equity excluding transactions with the company's owners				**–61**		**–61**		**–61**
Profit for the year					1,047	1,047	1	1,048
Total changes in funds except for transactions with the company's owners				**–61**	**1,047**	**986**	**1**	**987**
Cash dividend					–255	–255		–255
Acquisition of own shares					–822	–822		–822
Disposal of own shares					20	20		20
Closing balance shareholders' equity, 31 December 2006		**872**	**217**	**0**	**2,188**	**3,277**	**1**	**3,278**
Opening balance shareholders´equity, 1 January 2007		**872**	**217**	**0**	**2,188**	**3,277**	**1**	**3,278**
Annual change in translation reserve	28			94		94		94
Annual change in hedging reserve	28			–3		–3		–3
Total changes in funds recognised directly in share-holders' equity excluding transactions with the company's owners				**91**		**91**		**91**
Profit for the year					811	811		811
Total changes in funds except for transactions with the company's owners				**91**	**811**	**902**		**902**
Cash dividend					–280	–280		–280
Distribution of shares in Peab Industri AB [1]				–2	–637	–639		–639
Bonus issue		57			–57	0		0
Withdrawal of own shares		–55	55			0		0
Acquisition of own shares					–129	–129		–129
Acquisition of minority interest							5	5
Conversion convertible promissory notes		59	407			466		466
Written back deferred tax					3	3		3
Closing balance shareholders' equity, 31 December 2007		**933**	**679**	**89**	**1,899**	**3,600**	**6**	**3,606**

1) Of which distributions costs –1.

CASH FLOW STATEMENT FOR THE GROUP

MSEK	Note	2007	2006
Current operations	42		
Profit before tax		1,148	1,411
Adjustments for non-cash items		454	313
Income tax paid		–17	–8
Cash flow from current operations before working capital changes		**1,585**	**1,716**
Cash flow from changes in working capital			
Increase (–) /Decrease (+) project- and development properties		–487	–143
Increase (–) /Decrease (+) inventories		–82	111
Increase (–) /Decrease (+) current receivables		–1,058	–597
Increase (+) /Decrease (–) current liabilities		872	2,102
Cash flow from current operations		**–755**	**1,473**
Cash flow from changes in working capital		**830**	**3,189**
Investment operations			
Acquistion of subsidiaries, net effect on liquid funds		–230	–470
Sale of subsidiaries, net effect on liquid funds		15	2
Liquid funds, discontinued operations		–64	–
Acquistion of intangible fixed assets		–45	–3
Acquistion of tangible fixed assets		–385	–447
Sale of tangible fixed assets		64	83
Acquistion of financial assets		–184	–46
Sale/reduction of financial assets		1,434	154
Cash flow from investment operations		**605**	**–727**
Cash flow before financing		**1,435**	**2,462**
Financing operations			
Repurchase of own shares		–129	–822
Amortization of loan		–743	–612
Dividend distributed to the shareholders of the parent company		–280	–255
Cash flow from financing operations		**–1,152**	**–1,689**
Cash flow for the year		**283**	**773**
Cash at the beginning of the year		913	130
Exchange rate differences in cash		16	10
Cash at year-end		**1,212**	**913**

MSEK	Note	2007	2006
Net sales	2	55	59
Administrative expenses	7, 8	–169	–139
Competition damage charge		–35	–
Operating profit		**–149**	**–80**
Result from financial investments	10		
Result from participations in Group companies		1,450	510
Result from participations in joint ventures sold		–	13
Result from securities and receivables accounted for as fixed assets		–139	231
Other interest income and similar profit/loss items		1	3
Interest expenses and similar profit/loss items		–149	–95
Profit after financial items		**1,014**	**582**
Appropriations	11	–1	–
Profit before tax		**1,013**	**582**
Tax	12	119	–18
Profit for the year		**1,132**	**564**

BALANCESHEET FOR PARENT COMPANY

MSEK	Note	2007	2006
Assets			
Fixed assets			
Tangible assets			
Machinery and equipment	15	3	3
Total tangible assets		**3**	**3**
Financial assets			
Participations in Group companies	41	7,281	7,816
Receivables from Group companies	20, 35	612	241
Other securities held as fixed assets	19, 35	548	711
Interest-bearing long-term receivables	21, 35	180	–
Other long-term receivables	22, 35	1	1
Total financial assets		**8,622**	**8,769**
Total fixed assets		**8,625**	**8,772**
Current assets			
Short-term receivables			
Accounts receivables	25, 35	0	0
Receivables from Group companies	35	0	1
Interest-bearing short-term receivables	21, 35	15	15
Income tax recoverables		–	1
Other receivables	22, 35	199	2,355
Prepaid expenses and accrued income	27	4	3
Total short-term receivables		**218**	**2,375**
Liquid funds	35	4	19
Total current assets		**222**	**2,394**
Total assets		**8,847**	**11,166**
Shareholders´equity and liabilities			
Shareholders´equity	28		
Restricted equity			
Share capital		933	872
Statutory reserve		300	300
Non-restricted equity			
Share premium reserve		436	–
Special reserve		55	–
Profit brought forward		1,431	1,782
Profit for the year		1,132	564
Total shareholders´equity		**4,287**	**3,518**
Untaxed reserves	11	**1**	**–**
Long-term liabilities			
Liabilities to Group companies	35	3,902	6,898
Convertible promissory note	35, 36	562	465
Deferred tax liabilities	12	9	63
Total long-term liabilities		**4,473**	**7,426**
Short-term liabilities			
Accounts payable	35	22	7
Liabilities to Group companies	35	9	15
Other liabilities	32, 35	39	170
Accrued expenses and deferred income	34	16	30
Total short-term liabilities		**86**	**222**
Total shareholders´equity and liabilities		**8,847**	**11,166**
Pledged assets and contingent liabilities for Parent company	39		
Pledged assets		–	–
Contingent liabilities		8,783	8,710

	Restricted capital		Non-restricted capital				
MSEK	Share capital	Statutory reserve	Share premium reserve	Special reserve	Profit/loss brought forward	Profit for the year	Total share-holders equity
Opening balance shareholders' equity, 1 January 2006	**872**	**300**	**–**	**–**	**2,113**	**621**	**3,906**
Allocation of profits					621	–621	0
Group contribution received					146		146
Tax attributable to Group contribution					–41		–41
Total changes in funds recognised directly in shareholders' equity excluding transactions with the company's owners					**726**	**–621**	**105**
Profit for the year						564	564
Total changes in funds except for transactions with the company's owners					**726**	**–57**	**669**
Cash dividend					–255		–255
Acquisition of own shares					–822		–822
Disposal of own shares					20		20
Closing balance shareholders' equity, 31 December 2006	**872**	**300**	**–**	**–**	**1,782**	**564**	**3,518**
Opening balance shareholders' equity, 1 January 2007	**872**	**300**	**–**	**–**	**1,782**	**564**	**3,518**
Allocation of profits					564	–564	0
Group contribution received					207		207
Tax attributable to Group contribution					–58		–58
Total changes in funds recognised directly in shareholders' equity excluding transactions with the company's owners					**713**	**–564**	**149**
Profit for the year						1,132	1,132
Total changes in funds except for transactions with the company's owners					**713**	**568**	**1,281**
Cash dividend					–280		–280
Distribution of shares in Peab Industri AB[1)]					–601		–601
Bonus issue	57				–57		0
Withdrawal of own shares	–55			55			0
Acquisition of own shares					–129		–129
Conversion convertible promissory notes	59		407				466
Written back deferred tax					3		3
Issued convertible promissory notes			40				40
Deferred tax on temporary differences referring to the loan part of convertible promissory notes			–11				–11
Closing balance shareholders' equity, 31 December 2007	**933**	**300**	**436**	**55**	**1,431**	**1,132**	**4,287**

1) Of which distributions costs –1.

CASH FLOW STATEMENT FOR PARENT COMPANY

MSEK	Note	2007	2006
Current operations	42		
Profit after financial items		1,014	582
Adjustments for non-cash items		–1,214	–737
Income tax paid		0	0
Cash flow from current operations before working capital changes		**–200**	**–155**
Cash flow from changes in working capital			
Increase (–) /Decrease (+) project– and development properties		–	3
Increase (–) /Decrease (+) current receivables		–129	–63
Increase (+) /Decrease (–) current liabilities		–172	181
Cash flow from current operations		**–301**	**121**
Cash flow from changes in working capital		**–501**	**–34**
Investment operations			
Acquistion of tangible fixed assets		–1	0
Acquistion of financial assets		–191	–4,090
Sale/reduction of financial assets		8	188
Cash flow from investment operations		**–184**	**–3,902**
Cash flow before financing		**–685**	**–3,936**
Financing operations			
Issue of convertible loan to employees		598	–
Repurchase of own shares		–129	–822
Transfer of own shares		–	20
Borrowings		481	5,008
Dividend distributed		–280	–255
Cash flow from financing operations		**670**	**3,951**
Cash flow for the year		**–15**	**15**
Cash at the beginning of the year		19	4
Cash at year-end		**4**	**19**

NOTES.

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Note 1 Accounting policies

Compliance with standards and legislation

The consolidated accounts have been drawn up in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the Interpretation from International Financial Reporting Interpretations Committee (IFRIC) as approved by the EU Commission for application within the EU. In addition, recommendation RR 30:06 Supplementary accounting rules for groups of the Swedish Financial RR 30:6 Accounting Standards Council has also been applied.

The accounting policies described below were applied consistently in all periods presented in the financial statements, unless otherwise stated below. The Group's accounting policies were applied consistently in the reporting and consolidation of the Parent Company, subsidiaries and joint-venture companies in the consolidated financial statements.

The parent company applies the same accounting policies as the group except in the cases stated below in the section on The parent company's accounting policies.

The annual report and the consolidated accounts have been approved for publication by the board of directors on 4 April 2008. The consolidated income statement and balance sheet will be presented for adoption by the AGM on 15 May 2008.

Valuation basis applied for preparation of the parent company's and the group's financial reports

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

Functional currency and reporting currency

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

Estimates and assessments in the financial reports

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

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

Assessments made by the company management when applying the IFRS which have a significant impact on the financial reports and assessments made which could result in substantial adjustments to following years' financial reports are described in more detail in Note 43.

Changed accounting policies

The new and revised standards and statements adopted by the IASB and approved by the EU which came into force on 1 January 2007 have not affected the company's financial reports except as a result of the more extensive and changed disclosures through the application of IFRS 7 Financial Instruments: Disclosures and through associated changes in IAS 1 Presentation of Financial Statements, which has added disclosures about capital management.

New IFRS and interpretations which have as yet not been applied

The group has not applied any new standards or interpretation pronouncements when drawing up the present financial statements, and for the time being plans no such premature application during the forthcoming years.

From 2009 onwards, the new standard IFRS 8 Operating Segments will be applied, and this may have some effect on the way the group reports segments. In 2009, the revised IAS 1 Presentation of Financial Statements will be applied, as a result there will be some changes to the presentation of financial statements without affecting the amounts disclosed. From 2010 onwards, the revised IFRS 3 Business Combinations and the amended IAS 27 Consolidated reports and separate financial statements will be applied by the group, which will bring changes to the reporting of acquisitions. Other IASB and IFRIC standards adopted and interpretations which are expected to be applied in the future based on the group's current situation, will not affect the consolidated financial statements.

In 2007, IFRIC published as draft document, IFRIC Draft Interpretation D21 Real Estate Sales comprising among other things the interpretation of the definition of construction contracts in accordance with IAS 11. As far as Peab is concerned, the interpretation will primarily affect revenues and income statements for housing project development. IFRIC's interpretation pronouncement may affect the consolidated accounts and profit. While awaiting a pronouncement from IFRIC, the possible impact on part of the group's profit and financial position cannot be assessed.

Segment reporting

A segment is an identifiable accounting unit of the group which either provides products or services (business areas) or products and services within certain economic surroundings (geographical areas) which are exposed to risks and opportunities which distinguish it from other segments. The group's primary segment is business areas.

Due to the distribution of the shares in Peab Industri during 2007 the group's segments have been redistributed. In accordance with IAS 14, segment information is provided for the group only.

Classification etc.

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

Consolidation principles

Subsidiaries

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

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

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

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

Joint ventures

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

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

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

Affiliated companies

Affiliated companies are those companies in which the group has a significant but not controlling influence over operating and financial control usually through shareholdings of between 20 and 50 per cent. From the date on which the significant influence is assumed, participations in affiliated companies are recognised in consolidated accounts in accordance with the equity method, For a description of the equity method see under Joint Ventures above.

Transactions which must be eliminated upon consolidation

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

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

Foreign currency

Transactions in foreign currency

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

The financial reports of foreign business

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

Net investment in a foreign company

Translation differences arising from the translation of a foreign net investment are recognised directly in the translation reserve in shareholders' equity. Translation differences also comprise exchange rate differences from loans which form a part of the parent company's investment in foreign subsidiaries (so-called extended investment). When a foreign subsidiary is divested, the accumulated translation differences attributable to the company are recognised in the consolidated income statement.

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

Income

Construction contracts

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

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

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

Other income

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

Goverment grants

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

Leasing

Operational leasing agreements

Expenses for operational leasing agreements where the group is the lessee are recognised linearly in the income statement over the leasing period. Benefits obtained from the signing of an agreement are recognised in the income statement linearly over the term of the leasing agreement. Variable costs are charged to the periods in which they arise.

Revenues relating to operational leasing agreements where the group is the lessor are recognised in a straight line over the life of the lease agreement. Costs arising from leasing agreements are recognised as they arise.

Financial leasing agreements

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

Financial income and expenses

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

Interest income on receivables and interest expenses on liabilities are calculated in accordance with the effective interest rate method. The effective interest rate is the discount rate for estimated future payments and disbursements during the expected life of a financial instrument to the financial asset's or liability's net book value. Interest income and interest expenses include accrued transaction costs and possible discounts, premiums and other differences between the original value of the receivable or liability and the amount received when it falls due.

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

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

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

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

Taxes

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

Current tax is tax that must be paid or will be received during the current year. This also includes current tax attributable to earlier periods.

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

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

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

Financial instruments

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

Recognition in and removal from the balance sheet

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

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

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

On-demand acquisitions and on-demand sales of financial assets in the valuation categories financial assets are recognised at fair value on the transaction date, which is the date the company undertakes to acquire or sell the asset.

Classification and valuation

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

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

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

Financial assets valued at fair value through the income statement

Financial instruments in this category are constantly valued at fair value with value changes recorded in the income statement. This category consists of two sub-groups: financial assets held for trading and other financial assets which the company initially choses to place in this category. The first subgroup includes derivatives with positive fair value except for derivatives which are identified and in effect hedge instruments. The group has decided to include listed shares which the company management risk management and investment strategy manages and values based on fair value in the second sub-group.

Loans and receivables

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

Financial liabilities valued at fair value through the income statement

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

Other financial liabilities

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

Derivates

The group's derivatives consist of interest rate, exchange rate and share derivatives utilised to hedge risks of changes in exchange rates, interest rate changes and changes in the fair value of shares. Derivatives not used for hedge accounting are classified as financial assets or financial liabilities held for trading and are valued at fair value. Value changes are recognised in the income statement. The valuation method involves the discounting of future cash flows.

The exchange rate contracts used to hedge future cash flow is recognised applying the rules for hedge accounting. These hedge instruments are recognised at fair value in the balance sheet with value changes recognised directly against equity in the hedging reserve until the hedged flow meets the income statement whereupon the accumulated value changes of the hedge instrument are transferred to the income statement in order to meet and match the income effects of the hedged transaction.

Loans to foreign subsidiaries (extended investment) through investments in foreign subsidiaries have been to some extent financially hedged through forward contracts. Hedge accounting has not been applied. These loans are recognised at the price on balance sheet day and derivatives are recognised at fair value according to the above.

Holdings of convertible certificates of claim

Convertible certificates of claim may be converted to shares through the exercise of the option to convert the claim to shares. The option to convert a convertible certificate of claim to shares is not closely related to the claim right, and therefore it is separated as an "embedded derivative" belonging to the valuation category financial assets held for trading. Therefore the derivative part is initially valued and subsequently on an going basis according to a valuation model at fair value. Value changes are recognised in the income statement as financial income and expenses. The claim part is ascribed to the loan and accounts receivable category and initially valued as the difference between the acquisition value of the convertible and the initial fair value of the option. Subsequently the claim part is valued at accrued acquisition value based on the derived implicit interest rate which gives an even return over the contractual life of the claim.

Issued convertible promissory notes

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

Tangible fixed assets

Owned assets

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

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

Leased assets

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

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

Assets which are rented under operational leasing agreements have not been recognised as assets in the consolidated balance sheet. Leasing charges for operational leasing agreements are charged to income in a straight line over the life of the lease.

Future expenses

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

Borrowing costs

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

Depreciation policies

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

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

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

Real estate

Group real estate holdings are divided as follows:

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

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

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

Intangible assets

Goodwill

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

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

Goodwill is value at acquisition value minus any accumulated writedowns. Goodwill is divided between cash-generating units and is tested at least once a year for writedown needs. Goodwill stemming from the acquisition of joint ventures and affiliated companies is included in the recognised value of participations in joint ventures and affiliated companies.

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

Research and development

Research costs intended to acquire new scientific or technological knowledge are reported as costs as they arise.

Development costs where the results of research or other knowledge is applied to the production of new or improved products or processes are reported as an asset in the balance sheet if the product or process is technically or commercially useful and the company has adequate resources for completing development and then applying or selling the intangible asset. The recognised value includes all directly attributable expenses, including for materials and services, payroll costs, the registration of legal rights, depreciation of patents and licences, borrowing costs. Other development costs are reported in the income statement as costs as they arise. Development costs are recognised in the balance sheet at acquisition value minus accumulated depreciation and possible writedowns.

Other intangible assets

Other intangible assets acquired by the group are recognised at acquisition value minus accumulated depreciation, amortization and writedowns. Costs defrayed for internally generated goodwill and internally generated brands are reported in the income statement as the costs arise.

Depreciation policies

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

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

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

Inventories

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

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

Impairment loss

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

Impairment test of tangible and intangible assets and participations in subsidiaries, joint ventures etc.

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

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

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

Impairment test for financial assets

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

The recovery value of assets classified as loan receivables and accounts receivable recognised at amortised cost is estimated as the net present value of future cash flows discounted at the effective interest rate that applied when the asset was recognised in accounts for the first time.

Reversed writedowns

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

recognised value which would have been recognised deducted for depreciation where necessary if writedown had not been made.

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

Share capital

Repurchase of own shares

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

Dividends.

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

Earnings per share

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

Employee benefits

Defined contribution pension plans

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

Defined benefit pension plans

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

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

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

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

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

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

Remuneration upon resignation or dismissal

A reserve for remuneration relating to the dismissal of staff is only established if the company is demonstrably subject to, without any realistic opportunity for avoidance, a formal detailed plan for the termination of employment prior to the normal time. When remuneration is made as an offer to encourage voluntary retirement, a cost is recognised if it is likely that the offer will be accepted and the number of employees who will accept the offer can be reliably estimated.

Short-term remuneration

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

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

Provisions

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

Guarantees

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

Re-establishment costs

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

Terminated activities

Business distributed during the year relating to Peab Industri AB is recognised under terminated activities.

A terminated activity is a part of the company's business which constitutes an independent business area or a significant activity within a geographical area or is a subsidiary which is acquired exclusively for the purpose of resale.

Contingent liabilities

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

The parent company's accounting policies

The parent company has prepared its annual accounts in accordance with the Swedish Company Accounts Act (1995:1554) and recommendation RR 32:06, Reporting of legal entities, of the Swedish Financial Accounting Standards Council, and in accordance with the pronouncement of the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council for listed companies. Under RR 32:06 the parent company in the annual accounts of the legal entity must apply all of the EU approved IFRS standards and statements provided this is pos-

sible within the framework of the Swedish Company Accounts Act and with due regard for the relationship between accounting and taxes. The recommendation states which exceptions and additions must be made to the IFRS.

Changed accounting policies
The accounting policies of the parent company remain unchanged from previous years.

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

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

Subsidaries and joint ventures
Participations in subsidiaries and joint ventures are recognised in the parent company applying the acquisition value method. The only income recognised is received dividends provided that these stem from earnings obtained after the acquisition. Dividends in excess of these earnings are regarded as a repayment on the investment and reduce the book value of the participation.

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

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

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

Leased assets
All leasing agreements in the parent company are recognised according to the rules for operating leasing.

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

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

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

Note 2 Incomes distributed by type

Incomes distributed by essential income item

	Group		Parent company	
MSEK	2007	2006	2007	2006
Continuing operations				
Revenues from contracting business	31,783	25,990	–	–
Services	27	0	–	–
Administrative services	–	–	55	59
Other	167	142	–	–
Total	**31,977**	**26,132**	**55**	**59**
Discontinued operations				
Revenues from contracting business	289	2,054		
Sale of goods	826	2,565		
Crane and plant rental	461	875		
Services	31	353		
Other	45	158		
Total	**1,652**	**6,005**		

Note 3 Segment reporting

Segment reports are prepared for the group's business areas and geographical areas. The group's internal reporting system is primarily based on the monitoring of profit and returns from the various types of group business, and for this reason business areas are the primary basis for division.

Internal prices between segments of the group are based on the "arm's length" principle, i.e. prices between parties who are not dependent on each other, who are well-informed and who are interested in the transactions being made.

Segment results, assets and liabilities include directly attributable items which can be allocated to the segment in a reasonable and reliable manner. Non-allocated items consist of financial income and expenses and taxes. Assets and liabilities which have not been distributed by segment are interest bearing long-term receivables and interest-bearing long-term liabilities.

Segment investments in tangible fixed and non-current assets include all investments apart from investments in short-term inventories and inventories of minor value.

Business areas

Business areas are the group's primary segments. Following the distribution of Peab Industri in 2007, the group consists of the following business areas:

- **Construction Sweden:** This business areas performs contracts for external customers and internal projects. The organisation covers the whole of Sweden. Production mainly consists of housing both for external customers and as internal projects, but also comprises public and commercial premises and buildings. Customers come from private property owners, local government and the business world. Construction-related services such as building services and maintenance are also part of the business area.
- **Construction Abroad:** Peab has foreign activities in Norway and Finland. Business in both of these countries focuses on internally developed housing. A large part of overall production also consists of commercial premises and public buildings. Customers are private property owners, commercial customers and local governments. The Norwegian business operates in Oslo, Tromsø and Drammen. The Finnish business operates in Helsinki, Tammerfors, Åbo, Vasa, Seinäjoki, Rovaniemi and Uleåborg.
- **Civil Engineering:** The Civil Engineering business area carries out work such as the construction of major infrastructure projects and civil engineering works. Customers include the Swedish National Road Authority, the National Swedish Rail Administration, local governments and local industry. Civil Engineering also operates and maintains roads and local government facilities.
- **Trust/Management:** Comprises central companies with group management and intragroup responsibilities, certain subsidiaries and joint ventures and other holdings.

Group 2007

MSEK	Construction Sweden	Construction Abroad	Civil Engineering	Trust/ Management	Elimination	Continuing operations	Discontinued operations	Elimination	Total
Income									
External sales	19,269	5,418	7,230	60		31,977	993		32,970
Internal sales	781	8	703	64	–1,556	0	659	–659	0
Total income	**20,050**	**5,426**	**7,933**	**124**	**–1,556**	**31,977**	**1,652**	**–659**	**32,970**
Operating costs	–18,986	–5,412	–7,581	–332	1,556	–30,755	–1,580	659	–31,676
Participation in joint ventures	26	10		–3		33			33
Result from participation in joint ventures/subsidaries				6		6			6
Operating profit	**1,090**	**24**	**352**	**–205**	**0**	**1,261**	**72**	**0**	**1,333**
Financial income						152	9		161
Financial expenses						–314	–32		–346
Year's tax expenses						–325	–12		–337
Net profit for the year						**774**	**37**		**811**
Other information									
Assets	7,408	3,034	2,401	2,687	–747	14,783			14,783
Participation in joint ventures/ associated companies	224	19	9		–5	247			247
Non allocated assets						322			322
Total assets	**7,632**	**3,053**	**2,410**	**2,687**	**–752**	**15,352**	**–**		**15,352**
Liabilities	5,611	2,346	2,549	617	–166	10,957			10,957
Non allocated liabilities						789			789
Total liabilities and provision	**5,611**	**2,346**	**2,549**	**617**	**–166**	**11,746**	**–**		**11,746**
Investments	191	27	158	7		383	364		747
Depreciations	29	26	39	3		97	129		226
Write-downs	17	8	3			28			28
Significat costs besides depreciation and write-downs not corresponding to payments	0	0	0	85		85	0		85

Group 2006

MSEK	Construction Sweden	Construction Abroad	Civil Engineering	Trust/ Management	Elimination	Continuing operations	Discontinued operations	Elimination	Total
Income									
External sales	17,054	3,682	5,649	69		26,454	3,867		30,321
Internal sales	665	74	866	85	–1,312	378	1,647	–2,025	0
Total income	**17,719**	**3,756**	**6,515**	**154**	**–1,312**	**26,832**	**5,514**	**–2,025**	**30,321**
Operating costs	–17,026	–3,767	–6,354	–272	1,312	–26,107	–4,990	2,025	–29,072
Participation in joint ventures	11	5		–28		–12	3		–9
Result from participation in joint ventures/subsidaries				11		11			11
Operating profit	**704**	**–6**	**161**	**–135**	**0**	**724**	**527**	**0**	**1,251**
Financial income						311	–35		276
Financial expenses						–101	–15		–116
Year's tax expenses						–224	–139		–363
Net profit for the year						**710**	**338**		**1,048**
Other information									
Assets	6,872	2,506	1,820	1,940		13,138	3,712	–693	16,157
Participation in joint ventures/ associated companies	144	45		30		219	42	–5	256
Non allocated assets									100
Total assets	**7,016**	**2,551**	**1,820**	**1,970**	**0**	**13,357**	**3,754**	**–698**	**16,513**
Liabilities	5,546	1,840	2,087	1,572		11,045	1,415	–685	11,775
Non allocated liabilities									1,460
Total liabilities and provision	**5,546**	**1,840**	**2,087**	**1,572**	**0**	**11,045**	**1,415**	**´–685**	**13,235**
Investments	236	122	45	0		403	432		835
Depreciations	26	9	25	2		62	339		401
Write-downs	21	24	9			54	22		76
Significat costs besides depreciation and write-downs not corresponding to payments	66	0	24	0		90	0		90

Geographical areas

The group's segments are divided into the following geographical areas: Sweden, Norway, Finland and Other Markets.

The geographical areas constitute the group's secondary segments. The information presented regarding segment revenues refers to the geographical areas where customers are located. Information about segment assets and investments in tangible fixed assets and non-current assets during the period are based on the geographical areas divided up according to the location of the assets.

Group	Sweden		Norway		Finland		Other markets		Total	
MSEK	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
External sale	**26,506**	23,111	**3,139**	1,891	**2,299**	1,787	**33**	43	**31,977**	26,832
Assets	**12,299**	10,806	**1,286**	1,703	**1,758**	839	**9**	9	**15,352**	13,357
Investments	**356**	281	**25**	113	**2**	9	**0**	0	**383**	403

Parent company	Business segment Trust/Management		Geographical areas Sweden	
MSEK	**2007**	2006	**2007**	2006
Net sales	**55**	59	**55**	59

Note 4 Discontinued operations

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 2007 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 2006 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

Group

MSEK	2007	2006
Net sales	1,652	6,005
Production expenses	–1,495	–5,253
Selling and administrative expenses	–89	–226
Participation in profit of joint ventures	0	3
Operating profit	**68**	**529**
Net finance	–23	–50
Profit before tax	**45**	**479**
Tax	–12	–139
Profit after tax	**33**	**340**
Adjustment relating to minority in jointly owned company[1]	4	–
Profit from discontinues operations, net after tax	**37**	**340**

1) Relates to adjustment of minority participation which is recognised as a joint venture in continuing operations.

Profit per share from discontinued operations		
before dilution, SEK	0.23	2.00
after dilution, SEK	0.22	1.88

The impact of discontinued operations on individual group assets and liabilities

MSEK	2007
Intangible assests	319
Tangible assets	2,355
Financial fixed assets	375
Inventories	282
Short-term financial assets	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[1]	–5
Discontinued assets and liabilities, net	**638**

1) Relates to adjustment of minority participation which is recognised as a joint venture in continuing operations.

Net cash flow in discontinued operations

MSEK	2007	2006
Cash flow from current operations	165	472
Cash flow from investment operations	–278	–1,311
Cash flow from financing operations	132	798
Net cash flow in discontinued operations	**19**	**–41**

Note 5 Business combinations

2007

In 2007, Peab acquired 100 per cent of ATS Kraftservice AB, 100 per cent of Solligården ANS, 100 per cent of Linje & Kabelplöjning i Borlänge AB, 100 per cent of Bärarlaget Krancenter i Helsingborg AB, 100 per cent of Areal Invest AS, 100 per cent of Raaen Entreprenör AS, 100 per cent of Olof Mobjer Entreprenad AB, 100 per cent of Geodells Intressenter AB, 100 per cent of Gartneriet Ferstad AS, 35 per cent of F5 Ljungbyhed AB, the remaining 50 per cent of Strömmen Centrum AS and the remaining 50 per cent of Vestre Mortensnes AS.

Individually, the abovementioned acquisitions had an insignificant impact from the group perspective, and as a result information about acquisition effects is presented in aggregate form.

During the period after acquisitions the abovementioned subsidiaries contributed SEK 24 million to consolidated after tax profit in 2007. Had the acquisitions been made as at 1 January 2007, these would have boosted group revenues by SEK 651 million and contributed SEK 27 million to consolidated after tax profit.

Impact of 2007 acquisitions

The acquisitions had the following impact on the group's assets and liabilities.

The acquired companies net assets at time of acquisition

MSEK	Recognised value of the acquired companies prior to acquisition	Adjusted fair value	Fair value recognised in the group
Intangible fixed assets		38	38
Tangible fixed assets	119	50	169
Project and development properites	84	81	165
Inventories	2		2
Accounts receivable and other receivables	106		106
Liquid funds	61		61
Interest-bearing liabilities	–66		–66
Accounts payable and other liabilities	–179	–7	–186
Defereed tax liabilities	–21	–47	–68
Net identifiable assets and liabilities	**106**	**115**	**221**
Previous holdings in joint ventures			–6
Acquired minority shares			–5
Group goodwill			31
Purchase price			**241**
Less: Non-paid part of estimated additional purchase price			–33
Purchase price paid in cash			**208**
Less: Liquid funds in acquired companies			–61
Net cash flow			**147**

The acquisition analyses are preliminary and may be adjusted over a 12-month period.

The purchase price includes transaction costs associated with the acquisitions amounting to SEK 0 million.

Goodwill consists of such factors as human resources and future synergies which among other things relate to joint systems and jointly utilised resources which do not meet the requirements for reporting as intangible assets at the time of acquisition.

During the year, assets were also acquired via share acquisitions (so-called asset acquisitions) which had an SEK –83 million impact on cash flow.

Acquisitions subsequent to balance sheet day

In 2008, Peab has acquired 100 per cent of Stockholms Hamnentreprenad AB, 100 per cent of G Nilsson Last & Planering i Ranseröd AB, 100 per cent of AB Jämshögs Grus & Entreprenad AB, 100 per cent of Jernhusen Stockholm S AB, 100 per cent of Pronima Fastighets KB and 100 per cent of Senter Bygg Entreprenör AS.

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

2006

In 2006, Peab acquired Peab 100 per cent of Midroc Construction AB, 100 per cent of Svensk Beläggningsteknik i Sävsjö AB, 100 per cent of Mjöbäckspannan AB, 100 per cent of Markteknik Schakt & Transport i Åre AB, 100 per cent of Tollarps Betong & Pålnings AB, 100 per cent of Kranor AS, 100 per cent of Björn Bygg AS, 100 per cent of Ferdigbetong AS, 100 per cent of Heimdalsgata 4 Utvikling DA, 100 per cent of Åstorps Bioenergi AB, 100 per cent of Almqvist Fastighets AB, 100 per cent of Nybyggarna i Nerike AB, the remaining 50 per cent of Brunnshög Bostads AB and the remaining 50 per cent of Fair Fyrtio HB.

Individually, the abovementioned acquisitions had an insignificant impact from the group perspective, and as a result information about acquisition effects is presented in aggregate form.

During the period after acquisitions the abovementioned subsidiaries contributed SEK –71 million to consolidated after tax profit in 2006. Had the acquisitions been made as at 1 January 2006, these would have boosted group revenues by SEK 2,131 million and contributed SEK –23 million to consolidated after tax profit in 2006.

Impact of 2006 acquisitions

The acquisitions had the following impact on the group's assets and liabilities.

The acquired companies net assets at time of acquisition

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

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

Goodwill consists of such factors as human resources and future synergies which among other things relate to joint systems and jointly utilised resources which do not meet the requirements for reporting as intangible assets at the time of acquisition.

In 2006, assets were also acquired via share acquisitions (so-called asset acquisitions) which had an SEK –87 million impact on cash flow.

Note 6 Goverment grants

Group

In 2007, government grants received as compensation for costs amounted to SEK 40 million (39) and reduced the costs in the income statement.

Note 7 Employees, personnel costs and remunerations to leading officials

Payroll costs for employees

Group MSEK	2007	2006
Wages and remunerations	4,066	3,435
Pension expenses, defined benefit plans	5	5
Pension expenses, defined contribution plans	300	269
Social insurance costs	1,218	1,057
Total	**5,589**	**4,766**
Discontinued operations	**340**	**975**

Average number of employees

	No. Of employees 2007	Of whom men 2007 per cent	No. Of employees 2006	Of whom men 2006 per cent
Parent company				
Sweden	27	59	27	63
Subsidaries				
Sweden	10,161	94	9,637	94
Norway	652	91	436	88
Finland	634	88	624	88
Poland	4	75	12	75
Latvia	2	50	4	75
Total in subsidaries	**11,453**	**93**	**10,713**	**94**
Group total	**11,480**	**93**	**10,740**	**94**
Discontinued operations	**615**	**90**	**1,430**	**93**

Gender distribution in the company management

	2007 Percentage of women	2006 Percentage of women
Parent company		
The board of directors	10%	11%
Senior management	0%	0%
Group total		
The board of directors	10%	11%
Senior management	0%	0%

Salaries and other payments divided between leading officials and other staff, and social costs for the parent company

2007 Parent company MSEK	Board of directors and group management (12 persons))	Other employees	Total
Sweden	14	13	27
– of which bonuses, etc.		1	1
Social security costs	21	14	35
– of which pension costs	15	10	25

2006 Parent company MSEK	Board of directors and group management (12 persons))	Other employees	Total
Sweden	14	13	27
– of which bonuses, etc.		1	1
Social security costs	23	11	34
– of which pension costs	18	5	23

In some cases bonuses were paid out in the parent company as one-off pension premiums to the Group CEO and Deputy CEOs amounting to SEK 7 (9) million. Bonuses were paid to other employees as one-off pension premium payments and amounted to SEK 1 (1) million.

Salaries and other payments divided between leading officials and other staff, and social costs for the group company

2007 Group MSEK	Board of directors and group management (13 persons)	Other employees	Total
Group	17	4,049	4,066
– of which bonuses, etc.		78	78
Social security costs	22	1,501	1,523
– of which pension costs	16	289	305

2006 Group MSEK	Board of directors and group management (13 persons)	Other employees	Total
Group	17	3,418	3,435
– of which bonuses, etc.		62	62
Social security costs	25	1,305	1,330
– of which pension costs	19	255	274

Benefits for leading officials
Remuneration and other benefits in 2007

Thousands, SEK	Basic salary/ board fee	Variable remun-eration	Other benefits	Pension costs	Total
Chairman of the board, Göran Grosskopf	400				400
Other members of the board					
Annette Brodin Rampe	130				130
Karl-Axel Granlund	180				180
Stefan Paulsson	130				130
Svante Paulsson	130				130
Lars Sköld	130				130
Total related to board of directors	**1,100**				**1,100**
CEO, Mats Paulsson	3,602	2,050			5,652
Other leading officers (6 persons)	12,270	5,100	430	5,471	23,271
Total	**16,972**	**7,150**	**430**	**5,471**	**30,023**

Remuneration and other benefits in 2006

Thousands, SEK	Basic salary/ board fee	Variable remun-eration	Other benefits	Pension costs	Total
Chairman of the board, Göran Grosskopf	400				400
Other members of the board					
Annette Brodin Rampe	130				130
Karl-Axel Granlund	155				155
Svante Paulsson	130				130
Jan Segergberg	180				180
Total related to board of directors	**995**				**995**
CEO, Mats Paulsson	3,442	2,200			5,642
Other leading officers (7 persons)	12,310	6,800	344	8,627	28,081
Total	**16,747**	**9,000**	**344**	**8,627**	**34,718**

Comments on the tables

Flexible remuneration to the CEO and leading officials refers to bonuses attributable to the year. Other benefits refer to company cars. Pension costs refers to costs charged to the year. See Note 30 for additional information about pensions. All remuneration and benefits were charged to Peab AB, except for SEK 3,068,000 (2,700,000) for other leading officials, which were charged to another group company.

In the first half of 2007, there were seven other leading officials, and subsequently only six.

The board of directors

The 2007 AGM resolved upon remuneration of a maximum of SEK 1,100,000 (995,000) for members of the board of directors, of which SEK 350,000 (350,000) consisted of board fees for the chairman of the board. Fees to the external members of the board consist of board fees to a maximum of SEK 1,000,000 (870,000), and SEK 100,000 (125,000) for committee work in the remuneration and finance committees. During the year total fees paid amounted to SEK 1,100,000 (995,000).

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

The preparation and decision-making process for remuneration

The remuneration committee appointed by the board of directors is made up of chairman of the board Göran Grosskopf, member of the board Karl-Axel Granlund and the CEO Mats Paulsson. The remuneration committee excluding the CEO negotiates his salary and other terms of employment with the CEO. The board of directors decides on the CEO's salary and other terms of employment. The CEO must negotiate the salary and terms of employment with the deputy CEOs; the remuneration committee decides on such issues.

Bonuses for the CEO and other leading officials relate to the meeting of profit targets for the group. Bonuses for the 2007 financial year could not exceed a maximum of SEK 2,050,000 (2,200,000) for the CEO and a total of SEK 5,100,000 (6,800,000) for the other leading officials.

Principles for the remuneration of leading officials

The group of leading officials comprise the CEO and the deputy CEOs. In the first half of 2007, the group consisted of eight persons and subsequently only seven.

The board of directors will put the following proposed guidelines on salary and other remuneration for leading officials to the AGM for approval on 15 May 2008.

Remuneration for the CEO and other leading officials consists of a fixed salary, variable remuneration, extra sick insurance and those benefits otherwise enjoyed by the other employees of the Peab group and pension. The overall remuneration paid to each leading official must be on market terms and based on the responsibilities and qualifications of the leading official.

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

Bonuses are adjusted the year after being earned and may either be paid out as salary or as a one-off pension premium.

If bonuses are paid out on a one-off basis, certain adjustments are made so as to neutralise the total cost for Peab.

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

The proposal accords with the remuneration principles adopted by the 2007 AGM.

The CEO

In 2007, the CEO of Peab AB received a salary including benefits of SEK 3,602,000 (3,442,000) in all. In addition, bonuses in 2007 amounted to SEK 2,050,000 (2,200,000).

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

The company has commitments to an early retirement pension for the CEO which involves payment of 75 per cent of his pensionable salary between the ages of 60 and 65. The pension premium for retirement at 65 amounts to 35 per cent of the pensionable salary but to a maximum of 10 basis amounts. The pensionable salary consisted of the basic salary and the average of the last three years' bonuses prior to 2005. No pension premiums have been paid for the CEO since 2004.

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

If the CEO is given notice by the company, he is entitled to receive a maximum of two years' salary and has the right to receive the agreed pension.

Other leading officials

The term other leading officials refers to the six (seven) deputy CEOs of Peab AB. In the first half of 2007, there were seven other leading officials, and subsequently only six.

Salary and other remuneration including benefits for other leading officials amounted to SEK 12,700,000 (12,654,000). In addition, bonuses paid in 2007 amounted to SEK 5,100,000 (6,800,000).

Pension premiums paid out for other leading officials amounted to SEK 5,471,000 (8,627,000) during the year. Last year, SEK 2,074,000 referred to final settlements or premium adjustments from previous years.

There are early retirement pension commitments for other leading officials. All pension benefits are unassailable.

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

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

If dismissed by the company other leading officials are entitled to a maximum of two annual salaries deducted for salaries from new employers. If leading officials resign, they must give six months' notice.

Absence through illness in the parent company	2007 per cent	2006 per cent
Total sick absence as a percentage of ordinary working hours	1.4	0.4
Percentage of total sick absence referring to continuous sick leave of 60 days or more	47	0
Sick absence as a percentage of each group's ordinary working hours		
Sick absence by gender:		
Men	0.1	0.1
Women	3.3	0.9
Sick absence by age category:		
29 years or younger	0	0.9
30–49 years	2.4	0.7
50 years or older	0.8	0.1

Incentive program

The Peab group has no commitments to share-related or option-related remuneration for the board of directors or employees.

Profit-sharing foundation

In 2007, Peab together with Peab Industri founded a profit-sharing foundation. The object of the profit-sharing foundation is to create increased participation through staff co-ownership and to create improved financial conditions for staff after retirement. The profit-sharing foundation replaces the previous profit-sharing system within the group. Individual shares in profits will be proportional to each employee's entitled employment months. Upon retirement, the funds deposited and their returns are taken from the foundation. Under the foundation's investment policy, its assets must be mainly invested in shares in Peab and Peab Industri.

In 2007, Peab allocated SEK 75 million for profit sharing. The amount minus payroll tax was paid into the foundation in 2008.

Group management is not entitled to benefits from the profit sharing foundation.

Convertible promissory notes

In 2005 and 2007, Peab offered all employees of the group the option to subscribed to convertible promissory notes. The purposes of the issues of personnel convertibles was to increase Peab employees' long-term financial involvement with the company.

Employees paid the market price for the convertibles they received and the scheme is not conditional on continued employment or performance by the employees. The employees were offered external bank financing of the convertible loan without any guarantees or other undertakings on the part of Peab.

Convertible promissory notes 2005/2008

In 2005, Peab offered all employees of the group except for the CEO and the members of the board the option to subscribe to convertible promissory notes. A total of 5.5 million convertible bonds were issued for a sum of SEK 478.5 million. The loan matures on 15 June 2008 and is subject to a fixed interest rate of 2.69 per cent with options for subscribing to one B-share in Peab at a price of SEK 87 during special conversion windows.

Peab's AGM helf on 16 May 2007 resolved on an additional window for conversion to B-shares from 18 June to 2 July 2007. Of the overall nominal amount of SEK 478.5 million, SEK 468 million, or 97.7 per cent, were converted to 5,373,604 new B-shares. Following the distribution of Peab Industri in September 2007, the terms and conditions for the remaining convertibles were converted. 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 313,600 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.

Convertible promissory notes 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 offer was made to all employees of Peab and Peab Industri on ordinary market terms, and every employee was offered the right to subscribe to a minimum of 200 convertibles in each program.

The convertible bonds will run from 1 December 2007 until 30 November 2012 with a 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.

The conversion price was set at SEK 68, with an issue sum of SEK 598,400,000, corresponding to 8,800,000 new convertible bonds. 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.

In all, 41 per cent of Peab's employees have applied to subscribe for convertible bonds. Of Peab Industri's employees, 38 per cent applied to subscribe to convertible bonds in Peab. The issue was oversubscribed 1.8 times.

Reporting of the convertible loan is shown in Notes 10 and 29.

Note 8 Fees and cost remunerations to auditors

MSEK	Group 2007	Group 2006	Parent company 2007	Parent company 2006
KPMG				
Auditing assignments	8	9	2	2
Other assignments	1	1	0	0
Other				
Auditing assignments	0	1	–	–
Other assignments	1	0	–	–
Total	**10**	**11**	**2**	**2**

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

Note 9 Operating costs divided by type

MSEK	The Group 2007	The Group 2006
Continuing operations		
Material	5,674	4,434
Subcontractors	12,169	10,209
Personnel expenses	6,581	5,628
Other production costs	5,543	4,500
Depreciations	97	62
Write-downs	28	54
Other operating costs	663	530
Total	**30,755**	**25,417**
Discontinued operations		
Material	362	1,875
Subcontractors	100	686
Personnel expenses	345	930
Other production costs	591	1,443
Depreciations	129	339
Write-downs	–	22
Other operating costs	57	184
Total	**1,584**	**5,479**

Note 10 Net financial

Group

MSEK	2007	2006
Interest incomes[1]	110	89
Dividend received related to financial assets valued at fair value	32	–
Net profit related to financial assets valued at fair value[2]	4	187
Net profit related to conversion rights convertible promissory notes valued at fair value	6	34
Change in value interest rate swaps excluding accounted coupon interest	–	1
Net exchange rate fluctuation	–	0
Other items	0	0
Financial incomes continuing operations	**152**	**311**

MSEK	2007	2006
Interest expenses[3]	–89	–89
Net loss related to financial assets valued at fair value[4]	–204	–
Net loss related to conversion rights convertible promissory notes valued at fair value	–5	–9
Net exchange rate fluctuation	–15	–
Other items	–1	–3
Financial expenses continuing operations	**–314**	**–101**
Net financial income/expense	**–162**	**210**

1) Of which, current interest income from the interest coupon part of interest rate swaps SEK 4 (3) million.
2) Refers to shareholdings in Brinova Fastigheter AB.
3) Of which, current interest costs from the interest coupon part of interest rate swaps SEK 4 (5) million.
4) Of the shareholding in Brinova Fastigheter AB SEK –203 million.

The Parent company
Profit from participations in Group companies

MSEK	2007	2006
Dividends	1,557	2,796
Write-downs	–107	–2,257
Capital gain on sale	0	–29
Total	**1,450**	**510**

Result from securities and receivables accounted for as fixed assets

MSEK	2007	2006
Dividends	32	–
Interest incomes, external	21	10
Interest incomes, group companies	2	–
Net loss related to financial assets valued at fair value[1]	–200	187
Net profit related to conversion rights convertible promissory notes valued at fair value	6	34
Total	**–139**	**231**

Interest incomes and similar profit/loss items

MSEK	2007	2006
Interest incomes, external	1	3
Other items	–	0
Total	**1**	**3**

Interest expenses and similar profit/loss items

MSEK	2007	2006
Interest expenses, external	–9	–13
Interest expenses, group companies	–135	–73
Net exchange rate fluctuation	0	–
Other items	–5	–9
Total	**–149**	**–95**

1) Of the shareholding in Brinova Fastigheter AB SEK –203 (187) million.

Note 11 Appropriation of profits

Parent company

MSEK	2007	2006
Additional depreciations, machinery and equipment	1	–
Total	**1**	**–**

Note 12 Taxes

Reported in the income statement

Group

MSEK	2007	2006
Current tax expenses/income		
Year's tax expenses	–66	–14
Adjustment of tax attributable to previous years	–4	1
	–70	**–13**
Less: Discontinued operations	19	153
Continuing operations	**–51**	**140**
Deferred tax expenses/tax income		
Temporary differences	–8	31
Capitalised value of tax loss carryforwards during the year	29	52
Utilisation of previously capitalised value of tax loss carryforwards	–353	–434
Revaluation of share pen losses from previous years	–39	–
Revaluation of previous years reported values of deferred taxes	104	1
	–267	**–350**
Less: Discontinued operations	–7	–14
Continuing operations	**–274**	**–364**
Total reported tax income/tax expenses in the group for continuing operations	**–325**	**–224**

The Parent company

MSEK	2007	2006
Current tax expenses/income		
Tax income for the year	57	41
Adjustment of tax attributable to previous years	–1	1
	56	**42**
Deferred tax expenses/tax income		
Temporary differences	–1	–63
Revaluation of reported values of deferred tax receivables	64	3
	63	**–60**
Total report tax income/expenses in the parent company	**119**	**–18**

Reconciliation of effective tax

Group

MSEK	2007	2007 (%)	2006	2006 (%)
Profit before tax continuing operations	**1,099**		**932**	
Tax in accordance with tax rate for the parent company	–308	28.0	–261	28.0
Effect of other tax rates for foreign subsidiaries	1	–0.1	0	0.0
Non-deductible expenses	–110	10.0	–30	3.2
Tax exempt income	13	–1.2	16	–1.7
Deductible non profit-influencing items	–	–	14	–1.5
Revaluation of share pen losses from previous years	–39	3.6	–	–
Revaluation of previous years reported values of deferred taxes	105	–9.5	1	–0.1
Utilised non-capitalised loss carryforwards	13	–1.2	39	–4.2
Tax attributable to previous years	–4	0.4	1	–0.1
Adjustment of net profit for joint ventures included in pre-tax profit	4	–0.4	–4	0.4
Effective tax continuing operations	**–325**	**29.6**	**–224**	**24.0**

The Parent company

MSEK	2007	2007 (%)	2006	2006 (%)
Profit before tax	**1,013**		**582**	
Tax in accordance with tax rate for the parent company	–284	28.0	–163	28.0
Non-deductible expenses	–105	10.4	–646	111.0
Tax exempt income	445	–43.9	787	–135.2
Value adjustment of previous years' deferred tax	64	–6.3	3	–0.5
Tax attributable to previous years	–1	0.1	1	–0.2
Effective tax	**119**	**–11.7**	**–18**	**3.1**

Tax items charged directly to shareholders' equity

Group MSEK	2007	2006
Current tax on price differences regarding reborrowing and expanded investments in foreign assets	–28	21
Exchange rate differences	6	–8
Current tax attributable to cash-flow hedging	–1	–
Deferred tax attributable to convertible promissory notes	3	–
Total	**–20**	**13**

The Parent company MSEK	2007	2006
Current tax in received group contributions	–58	–41
Deferred tax attributable to convertible promissory notes	–9	–
Total	**–67**	**–41**

Reported in the balance sheet
Deferred tax receivables and tax liabilities

Group	Deferred tax receivables		Deferred tax liabilities		Net	
MSEK	2007	2006	2007	2006	2007	2006
Loss carryforwards	142	392			142	392
Share pen losses	2	41			2	41
Untaxed reserves			–27	–63	–27	–63
Tangible fixed assets	11	13			11	13
Group surplus values			–115	–171	–115	–171
Securities holdings/ Convertible receivables			–2	–104	–2	–104
Current receivables	5	9			5	9
Work in progress	33	69			33	69
Pensions	4	11			4	11
Other	76	47			76	47
	273	**582**	**–144**	**–338**	**129**	**244**
Offset	–144	–338	144	338	0	0
Net	**129**	**244**	**0**	**0**	**129**	**244**

The Parent company	Deferred tax receivables		Deferred tax liabilities		Net	
MSEK	2007	2006	2007	2006	2007	2006
Securities holdings	2				2	
Securities holdings			–11	–63	–11	–63
Pensions		3				3
Other				–3		–3
	2	**3**	**–11**	**–66**	**–9**	**–63**
Offset	–2	–3	2	3	0	0
Net	**0**	**0**	**–9**	**–63**	**–9**	**–63**

When assessing deferred tax receivables from loss carryforwards, allowance has been made for the current exchange of letters with the Swedish tax authorities and the corresponding authority in Norway. Estimates have been made together with external tax experts on the right to deduct each loss carryforward. Where it is uncertain that loss carryforwards can be deducted no deferred tax assets have been reported. As at 31 December 2007, the value of deferred tax on these loss carryforwards was SEK 304 million (205).

Temporary differences between reported and tax value of participations directly owned by the parent company

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

Non-reported deferred tax receivables

Tax loss carryforwards for which deferred tax receivables have not been reported in the income statement or the balance sheet amounted to SEK 11 million (8) in 2007 and refer to the Polish and Latvian businesses. These tax loss carryforwards fall due in 2008-2012. In the light of recent years' losses in these companies and the extremely limited activities in the future it is unlikely that loss carryforwards can be offset against future taxable gains.

Changes in deferred tax on temporary differences and loss carryforwards

Group 2007 MSEK	Amount as at 1 Jan 2007	Recognised in income statement	Recognised in shareholders' equity	Acquisition/ divestment of companies	Distribution of the shares in Peab Industri AB	Amount as at 31 Dec 2007
Loss carryforwards	392	–320	8	70	–8	142
Share pen losses	41	–39				2
Untaxed reserves	–63	–13		–14	63	–27
Tangible fixed assets	13	8	1	–3	–8	11
Group surplus values	–171	12	–2	–51	97	–115
Securities holdings/Convertible receivables	–104	102				–2
Current receivables	9	–4	1		–1	5
Work in progress	69	–32	–4			33
Pensions	11	–6			–1	4
Other	47	25	5		–1	76
Total	**244**	**–267**	**9**	**2**	**141**	**129**

Changes recognised directly in shareholders' equity also include price differences.

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

Changes recognised directly in shareholders' equity also include price differences.

The Parent company MSEK	Amount as at 1 Jan 2007	Recognised in income statement	Recognised in shareholders' equity	Amount as at 31 Dec 2007
Loss carryforwards		2		2
Securities holdings	–63	63		0
Pensions	3	–3		0
Convertibel debentures	–3	1	–9	–11
Total	**–63**	**63**	**–9**	**–9**

The Parent company 2006 MSEK	Amount as at 1 Jan 2006	Recognised in income statement	Recognised in shareholders' equity	Amount as at 31 Dec 2006
Securities holdings	–	–63		–63
Pensions	3			3
Convertibel debentures	–6	3		–3
Total	**–3**	**–60**	**0**	**–57**

Note 13 Earnings per share

Earnings per share

SEK	Before dilution 2007	Before dilution 2006	After dilution 2007	After dilution 2006
Earnings per share	4.92	6.18	4.77	5.89
Earnings per share from continuing operations	4.69	4.18	4.55	4.01

Earnings per share before dilution

The calculation of earnings per share for 2007 was based on annual profit attributable to the parent company's ordinary shareholders amounting to SEK 811 million (1,047) and on a weighted average number of outstanding shares in 2007 of 164,985,000 (169,234,000).

Earnings per share after dilution

At the beginning of 2007, there were 11.0 million potential future ordinary shares (after translation for the split) from Convertibles promissory notes 2005/2008, issued on 29 June 2005 and subscribed to by Peab employees. During the conversion windows in 2007 there were options for conversion to shares on two occasions, and by the end of the year a nominal SEK 3.5 million remained, equivalent to 148,425 new B-shares. On 1 December 2007, Peab issued Convertibles promissory notes 2007/2012 for a total of SEK 598.4 million, equivalent to 8,800,000 new convertibles subscribed to by a subsidfiary. The convertibles were acquired by employees after the end of the year. The calculation of earnings per share for 2007 was based on annual profit attributable to the parent company's ordinary shareholders amounting to SEK 817 million (1,063) and on a weighted average number of outstanding shares in 2007 of 171,255,000 (180,234,000). The two components were calculated as follows:

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

MSEK	2007	2006
Profit attributable to the parent company's ordinary shareholders	811	1,047
Interest rate effect on convertible promissory notes (after tax)	8	16
Profit attributable to the parent company's ordinary shareholders after dilution	819	1,063

Weighted average number of outstanding ordinary shares after dilution

Thousands of shares	2007	2006
Weight average number of outstanding ordinary shares after dilution	164,985	169,234
Effect of converting convertible promissory notes	6,270	11,000
Weighted average numbers of outstanding ordinary shares after dilution	171,255	180,234

Repurchased shares are not included in the calculation. Number of shares has been adjusted for the 2:1 split, which was performed in September 2007.

Note 14 Intangible fixed assets

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

Group 2007	Intangible fixed assets, external purchase				Intangible fixed assets, internally developed	
MSEK	Goodwill	Brands	Customer relations	Other intangible assets	Industrialised construction	Total
Acquisition value brought forward	593	98	43	14	–	748
Purchases in acquired companies	32	9	28	1		70
Internally developed assets					46	46
Distribution of the shares in Peab Industri AB	–252	–54	–42	–10		–358
Sales/disposals	–18					–18
Reclassifications				–3		–3
Translation differences for the year	12	3	2	0		17
Accumulated acquisition values brought forward	**367**	**56**	**31**	**2**	**46**	**502**
Amortization brought forward	–	–2	–1	–6	–	–9
Distribution of the shares in Peab Industri AB		2	3	2		7
Write-downs for the year[1) 2)]		–6	–13	0		–19
Reclassifications				3		3
Translation differences for the year			0	0		0
Accumulated amortization carried forward	**–**	**–6**	**–11**	**–1**	**–**	**–18**
Write-downs brought forward	–80	–	–	–	–	–80
Distribution of the shares in Peab Industri AB	31					31
Sales/disposals	18					18
Translation differences for the year	–1					–1
Accumulated write-downs carried forward	**–32**	**–**	**–**	**–**	**–**	**–32**
Book value carried forward	**335**	**50**	**20**	**1**	**46**	**452**

The Group

1) Annual depreciation is reported in the following lines of the income statement:

MSEK	2007	2006
Production costs	15	–
Sales and administration costs	0	3
Total	**15**	**3**

2) Of total annual depreciation of SEK 19 million, SEK 4 million is attributable to terminated activities.

3) Annual writedowns are reported in the following lines of the income statement:

Production and administration costs, MSEK	–	39

Specification of other intangible assets, externally acquired, MSEK	2007	2006
Leasehold land	–	7
Other	1	1
Total	**1**	**8**

Writedown testing of goodwill in cash-generating units

The balance sheet of the Peab group as at 31 December 2007 included total goodwill of SEK 335 million (513). Cash generating units with significant reported goodwill value compared with the total reported value of the group per segment are specified below.

MSEK	2007	2006
Peab Sverige AB Group	37	37
Construction Sweden		
Nybyggarna i Nerike AB	14	14
Other units – Construction Sweden	8	8
Construction Abroad		
Peab Seicon Oy Group	72	69
Peab AS – Björn Bygg Group	50	50
Peab AS – Other units	58	39
Civil Engineering		
Olof Mobjer Entreprenad AB	15	–
Markarbete i Värmland AB	12	12
Other units – Civil Engineering	69	66
Discontinued operations – Peab Industri		
Swerock Group	–	102
Peab Industri Norway Group	–	48
Peab Asfalt, Southern Region	–	14
Other units – Industry	–	54
Total	**335**	**513**

Goodwill writedowns

No goodwill writedowns were made in 2007. In 2006, the group wrote down a total of SEK 39 million in goodwill. The discount rate used in calculations was 12 per cent in 2006 and 10 per cent in 2005.

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

Method for estimating recovery value

For all goodwill figures the recovery value has been based on estimation of the utility value for the cash-generating unit. The calculation model is based on the discounting of forecast future cash flows compared to the unit's reported value. These future cash flows are based on 5-year forecasts based on assessments made by the management of the respective cash-generating units. The testing of goodwill was based on an infinite time horizon and extrapolation of cash flow for the years after the forecast was calculated. The rate of growth from year 6 onwards was set in 0–2 per cent range.

Important variables when estimating utility value:

The following variables are important and common to all cash generating units in the calculation of the utility value.

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

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

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

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

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

Discount rate: The forecast cash flow is discounted to present value applying a weighted-average cost of capital (WACC). The required return on equity is based on the Capital Asset Pricing Model. A discount rate of approximately 12 per cent before tax has been used in calculating utility value.

Note 15 Tangible fixed assets

Group 2006

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

Group 2007

MSEK	Buildings and land	Machinery and equipment	Construction in progress	Total
Acquisition value brought forward	1,089	3,632	20	4,741
Purchases	76	260	119	455
Purchases in acquired companies	50	210		260
Distribution of the shares in Peab Industri AB	–775	–3,578	–51	–4,404
Sales/disposals	–25	–96	–9	–130
Reclassifications	42	5	–33	14
Translation differences for the year	3	15		18
Accumulated acquisition values brought forward	**460**	**448**	**46**	**954**
Depreciations brought forward	–264	–1,871	–	–2,135
Accumulated depreciation in acquired companies	–9	–76		–85
Distribution of the shares in Peab Industri AB	226	1,818		2,044
Sales/disposals	5	69		74
Reclassifications	0	7		7
Depreciation for the year	–16	–190		–206
Translation differences for the year	0	–7		–7
Accumulated depreciation values carried forward	**–58**	**–250**	**–**	**–308**
Write-downs brought forward	–9	–2	–	–11
Distribution of the shares in Peab Industri AB	3	2		5
Sales/disposals	4			4
Reclassifications	1			1
Write-downs for the year	–3			–3
Translation differences for the year	0			0
Accumulated write-downs carried forward	**–4**	**0**	**–**	**–4**
Book value carried forward	**398**	**198**	**46**	**642**

MSEK	2007	2006
Book value of buildings in Sweden	361	707
Tax assessment value of buildings in Sweden	128	225
Tax assessment value of land in Sweden	77	188

Parent company	Machinery and equipment	
MSEK	2007	2006
Acquisition value brought forward	7	7
Purchases	0	0
Accumulated acquisition values brought forward	**7**	**7**
Depreciations brought forward	–4	–3
Depreciation for the year	0	–1
Accumulated depreciation values carried forward	**–4**	**–4**
Book value carried forward	**3**	**3**

Financial lease in the group

Companies in the group lease vehicles, construction machinery and other production equipment through many different leasing agreements. Book value concerning financil lease in the group amount to SEK 37 million (543).

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

Note 16 Participations in affiliated companies

Group MSEK	2007	2006
Acquisition value brought forward	–	–
Acquisition of affiliated companies	9	–
Result from participation in affiliated companies, net after tax	0	–
Accumulated acquisition values brought forward	**9**	**–**
Book value carried forward	**9**	**–**

Specification of group holdings in affiliated companies

Company Registered office, Corp.Id.no	Share per cent	Book value, MSEK 2007	2006
Karlskoga Biofuel AB Karlskoga, 556712-5512	49.9	0	–
Asfaltbeläggningar i Boden AB Boden, 556279-8768	40.0	9	–
Total		**9**	**–**

The below items are contained in the consolidated financial statements for group participations in the assets, liabilities, revenues and costs of affiliated companies

MSEK	2007	2006
Income	166	–
Expenses	–166	–
Profit	**0**	**–**
Fixed assets	41	–
Current assets	31	–
Total assets	**72**	**–**
Short term liabilities	26	–
Long-term liabilities	37	–
Total liabilities	63	–
Net assets/liabilities	**9**	**–**

Note 17 Participations in joint ventures

Specification of group holdings of participations in joint ventures

Company, Registrered office, Corp.ID.no	Share per cent	Book value, MSEK 2007	2006
Fotbollsstadion i Malmö Fastighets AB Malmö, 556727-4641	50	50	–
Dockan Exploatering AB Malmö, 556594-2645	33	41	41
Österåkers Näs Fastighets HB Stockholm, 969723-2107	33.3	31	–
Peab I5 AB, Örebro, 556679-4276	50	28	29
Norrvikens Fastigheter AB 556703-1470, Lidingö	50	15	15
Ale Exploatering AB, Ale, 556426-2730	50	15	8
Byggutveckling Svenska AB Linköping, 556627-2117	50	9	7
Gartnerhagen Bolig AS Tromsö, 990 025 924	50	8	6
Mälarstrandens Utvecklings AB Västerås, 556695-5414	44	7	2
Fastigheten Preppen HB Göteborg, 969684-0983	50	6	2
KB Älvhögsborg Trollhättan, 916899-2734	50	5	5
Dampskipskaia H-fest AS Tromsö, 988 780 499	50	5	2
Fastighets AB Bryggeriet Göteborg, 556141-6115	50	4	4
I Tolv AB, Eksjö, 556513-2478	35	4	4
Gransångaren AB Västerås, 556591-2994	46	4	3
Kirkebakken Vest AS Horten, 988 796 174	50	3	–
Tomasjord Park AS Tromsø, 983 723 853	50	1	4
Deamatris Förvaltning AB Stockholm, 556518-6896	50	1	2
HB Solrosen 7–8 JV, Borås, 916897-4088	50	1	1
Fastighets AB Medicinaren Huddinge, 556315-0399	40	–	30
Koy Alvar Aallonkatu Seinäjoki, 1575383-0	46	–	21
AB Vendels Grustag & Co KB Uppsala, 917600-5636	49	–	15
Kolbotn Torg AS, Oslo, 984 178 425	50	–	10
Kungsörs Grus AB Kungsör, 556044-4134	50	–	8
PeWi Bostadsutveckling AB Båstad, 969687-5492	50	–	8
F5 Ljungbyhed AB Klippan, 556545-4294	35	–	6
AB Vendels Grustag Uppsala, 556025-8383	50	–	6
Svenska Fräs & Asfaltsåtervinning SFA AB, Markaryd, 556214-7354	30	–	5
Expressbetong AB Halmstad, 556317-1452	50	–	3
Vestre Mortensnes Bolig AS Tromsö, 986 488 987	51	–	3
Fältjägaren Fastigheter AB Östersund, 556688-3517	50	–	2
Gottåsa Fastighets AB Alvesta, 556499-2948	50	–	2
HB Gladökrossen, Uppsala, 969615-7917	50	0	2
Other not specified items		0	0
Total		**238**	**256**

The below items are contained in the consolidated financial statements for group participations in the assets, liabilities, revenues and costs of joint ventures.

MSEK	2007	2006
Income	283	258
Expenses	–250	–270
Profit	**33**	**–12**
Fixed assets	249	342
Current assets	778	815
Total assets	**1,027**	**1,157**
Short term liabilities	291	397
Long-term liabilities	498	504
Total liabilities	**789**	**901**
Net assets/liabilities	**238**	**256**

Note 18 Parent company participations in joint ventures

MSEK	2007	2006
Acquisition values brought forward	–	17
Income from sale of participations	–	–17
Book value carried forward	**–**	**–**

Note 19 Other long-term securities holdings

	Group		Parent company	
MSEK	2007	2006	2007	2006
Acquisition values brought forward	717	230	711	216
Change in value	–194	224	–194	224
Assets added	37	–	31	30
Assets removed	0	–6		
Reclassifications	42	270		241
Translation differences for the year	0	–1		
Accumulated acquisition values brought forward	**602**	**717**	**548**	**711**
Write-downs brought forward	–	–6	–	–
Assets removed		6		
Accumulated write-downs carried forward	**–**	**–**	**–**	**–**
Book value carried forward[1)]	**602**	**717**	**548**	**711**

1) SEK 477 million (681) of the Groups holdings refers to shares in Brinova Fastigheter AB.

Of which, other long-term securities holdings valued at fair value

Parent company, MSEK	2007	2006
Acquisition values		
Opening balance 1 January	253	12
Assets added	25	–
Reclassifications	30	241
Balance carried forward 31 December	**308**	**253**
Change in value through the income statement		
Opening balance 1 January	428	204
Reclassifications	–	3
Unrealized change in value through the income statement for the year	–194	221
Balance carried forward 31 December	**234**	**428**
Book value 31 December	**542**	**681**

For additional information about fair value per category and class see Note 35.

Note 20 Receivables from group companies

Parent company

MSEK	2007	2006
Acquisition values brought forward	241	344
Added receivables	564	236
Setttled receivables	–193	–339
Book value carried forward	**612**	**241**

Note 21 Interest-bearing receivables

Interest-bearing long-term receivables

	Group		Parent company	
MSEK	2007	2006	2007	2006
Receivables from joint ventures	135	93	–	–
Other interest-bearing long-term receivables	7	6	–	–
Convertible promissory notes conversion part[1]	180	–	180	–
Total	**322**	**99**	**180**	**–**

Interest-bearing short-term receivables

MSEK	2007	2006	2007	2006
Receivables from joint ventures	67	44	–	–
Other interest-bearing receivables	54	37	15	15
Total	**121**	**81**	**15**	**15**

1) On 1 December 2007, Peab AB subscribed to Peab Industri Convertibles 2007/2012 II for a total of SEK 198 million, equivalent to 3,000,000 new convertible bonds at a conversion rate of SEK 66.

Note 22 Other receivables

Other long-term receivables

	Group		Parent company	
MSEK	2007	2006	2007	2006
Receivables from joint ventures	46	36	–	–
Other long-term receivables	8	13	1	1
Total	**54**	**49**	**1**	**1**

Other current receivables

	Group		Parent company	
MSEK	2007	2006	2007	2006
Receivables from joint ventures	193	122	178	55
Forestalled dividend				2,285
Other short-term receivables	259	410	21	15
Total	**452**	**532**	**199**	**2,355**

Note 23 Project and development properties

	Group	
MSEK	2007	2006
Direct owned project and development properties	2,368	1,807
Advanced project and development properties	18	20
Participation in Finnish housing compnies	283	184
Bought-back participation in tenant-owner's associations	18	12
Other	13	7
Total	**2,700**	**2,030**

Recovery

Of project and development property to a book value of SEK 2,700 (2,030) million, approximately SEK 1,596 (1,466) million is expected to be recovered through the start of production or sale more than 12 months after the balance sheet day.

It is expected to recover the remaining part within 12 months of the balance sheet day.

Note 24 Stock inventories

	Group	
MSEK	2007	2006
Raw materials and consumables	6	40
Products in progress	67	45
Finished products and goods for resale	13	199
Total	**86**	**284**

Note 25 Accounts receivable

Accounts receivables were written down for actual and feared bad debts to the tune of SEK 15 million (33) where of actual group bad debts amounted to SEK 8 million (3).

The parent company had no bad debts.

Note 26 Recognised income not yet invoiced

MSEK	Group 2007	2006
Recognised income on uncompleted contracts	16,278	15,584
Invoicing on uncompleted contracts	–13,086	–12,964
Total	**3,192**	**2,620**

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

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

Note 27 Prepaid expenses and accrued income

MSEK	Parent company 2007	2006
Accrued interest income	1	1
Prepaid overhead expenses	3	2
Total	**4**	**3**

Note 28 Equity

Group
Specification of the reserves equity item

Conversion reserve

MSEK	2007	2006
Opening balance translation reserve	0	61
Translation differences for the year	94	–61
Less: Translations differences related to discontinued operations	–2	
Closing balance translation reserves/reserves	**92**	**0**

Hedging reserve

MSEK	2007	2006
Opening balance heding reserve	–	–
Cash flow hedging recognised directly against equity	–4	
Tax attributable to changes in the hedging reserve	1	
Closing balance heding reserve	**–3**	**–**

Total reserves

MSEK	2007	2006
Opening balances total reserves	0	61
Changes in translation reserve for the year	92	–61
Changes in hedging reserve for the year	–3	
Closing balance total reserves	**89**	**0**

Bought-back own shares as reduced equity item retained earnings including profit for the year

	Number of shares 2007	2006	Amount that affected equity, MSEK 2007	2006
Opening repurchased own shares	7,315,000	2,093,200	881	79
Withdrawal of own shares	–5,500,000			
Split	1,815,000			
Purchases during the year	1,995,000	5,364,400	129	822
Divestments during the year		–142,600		–20
Closing repurchased own shares	**5,625,000**	**7,315,000**	**1,010**	**881**

Share capital

	A-shares	B-shares	Number of issued fully paid shares	Share capital, SEK
Number of issued shares 1 January 2007	9,805,702	77,390,242	87,195,944	871,959,440
Withdrawal of own shares		–5,500,000	–5,500,000	–55,000,000
Bond issue				57,187,161
Conversion personnel convertible debentures		5,687,214	5,687,214	59,175,376
Split	9,805,702	77,263,846	87,069,548	
Total number of issued shares 31 December 2007	**19,611,404**	**154,841,302**	**174,452,706**	**933,321,977**

An A-share entitles the holder to 10 votes and a B-share to 1 vote. The par value of all shares is SEK 5.35.

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

Other contributed capital

Refers to equity contributed from the owners. Includes premiums paid in conjunction with new issues.

Reserves

Translation reserve

The translation reserve comprises all exchange rate differences arising when translating financial reports of foreign companies which have prepared their financial reports in a different currency to that which the group's financial statements are presented in. The parent company and the group present their reports in Swedish kronor (SEK). The translation reserve also consists of exchange rate differences arising through extended investment in foreign business and re-borrowing from foreign activities.

Hedging reserve

The hedging reserve comprises the effective part of the accumulated net changes in fair value in a hedge instrument attributable to a hedged risk in a cash flow which has as yet not influenced the income statement.

Retained earnings including profit for the year

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

Repurchased shares
Repurchased shares comprises the purchase cost minus the sales income for own shares held by the parent company. As at 31 December 2007, the group's holding of own shares was 5,625,000 units (7,315,000).

Dividend
After balance sheet day the board of directors and the CEO proposed the following dividend. The dividend distributed must be adopted by the AGM on 15 May 2008.

Cash dividend of SEK 2.25 (1.75) per share, total SEK 392,518,589 (305,185,804) estimated based on the number of registered shares. Total dividends are calculated based on outstanding shares at the time of distribution.

Capital management
Peab aims to have a good capital structure and financial stability in order to provide a stable basis for continuing business activities, thereby enabling the company to retain existing owners and attract new owners. A good capital structure is also intended to promote the development of good relations with the group's creditors in a manner which benefits all parties.

Capital is defined as Equity and refers to the equity attributable to the owners of shares in the parent company.

Equity, MSEK	2007	2006
Share capital	933	872
Other contributed capital	679	217
Reserves	89	0
Profit brought forward included profit for the year	1,899	2,188
Shareholders' equity	**3,600**	**3,277**

One of Peab's targets is an equity/assets ratio (equity divided by the balance sheet total) in access of 25 per cent. The board of directors believes that this level is well suited to Peab's construction and civil engineering activities in Sweden, Norway and Finland, and the target is a part of the group's strategic planning. If the equity/assets ratio is expected to exceed this level on a permanent basis, the capital should be transferred to the shareholders in the appropriate form. The equity/assets ratio at the end of 2007 was 23.5 per cent (19.9).

It is the ambition of the board of directors to preserve a balance between a high rate of return on equity, which can be done through increased lending, and the security and benefits associated with a higher equity ratio. Therefore, one of Peab's financial targets is a return on equity (profit for the period attributable to holders of participations in the parent company divided by the average equity attributable to holdings of participations in the parent company) in excess of 20 per cent. The return on equity (including profits from terminated activities, net after tax) was 23.6 per cent (31.6) at the end of 2007. By way of comparison, the group's average interest expenses on interest-bearing borrowing was 5.0 (3.9) per cent.

Peab's target is that the dividend to shareholders should amount to 50 per cent of profit after tax Dividend should also be in a reasonable proportion to evolution in Peab's profits and consolidation requirements. An increased ordinary dividend of SEK 2.25 per share (1.75) is proposed for 2007. Calculated as a share of the group's reported profit after tax, the proposed dividend amounts to 47 per cent (27). Exclusive of the 6,225,000 shares owned by Peab AB on 29 February 2008, which do not entitle to dividend, the proposed dividend is equivalent to a total dividend distribution of SEK 379 million (280). Besides the ordinary dividend, extra cash dividends may be proposed if the board of directors finds there are sufficient funds which are not assessed as necessary to group development. Extra dividends may also be made in other forms besides cash if this makes the best business sense. Besides the ordinary dividend, all the shares of Peab Industri were distributed in the 2006 financial year. The consolidated value of the net assets distributed relative to Peab Industri amounted to SEK 638 million before distribution costs. No equivalent extra dividend will be proposed to this year's AGM. Besides the extra distribution of shares in Peab Industri, an extra dividend was also distributed on one other occasion in the 2000s. Shares in the subsidiary Brinova Fastigheter AB were distributed to shareholders for the 2002 financial year.

The board of directors aims to get as many of the group's employees to become shareholders as possible. In order to achieve this end, all employees of the group were offered the chance of purchasing convertible promissory notes on two separate occasions, 2005 and 2007. On the last occasion 41 per cent of Peab's employees applied to subscribe to convertibles.

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. 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 shares in the company. The purpose of the buyback of own shares must be to improve the capital structure of the company, to be used in the financing of acquisitions etc or to enable through subsequent withdrawal the neutralisation of dilution that may arise in connection with the conversion of convertible bonds issued in the Company. In 2007, the holding of own shares declined by 5,500,000 B-shares through withdrawal and 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 holding of own shares amounted to 5,625,000 B-shares, corresponding to 3.2 per cent of the total number of shares.

Some of Peab's loan agreements contain covenants in the form of interest cover and equity ratio which the group must comply with, which is normal for this type of loan agreement. At the end of the year, Peab complied with these key ratios by a wide margin.

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

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

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

Special reserves
Refers to allocations to reserves upon the reduction of share capital for use as resolved by the AGM.

Retained earnings
Consists of the previous year's retained earnings after the distribution of profits.

Note 29 Interest-bearing liabilities

Group

MSEK	2007	2006
Long-term liabilities		
Bankloan	737	527
Convertible promissory notes	4	465
Financial leasing liabilities	37	450
Loan from joint ventures	–	1
Other	–	0
Total	**778**	**1,443**
Short-term liabilities		
Bankloan including overdraft facilities	266	363
Commercial papers	–	649
Short-term part of leasing liabilities	13	161
Total	**279**	**1,173**

Convertible promissory notes 2005/2008
Group

MSEK	2007	2006
Value after issue of 5,500,000 convertible promissory notes	479	479
Originally amount classified as shareholder's equity	–27	–27
Conversion of convertible promissory notes	–466	–
Capitalised interest	18	13
Liability reported as at 31 December	**4**	**465**

The convertible promissory notes run from 16 June 2005 to 15 June 2008 with a coupon of 2.69 per cent.

Financial leasing liabilities

Financial leasing liabilities fall due for payment as follows:

Group MSEK	Minimum leasing charge 2007	Interest 2007	Capital amount 2007	Minimum leasing charge 2006	Interest 2006	Capital amount 2006
Within one year	14	1	13	176	15	161
Between one and five year	35	4	31	403	33	364
Later than five years	7	1	6	92	6	86
Total	**56**	**6**	**50**	**671**	**54**	**611**

Note 30 Pensions

Defined benefit plans
Group

MSEK	2007	2006
Present value of unfunded obligations	13	18
Present value of fully or partially funded obligations	0	6
Total net present of obligations	**13**	**24**
Fair value of plan assets	–3	–5
Net present value of obligations	**10**	**19**
Non-recognised actuarial gains (+) and losses (–)	1	–2
Effect of limitation rule on net assets	0	0
Net reporting of defined benefit plans recognised as provisions for pensions	**11**	**17**

Review of defined benefit plans

Defined benefit plans consist of the Swedish ITP Plan for Salaried Staff which is managed through insurance with Alecta, pension plans for a small number of executive personnel in Sweden and Norway and the AFP pension in Norway. As Alecta cannot submit the information required to account for the ITP plan as a defined benefit plan, this is entered as a defined contribution plan (see below).

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

MSEK	2007	2006
Net obligations for defined benefit plans as at 1 January	24	31
Paid out remunerations	–11	–1
Expenses for work during current period and interest expenses	4	3
Actuarial gains and losses	0	4
Effect from business acquisitions	1	5
Adjustments	–5	–17
Distribution of the shares in Peab Industri AB	–2	0
Translation differences	2	–1
Obligations for defined benefit plans as at 31 December	**13**	**24**

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

MSEK	2007	2006
Fair value for plan assests as at 1 January	5	18
Contributions from employer	1	1
Expected return	0	1
Difference between expected and actual return	2	0
Adjustments	–3	–15
Distribution of the shares in Peab Industri AB	–2	0
Fair value for plan assests as at 31 December	**3**	**5**

Expenses charged to income statement

MSEK	2007	2006
Expenses for work during current period	4	2
Interest expenses on obligations	1	1
Expected return on plan assets	0	–1
Recognised actuarial gains (–) and losses (+)	0	5
Effects of reductions and adjustments	0	–2
Total net expense in the income statement	**5**	**5**

Expenses are recognised in the following lines in the income statement

MSEK	2007	2006
Production expenses	0	–
Selling and administrative expenses	4	5
Financial income	0	–1
Financial expenses	1	1
Total costs	**5**	**5**
Actual return on plan assets	0	1

Assumptions for defined benefit plan obligations

The most important actuarial assumptions on balance sheet day, per cent	2007	2006
Discount rate	5.50%	3.00%
Expected return on plan assets	5.80%	4.50%
Future pay increase	4.50%	3.00%
Future increase in pensions	2.00%	1.80%

Historical information

MSEK	2007	2006	2005	2004
Present value of defined benefit plan obligations	13	24	31	21
Fair value of planassets	–3	–5	–18	–14
Plan deficit	**10**	**19**	**13**	**7**

Old-age pension and family pension obligations for salaried staff in Sweden are managed through insurance with Alecta. Under pronouncement URA 42 of the of Emergency Issues Task Force of the Swedish Financial Accounting Standards Council, this is a defined benefit plan which comprises several employers. The company did not have the necessary information required to recognise this plan as a defined benefit plan in the 2007 financial year. Therefore the pension plan which is secured through insurance with Alecta is reported as a defined contribution plan. Annual charges for pension insurances taken out with Alecta amounted to SEK 99 million (119). Alecta's surplus may be distributed among the policyholders and/or the insured. At the end of 2007, Alecta's surplus in the form of collective consolidation level amounted to 152 per cent (143). The collective consolidation level is made up of the market value of Alecta's assets as a percentage of the insurance undertakings calculated in accordance with Alecta's insurance adjustment assumptions, which do not accord with IAS 19.

Defined contribution plans

The group has defined contribution plans which are entirely paid for by the company. Payments to these plans are made on a current basis according to the rules of each plan.

	Group		Parent company	
MSEK	2007	2006	2007	2006
Expenses of defined contribution plans continuing operations[1]	300	269	25	23

1) This include SEK 99 million (119) referring to an ITP plan financed in Alecta, see above.

Note 31 Provisions

Provisions which are long-term liabilities

	Group	
MSEK	2007	2006
Guarantee risk reserve	76	67
Close-down costs	1	1
Re-establishment costs	–	27
Social insurance costs on provisions for pensions	0	5
Other	1	1
Total	**78**	**101**

Provisions which are current liabilities

	Group	
MSEK	2007	2006
Guarantee risk reserve	87	48
Other	14	7
Total	**101**	**55**

Provisions which are long-term liabilities

Group 2007-12-31 MSEK	Guarantee risk reserve	Close-down costs	Re-establishment costs	Social insurance costs on provisions for pensions	Other
Book value brought forward	67	1	27	5	1
Provisions set aside during the year	22		1	0	
Amounts requisitioned during the year	–1	0	0	–3	
Reveresed unutilized provisions during the year				–2	
Distribution of the shares in Peab Industri AB	–13		–28		
Translation difference	1			0	0
Book value carried forward	**76**	**1**	**0**	**0**	**1**

Provisions which are current liabilities

Group 2007-12-31 MSEK	Guarantee risk reserve	Restruturing reserve	Other
Book value brought forward	48	2	5
Provisions set aside during the year	71		11
Amounts requisitioned during the year	–33	–2	–3
Reveresed unutilized provisions during the year	–5		
Translation difference	6	0	1
Book value carried forward	**87**	**0**	**14**

Warranty costs

Refer to the estimated costs of remedying faults and deficiencies relating to terminated projects arising during the warranty time of the project. Resources are consumed during the guarantee period of the project which is generally two years. As the effect of the time point for payment is not significant expected future disbursements are not valued at present value.

Termination costs

Refers to remaining estimated termination costs for activities in Poland.

Restoration costs

Refers to restoration costs for gravel pits and rock quarries after termination of operations. Restoration costs principally referred to companies within Peab Industri.

Payroll tax on pension provisions

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

Note 32 Other liabilities

Group MSEK	2007	2006
Other long-term liabilities		
Additional purchase price	30	48
Advance	13	24
Interest rate swaps	0	1
Other long-term liabilities	2	6
Total	**45**	**79**
Other short-term liabilities		
Additional purchase price	17	5
Deduction upon acquisition of own shares	3	168
Liabilities to joint ventures	–	0
Competition damage charge	85	–
Value added tax	741	381
Tax at source, social securtiy costs	95	150
Other short-term liabilities	352	285
Total	**1,293**	**989**

Parent company MSEK	2007	2006
Other short-term liabilities		
Competition damage charge	35	–
Deduction upon acquisition of own shares	3	168
Tax at source	1	1
Other short-term liabilities	0	1
Total	**39**	**170**

Note 33 Invoiced income not yet recognised

MSEK	Group 2007	2006
Invoiced sales on uncompleted contracting project	28,293	29,829
Recognised income on uncompleted contracting projects	–24,713	–26,470
Total	**3,580**	**3,359**

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

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

Note 34 Accrued expenses and deferred income

MSEK	Parent company 2007	2006
Accrued payroll expenses	7	18
Accrued social security expenses	4	4
Accrued interest expenses	3	7
Accrued overhead expenses	2	1
Total	**16**	**30**

Note 35 Valuation of financial assets at fair value

Under IAS 39, Financial instruments, financial instruments are valued either at accrued acquisition value or fair value depending on which category they belong to. Classification largely depends on the purpose of the holding. The items which have been the object of valuation at fair value are list shareholdings, share derivates and interest rate and currency swaps.

The fair value of listed shareholdings and share derivatives are estimated according to the closing price on balance sheet date. When computing the fair value of interest bearing receivables and liabilities and interest rate swaps future cash flow was discounted to the listed market interest for the remaining term to maturity. When computing the value of currency swaps, spot rates on balance sheet day were used. The adjacent table shows the reported values compared with the estimated fair value per type of financial asset and liability.

Group 2007	Financial assets valued at fair value through income statement		Derivates used in hedge accounting	Trade and loan receivables	Financial liabilities valued at fair value through incomestatement	Other financial liabilities		
MSEK	Financial assets valued at fair value	Holdings for trading purposes			Holdings for trading purposes		Total recognised value	Fair value
Financial assets								
Other securities held as fixed assets	517[1]	25[2]		60			602	602
Interest-bearing long-term receivables				322			322	321
Other long-term receivables				54			54	54
Accounts payable				4,973			4,973	4,973
Interest-bearing current receivables				121			121	121
Other current receivables				397			397	397
Short-term shareholdings				0			0	0
Liquid funds				1,212			1,212	1,212
Total financial assets	**517**	**25**		**7,139**			**7,681**	**7,680**
Financial liabilities								
Interest-bearing long-term liabilities						778	778	778
Other long-term liabilities						45	45	45
Provisions for pensions						11	11	11
Interest-bearing current liabilities						279	279	279
Accounts payable						3,392	3,392	3,392
Other current liabilities			7			452	459	459
Total financial liabilities			**7**			**4,957**	**4,964**	**4,964**
Unrealised profit/loss				–1				

1) Listed companies
2) Derivatives

Group 2006	Financial assets valued at fair value through income statement		Derivates used in hedge accounting	Trade and loan receivables	Financial liabilities valued at fair value through incomestatement	Other financial liabilities		
MSEK	Financial assets valued at fair value	Holdings for trading purposes			Holdings for trading purposes		Total recognised value	Fair value
Financial assets								
Other securities held as fixed assets	711			6			717	717
Interest-bearing long-term receivables				99			99	99
Other long-term receivables				49			49	49
Accounts receivable				5,150			5,150	5,150
Interest-bearing current receivables				81			81	81
Other current receivables				425			425	425
Short-term shareholdings				6			6	6
Liquid funds				913			913	913
Total financial assets	**711**			**6,729**			**7,440**	**7,440**
Financial liabilities								
Interest-bearing long-term liabilities						1,443	1,443	1,435
Other long-term liabilities					1	78	79	79
Interest-bearing current liabilities						1,173	1,173	1,173
Accounts payable						3,707	3,707	3,707
Other current liabilities						445	445	445
Total financial liabilities					**1**	**6,846**	**6,847**	**6,839**
Unrealised profit/loss						8		

The effect of valuing financial instruments at fair value was included in the group's profits to the tune of SEK –194 million (222), where SEK –203 million (187) referred to market valuation of shareholdings in Brinova and the market valuation of interest rate and currency swaps was SEK 0 million (1).

Parent company 2007	Financial assets valued at fair value through income statement		Derivates used in hedge accounting	Trade and loan receivables	Financial liabilities valued at fair value through incomestatement	Other financial liabilities		
MSEK	Financial assets valued at fair value	Holdings for trading purposes			Holdings for trading purposes		Total recognised value	Fair value
Financial assets								
Long-term receivables group companies				612			612	612
Other securities held as fixed assets	517	25		6			548	548
Interest-bearing long-term receivables				180			180	180
Other long-term receivables				1			1	1
Accounts receivable				0			0	0
Current receivables group companies				0			0	0
Interest-bearing current receivables				15			15	15
Other current receivables				194			194	194
Liquid funds				4			4	4
Total financial assets	**517**	**25**		**1,012**			**1,554**	**1,554**
Financial liabilities								
Long-term liabilities group companies						3,902	3,902	3,902
Convertible promissory notes						562	562	560
Accounts payable						22	22	22
Current liabilities group companies						9	9	9
Other current liabilities						38	38	38
Total financial liabilities						**4,533**	**4,533**	**4,531**
Unrealised profit/loss						2		

Parent company 2006	Financial assets valued at fair value through income statement		Derivates used in hedge accounting	Trade and loan receivables	Financial liabilities valued at fair value through incomestatement	Other financial liabilities		
MSEK	Financial assets valued at fair value	Holdings for trading purposes			Holdings for trading purposes		Total recognised value	Fair value
Financial assets								
Long-term receivables group companies				241			241	241
Other securities held as fixed assets	711			0			711	711
Interest-bearing long-term receivables				0			0	0
Other long-term receivables				1			1	1
Accounts receivable				0			0	0
Current receivables group companies				1			1	1
Interest-bearing current receivables				15			15	15
Other current receivables				2,352			2,352	2,352
Liquid funds				19			19	19
Total financial assets	**711**			**2,629**			**3,340**	**3,340**
Financial liabilities								
Long-term liabilities group companies						6,898	6,898	6,898
Convertible promissory notes						465	465	456
Accounts payable						7	7	7
Current liabilities group companies						15	15	15
Other current liabilities						169	169	169
Total financial liabilities						**7,554**	**7,554**	**7,545**
Unrealised profit/loss						9		

The effect of valuing financial instruments at fair value was included in the parent company's profits to the tune of SEK –194 million (222), where SEK –200 million (187) referred to the market valuation of shareholdings.

Note 36 Financial risks and finance policies

Financial management

Through its activities the group is exposed to various types of financial risk. The term financial risks refers to fluctuations in the company's profits and cash flow as a result of changes in exchange rates, interest rate levels, refinancing and credit risks. Group financial management complies with the applicable finance policy which is established by the board of directors of Peab and constitutes the framework for guidelines and rules in the form of a risk mandate and limitations on financial business. The board of directors has appointed a finance committee of which the chairman of the board of directors is the chairman, which is authorised to take decisions in accordance with the applicable finance policy between meetings of the board of directors. The finance committee must account for decisions taken at the next meeting of the board. The Group Economy/Finance support function and the group's internal bank Peab Finans AB manage coordination of the group's financial activities. The overall responsibility of the finance function is to provide cost effective funding and to minimise the negative effects on group profits stemming from market risks.

Liquidity risks

The liquidity risk refers to the risk of the group encountering problems in complying with its obligations relating to financial liabilities. The group implements rolling one-month liquidity plans relating to all units of the group. Plans are updated each week. The group's forecasts also comprise liquidity planning in the medium term. Liquidity planning is applied to handling the liquidity risk and the costs of group funding. The aim is for the group to comply with its financial obligations in favourable and unfavourable market conditions without significant unforeseen costs and without putting the company's reputation at risk. Liquidity risks are managed centrally for the whole group by the central finance department.

Under the finance policy the group's net debt is mainly covered by loans granted with maturities of between 1 and 7 years, since construction and civil engineering activities tie up relatively little capital while the company's financial assets are considerable. At the end of the year, the average loan period on exercised credits was 41 months (19), on non-exercised credits it was 84 months (62), and on total conceded credits it was 63 months (44).

Peab's base funding was renegotiated in 2007. At the end of the year, bilateral loan agreements amounted to a total of SEK 3,250 million from the previous SEK 3,000 million, divided between six banks (previously seven). At the end of 2007, the loan agreements, which are not subject to amortization, had remaining maturities until September 2014 (previously February 2013). The bilateral loan agreements have the same basic documentation and contain financial covenants in the form of interest cover and equity ratio which the group must comply with as is normal for this type of loan agreement. At the end of the year, Peab complied with these key ratios by a wide margin.

Peab has set up a lending program for commercial papers. Under the program, Peab is able to issue commercial papers up to a maximum amount of SEK 1,500 million. The borrower is Peab Finans AB with guarantees from Peab AB. At the end of the year, Peab had outstanding commercial papers worth SEK 0 million (649).

In June 2005, Peab issued a convertible mortgage loan to all employees. A total of 5.5 million convertible bonds were issued for a total nominal sum of SEK 478.5 million. The rate of interest on the convertible bonds is fixed at 2.69 per cent during their term. The convertibles bonds run from 16 June until 15 June 2008. After conversions in 2007, 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.

The total authorised lending ceiling excluding non exercised leasing lines and excluding that part of the certificate program which has not been exercised amounted to SEK 5,037 million (6,337). Of the total granted credit ceiling, SEK 1,068 million (2,633) was unutilised. Loan period on exercised credits 31.12.07.

Loan period on exercised credits 31 December 2007

Loan period	Amount, MSEK	Share per cent
2008	549	51
2009	241	23
2010	78	7
2011	63	6
2012–	137	13
Total	**1,068**	**100**

Age analysis financial liabilities, including remaining interest to pay

	2007					2006				
MSEK	Total	Between one to three months	Between three months to a year	Between one and five years	Later than five years	Total	Between one to three months	Between three months to a year	Between one and five years	Later than five years
Bank loans	1,136	7	591	426	112	965	7	699	248	11
Commercial papers	0					650	650			
Convertible promissory notes	4		4			517		13	504	
Accounts payable	3,392	3,392				3,707	3,707			
Financial leasing liabilities	57		13	37	7	671		176	403	92
Total	**4,589**	**3,399**	**608**	**463**	**119**	**6,510**	**4,364**	**888**	**1,155**	**103**

Interest rate risks

The interest rate risk is the risk that Peab's cash flow or the fair value of financial instruments may vary with changes in market rates. The interest rate risk can result in changes in fair value and changes in cash flow. One important factor that affects the interest rate risk is the fixed interest time.

As at 31 December 2007, net interest-bearing securities amounted to SEK 587 million (net debt SEK –1,534 million). Total interest-bearing liabilities amounted to SEK 1,068 million (2,633), of which SEK 279 million (1,173) were short-term. Under the finance policy, the average fixed interest period on total borrowing must not exceed 24 months. At the end of the year, the average fixed interest period excluding derivatives on exercised credits was 3 months (4), on non-exercised credits it was 0 months (0), and on total conceded credits it was 1 month (2).

With an interest-bearing net claim, the group has chosen a short fixed interest period for outstanding credits. As at 31 December 2007, there was an interest rate swap of SEK 100 million maturing on 28 January 2008 at an effective interest rate of 4.4 per cent. Peab pays fixed interest and receives fluctuating rates (Stibor 3 months) on interest rate swaps. The swap agreements are reported at fair value in the annual financial statements. As at 31 December 2007, their fair value was SEK 0 million (1). As the table below shows, SEK 1,068 million of the group's total interest-bearing liabilities including derivatives have fixed interest periods of less than 1 year. Interest-bearing assets items for a total of SEK 1,390 million have short fixed interest periods, with the result that SEK 322 million of the group's net claim including derivatives have fixed interest periods of less than 1 year and are thus relatively immediately susceptible to changes in market interest rates. For further information regarding sensivity- and risk analysis, see page 35 in Management report.

Fixed interest period on exercised credits excluding derivates as at 31 December 2007

Fixed interest period	Amount, MSEK	Average effective interestrate per cent	Share, per cent
2008	1,068	5.0	100
2009–	–	–	–
Total	**1,068**		**100**

Currency risks

The risk that fair value and cash flow from financial instruments may fluctuate when the value of foreign currencies change is referred to as currency risk.

Financial exposure

The group's business borrowing is made in local currencies to decrease operational currency exposure. Assets and liabilities in foreign currency are converted at the rate applying on balance sheet date. Of interest-bearing liabilities as at 31 December 2007, business borrowing including leasing but exclusive of currency derivatives was as follows

	Local currency in millions	MSEK
SEK	586	586
EUR	18	175
NOK	258	307
Total		**1,068**

Internal loans are used to manage temporary liquidity needs in Peab's foreign activities. Currency swaps are used to eliminate foreign exchanges risks. The maturities of currency swaps are usually three months. When closing books for the year currency swaps are reported at fair value and value changes are reported as unrealised exchange rate differences in the income statement and as current liabilities in the balance sheet. At the end of the year, there were outstanding currency swaps relating to financial exposure of EUR 6 million (0). Exchange rate differences in the net financials item amounted to SEK 15 million (0) during the year. Exchange rate differences in the operating profit amounted to SEK 0 million (0).

Exposure of net assets in foreign currency

Currency exposure arising from investments in foreign net assets can be hedged through the taking out of loans in foreign currency or through forward contracts. At the end of 2007, forward contracts for foreign net assets in Norway amounted to NOK 84 million (130).

Foreign net assets

Local currency in millions	31 Dec. 2007	Of which hedged	31 Dec. 2006	Of which hedged
NOK	194	84	394	130
EUR	46		51	
PLN	3		3	
LVL	0		1	

Annual exchange rate differences in equity (net assets in foreign subsidiaries) amounted to SEK 92 million (–61).

Commercial exposure

International purchases and sales of goods and services in foreign currency are limited in scope but may be expected to increase in time with the group's expansion and the increasing competition surrounding the purchasing of goods and services. Contracted or forecast currency flows can be hedged for the following 6 months. At the end of the year, there were exchange rate hedges relating to forecast currency flows of NOK 175 million (0).

Price risk

Through the holding of Brinova shares Peab is exposed to price risks. For further information see page 35 in Management report.

Credit risk

Credit risk refers to the risk of losing money due to the counterparty failing to meet his commitments.

Credit risks in financial business

The credit risks experienced by financial business are extremely small, as Peab deals with counterparties of high credit rating. These primarily relate to counterparty risks associated with receivables at banks and other counterparties which arise in the purchase of derivatives. The finance policy contains a special set of counterparty rules which specify the maximum credit exposure for various counterparties. The framework agreement of the International Swaps and Derivatives Association (ISDA) is used with all counterparties in derivative transactions. In 2007, Peab suffered no financial credit losses.

Total counterparty exposure relating to derivatives trading calculated as a net claim amounted to SEK 1 million at the end of 2007. The estimated gross exposure to counterparty risks relating to liquid funds and current investments amounted to SEK 1,212 million.

Credit risk – accounts receivable

The risk that customers of the group/company cannot comply with their obligations, i.e. payment not being received from customers, is one credit risk. The group's customers are subject to credit rating whereby information about customers' financial positions is obtained from various credit rating companies. The group has established a credit policy for managing customer credit. For instance, it specifies where decisions are taken about credit limits of various magnitudes, how credit rating is assessed and how distressed receivables should be managed. Bank guarantees or other security are required for customers with low credit ratings or insufficient credit history. The maximum exposure to credit risk appears in the value reported in the group's balance sheet. Total credit losses in construction operations amounted to SEK 8 million (3). There was no significant concentration of credit risks on balance sheet date.

Age analysis, due non written down accounts receivable

Mkr	Book value non write-down accounts receivable 2007	2006
Trade receivables, not fallen due	4,379	4,712
Trade receivables, fallen due 0–30 days	131	110
Trade receivables, fallen due 30 days – 90 days	150	134
Trade receivables, fallen due 90 days – 180 days	69	128
Trade receivables, fallen due 180 days – 360 days	45	38
Trade receivables, fallen due 360 days	199	28
Total	**4,973**	**5,150**

Accounts receivable written down

Mkr	2007	2006
Opening balance	57	25
Reversed write-downs	–50	0
Write-downs for the year	15	33
Translation differences	2	–1
Balance carried forward	**24**	**57**

Note 37 Operational lease contracts

Group
Leasing charged to income for the period:

Mkr	2007	2006
Minimum lease payments	205	186
Contingent rent	0	0
Total	**205**	**186**

Interminable leasing payments amount to:

MSEK	2007	2006
Within a year	168	169
Between one and five years	91	125
Later than five years	–	2
Total	**259**	**296**

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

The leasing agreements run without special restrictions with an option to renew. Other operational leasing agreements are divided among a number of lesser agreements.

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

Note 38 Investment undertakings

In 2007, the group did not sign any agreements for the acquisition of tangible fixed assets (SEK 163 million). Of 2006 investment undertakings, SEK 34 million were attributable to terminated activities.

The group undertook to invest SEK 23 million (–) through participation in a joint venture. None of the group's joint ventures have undertaken investments (SEK 30 million).

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

Note 39 Pledged assets, contingent liabilities and continent assets

Pledged assets

MSEK	Group 2007	Group 2006	Parent company 2007	Parent company 2006
For own liabilities and provisions				
Related to long-term liabilities to credit institutions:				
Real estate mortgages	154	109		
Floating charges	–	8		
Assets with attached liens	–	183		
Restricted bank balance	–	0		
Other	–	2		
Related to current liabilities to credit institutions:				
Real estate mortgages	367	248		
Shares	8	9		
Assets with attached liens	–	5		
Total related to own liabilities and provisions	**529**	**564**	**–**	**–**
For own contingent liabilities and guarantees				
Floating charges	30	15		
Restricted bank balance	8	–		
Total for own contingent garantier liabilities and guarantees	**38**	**15**	**–**	**–**
Other	**95**	**77**		
Total pledged assets	**662**	**656**	**–**	**–**

Contingent liabilities MSEK	Group 2007	Group 2006	Parent company 2007	Parent company 2006
Shared obligations as part-owner in limited partnerships	654	550	–	–
Obligations in consortia for other part-owners' liabilities	0	0	–	–
Guarantees and contracting guarantees for group companies	–	–	7,324	7,407
Guarantee liabilities in favour of joint ventures	6	125	5	115
Other guarantees and contingent liabilities	1,471	1,376	1,454	1,188
Total	**2,131**	**2,051**	**8,783**	**8,710**

Other guarantee and contingent liabilities primarily refer to undertakings to tenant-owner cooperatives. Last year, a guarantee for SEK 70 million was also recognised for Brinova Fastigheter for tax loss carryforwards along with SEK 167 million for the ongoing action in the group relating to the competition charge. The Brinova Fastigheter guarantee was adjusted in 2007. In 2007, a judgment of the first instance was given in the cartel action and a competition charge of SEK 85 million was entered in liabilities.

Note 40 Related parties

Related parties
The group is subject to considerable influence by brothers Mats and Erik Paulsson with family, children and companies. Their combined votes accounted for some 66 per cent of the votes in Peab AB as at 31 December 2007. As a result of the Paulsson families significant influence on Peab, transactions with the below companies are classified as transactions with related parties.

Peab Industri
The Peab Industri group is subject to considerable influence by brothers Mats and Erik Paulsson with family, children and companies through their ownership of the company. Mats Paulsson is chairman of the board of directors and Fredrik Paulsson and Sara Karlsson are members of the board of directors of Peab Industri AB.

Brinova
The Brinova group is subject to considerable influence by brothers Mats and Erik Paulsson with family, children and companies through their ownership of the company. Svante Paulsson is a member of the board of directors of Brinova Fastigheter.

Wihlborgs Fastigheter
Erik Paulsson is chairman of the board of directors of Wihlborgs Fastigheter and has a significant influence. Sara Karlsson is a member of the board of directors of Wihlborgs Fastigheter.

Skistar
The Skistar group is subject to considerable influence by brothers Mats and Erik Paulsson with family, children and companies through their ownership of the company. Erik Paulsson is chairman of the board of directors and Mats Paulsson is a member of the board of Skistar.

Fabege
Erik Paulsson was CEO of Fabege until 31 December 2006. Today, Erik Paulsson is chairman of the board of directors and has significant influence. Svante Paulsson is a member of the board of directors of Fabege.

Backahill
Backahill is subject to significant influence by Erik Paulsson and family through their holdings in the company. Svante Paulsson is CEO of Backahill.

Kranpunkten
Fredrik Paulsson is chairman of the board of directors of Kranpunkten.

Gullbergs
Fredrik Paulsson is chairman of the board of directors of Gullbergs.

Subsidiaries
Besides the related parties above stated for the group, the parent company has a close relationship with its subsidiaries, see Note 41.

Summary of transactions with related parties
Group

MSEK	2007	2006
Transactions with joint ventures		
Sales to joint ventures	534	512
Purchases from joint ventures	115	66
Liabilities to joint ventures	1	9
Receivable from joint ventures	274	253
Dividends from joint ventures	1	3
Transactions with Peab Industri		
Sales to Peab Industri	144	–
Purchases from Peab Industri	2,307	–
Liabilities to Peab Industri	322	–
Receivable from Peab Industri	16	–

Peab AB holds a convertible promissory note in a nominal amount of SEK 198 million that is recognised at its market value in the balance sheet. Peab AB has made a provision for a competition claims fee of SEK 35 million for cases relating to the asphalt operation.

Transactions with Brinova		
Sales to Brinova	141	99
Purchases from Brinova	2	35
Purchase of property from Brinova	–	29
Liabilities to Brinova	–	4
Receivables from Brinova	12	21
Shareholdings in Brinova, fair value	477	681
Dividend from Brinova	32	–
Contingent liabilities Brinova, see Note 39	–	70
Transactions with Skistar		
Sales to Skistar	82	91
Purchases from Skistar	4	1
Liabilities to Skistar	0	–
Receivables from Skistar	9	12
Transactions with Wihlborgs		
Sales to Wihlborgs	258	124
Purchases from Wihlborgs	7	8
Liabilities to Wihlborgs	2	3
Receivables from Wihlborgs	26	28
Transactions with Fabege		
Sales to Fabege	234	261
Purchases form Fabege	22	22
Liabilities to Fabege	0	6
Receivables from Fabege	63	33
Transactions with Backahill		
Sales to Backahill	3	24
Purchases from Backahill	0	0
Liabilities to Backahill	0	–
Receivables from Backahill	0	1

Transactions with Kranpunkten	
Sales to Kranpunkten	0
Purchases from Kranpunken	29
Liabilities to Kranpunkten	5
Receivables from Kranpunkten	0
Transactions with Gullbergs	
Sales to Gullbergs	0
Purchases from Gullbergs	44
Liabilities to Gullbergs	18
Receivables from Gullbergs	0

Summary of transactions with related parties
Parent company

MSEK	2007	2006
Transactions with subsidiaries		
Sales to subsidiaries	52	59
Purchases to subsidiaries	8	11
Liabilities to subsidiaries	3,911	6,913
Receivables from subsidiaries	612	242
Dividends from subsidiaries	1,557	2,796
Transactions with Peab Industri		
Sales to Peab Industri	2	–
Purchases from Peab Industri	7	–
Liabilities to Peab Industri	0	–
Receivable from Peab Industri	2	–

Peab AB holds a convertible promissory note in a nominal amount of SEK 198 million that is recognised at its market value in the balance sheet.

Peab AB has made a provision for a competition claims fee of SEK 35 million for cases relating to the asphalt operation.

Transactions with Brinova		
Shareholdings in Brinova, fair value	477	681
Dividend from Brinova	32	–
Transactions with Skistar		
Purchases from Skistar	0	–

Executive management

Information on salaries and other remuneration to the board of directors and the CEO along with information on costs and obligations relating to pensions and similar benefits and agreement on retirement remuneration, see Note 7.

Transaction terms

Transactions with related parties were priced on general market terms.

Note 41 Group companies

Company	Corp.ID.no.	Registered office	Share of equity[1) 2)]	Book value in parent company, MSEK 2007	2006
Peab Finans AB	556552-1324	Båstad	100.0%	1,616	1,616
Peab Sverige AB	556099-9202	Båstad	100.0%	1,907	1,787
Peab Bau GmbH	DE 811 771 570	Tyskland	100.0%		
Peab Sp.z.o.o	40624	Polen	100.0%		
KB Muraren 135	916837-9841	Båstad	100.0%		
KB Möllevarvet	969639-7877	Båstad	100.0%		
Granit & Beton Trean HB	916621-3802	Båstad	100.0%		
Mölletofta i Klippan AB	556069-3953	Klippan	66.7%		
KB Snickaren 204	969684-0975	Båstad	100.0%		
KB Snickaren 211	969693-2996	Båstad	100.0%		
KB Snickaren 212	969693-9710	Båstad	100.0%		
KB Snickaren 213	969693-2780	Båstad	100.0%		
KB Snickaren 214	969693-3259	Båstad	100.0%		
KB Snickaren 215	969693-3002	Båstad	100.0%		
Interoc Projekt AB	556519-7091	Båstad	100.0%		
Torghuset i Värnamo AB	556607-6807	Värnamo	100.0%		
Peab Brunnshög AB	556649-9116	Båstad	100.0%		
Förvaltningsbyggnad i Kalmar AB	556659-5392	Båstad	100.0%		
Peab PGS AB	556428-5905	Båstad	100.0%		
Peab Elevbyggen AB	556101-0355	Alingsås	100.0%		
Peab Projektutveckling Väst AB	556092-9852	Göteborg	100.0%		
S:t Jörgen AB	556341-8887	Göteborg	100.0%		
KB St Jörgen	916840-0407	Göteborg	100.0%		
Peab Trading Väst AB	556594-9590	Göteborg	100.0%		
Peab Högsbo AB	556594-4583	Göteborg	100.0%		
Lambel AB	556577-8890	Båstad	100.0%	0	0
Kreaton AB	556644-5010	Göteborg	100.0%		
Fastighetsbolaget Fair fyrtio HB	916630-7422	Örebro	100.0%		
Peab Projektutveckling Mellersta AB	556114-2448	Örebro	100.0%		
Peab Förvaltning Nyköping AB	556632-7747	Nyköping	100.0%		
Interoc AB	556058-5837	Stockholm	100.0%		
Rörman Installation & Service Sverige AB	556026-0316	Sundbyberg	100.0%		
Bromma Plattsättning AB	556129-8562	Stockholm	100.0%		
Peab Bostad AB	556237-5161	Stockholm	100.0%		
HB Märsta 24:21 Förvaltning	916625-1331	Sollentuna	75.0%		
Haninge Park KB	916637-2590	Sollentuna	100.0%		
KB Lövängen i Barkarö	969680-6315	Sollentuna	100.0%		
Ekuddens Exploatering och Parkerings AB	556602-3429	Stockholm	100.0%		
Fastighetsbolaget Måsbodarna Tre AB	556691-9907	Solna	100.0%		
Täljö Utveckling nr 2 AB	556716-7175	Stockholm	100.0%		
Peab Projektfastigheter AB	556202-6962	Stockholm	100.0%		
Fastighetsförvaltnings-bolaget Gasellen 2 HB	916563-4271	Stockholm	100.0%		
Olsson & Zarins Baltinvest AB	556439-3592	Uppsala	100.0%		
J.O.Z. Peab Group SIA	40003136462	Lettland	100.0%		

Company	Corp.ID.no.	Registered office	Share of equity[1) 2)]	Book value in parent company, MSEK 2007	2006
Kungsfiskaren Bygg & Fastighet AB	556471-2296	Stockholm	100.0%		
Stockholm Entreprenad AB	556569-4386	Stockholm	100.0%		
Siljan Anläggning AB	556540-6211	Orsa	100.0%		
PB Prefabmontage AB	556597-7138	Stockholm	100.0%		
Bungenäs Utveckling Södra AB	556689-8697	Örebro	100.0%		
Peab Projektutveckling Nord AB	556421-1091	Sundsvall	100.0%		
Skillingenäs AB	556587-0192	Båstad	100.0%		
Ekenäs i Ronneby AB	556641-9924	Båstad	100.0%		
Riksten Friluftsstad AB	556547-8764	Stockholm	100.0%		
Berg & Väg Maskin AB	556130-4972	Salem	100.0%		
Markbyggen i Kalmar AB	556239-0491	Kalmar	100.0%		
Kipsala Business Center SIA	40003729343	Lettland	100.0%		
Gamla Varvet AB	556274-5090	Båstad	100.0%		
TGS Fastigheter Nr 2 AB	556680-5106	Linköping	100.0%		
KB Klagshamn Exploatering	916563-4412	Båstad	100.0%		
Peab I 5 AB	556679-4276	Östersund	50.0%		
Peab Ulriksdal AB	556689-5537	Solna	100.0%		
Ulriksdal Utveckling AB	556509-6392	Solna	100.0%		
Peab Construction Syd AB	556292-2368	Båstad	100.0%		
Peab Construction i Göteborg AB	556626-9089	Båstad	100.0%		
Peab Utveckling Nord AB	556341-7228	Båstad	100.0%		
Peab Park AB	556107-0003	Båstad	100.0%		
J Almqvist Bygg i Gnosjö AB	556421-1299	Båstad	100.0%		
Peabskolan AB	556442-7432	Båstad	100.0%		
Peabskolan i Ängelholm AB	556066-3675	Båstad	100.0%		
K.P.K -Entreprenader AB	556117-7238	Tyresö	100.0%		
Markarbeten i Värmland AB	556332-9373	Båstad	100.0%		
Bronsspännet AB	556713-9950	Malmö	100.0%		
Nybyggarna i Nerike AB	556582-1146	Örebro	100.0%		
Linje & Kabelplöjning i Borlänge AB	556487-3098	Borlänge	100.0%		
Kompligens Fastigheter AB	556691-2555	Båstad	100.0%		
Olof Mobjer Entreprenad AB	556445-1275	Falkenberg	100.0%		
Geodells Intressenter AB	556615-7797	Järfälla	100.0%		
Geodells Byggnads AB	556396-4187	Järfälla	100.0%		
F5 Ljungbyhed AB	556545-4294	Klippan	70.0%		
Peab Exploatera-arenastaden AB	556741-8586	Solna	100.0%		
Peab Drivaarena AB	556741-8578	Solna	100.0%		
Peab Ägaarena 1 AB	556741-8552	Solna	100.0%		
Peab Ägaarena 2 AB	556741-8560	Solna	100.0%		
Peab Seicon Oy	1509374-8	Helsingfors	100.0%	488	488
Oy Seicon Construction International LTD	0925347-7	Seinäjoki	100.0%		
Norra Tull Ab	2141211-9	Helsingfors	100.0%		
Peab Norge AS	990 040 729	Oslo	100.0%	97	97

Company	Corp.ID.no.	Registered office	Share of equity[1) 2)]	Book value in parent company, MSEK 2007	2006
Peab AS	981 032 411	Oslo	100.0%		
Idrettsveien 13 AS	981 544 080	Oslo	100.0%		
Bestum Prosjektutvikling AS	952 669 826	Oslo	50.5%		
Gydas Vei DA	982 796 083	Oslo	100.0%		
Ferdigbetong AS	987 013 117	Tromsö	100.0%		
Björn Bygg AS	943 672 520	Tromsö	100.0%		
Haugen Eiendom AS	980 343 030	Tromsö	100.0%		
Nerthus Oy	112 285 22	Tallin	100.0%		
Nesland Eiendom AS	985 788 170	Tromsö	100.0%		
Vestra Mortensnes Bolig AS	986 488 987	Oslo	100.0%		
Peab Bolig AS	987 099 011	Oslo	100.0%		
Heimdalsgata 4 Utv. DA	987 572 809	Oslo	100.0%		
Bekkestua Park AS	984 692 048	Oslo	66.7%		
Pilestredet Utsyn AS	986 130 268	Oslo	100.0%		
Lenken og Bueslaget Utvikling AS	983 025 757	Oslo	100.0%		
ANS Solligården	957 524 346	Oslo	100.0%		
Engaland AS	990 153 825	Oslo	100.0%		
Elvehavn Brygge Hus G AS	990 153 809	Oslo	100.0%		
Hexlia AS	990 892 385	Oslo	100.0%		
Kamomille AS	990 892 199	Oslo	100.0%		
Areal Invest AS	982 113 377	Rygge	100.0%		
Bergkrystallen Parkering AS	891 324 782	Oslo	100.0%		
Gartneriet Ferstad AS	991 131 418	Oslo	100.0%		
Zerom Näring AS	992 177 292	Oslo	100.0%		
Strömmen Centrum AB	985 704 449	Oslo	100.0%		
Follo Bergrom AS	963 923 066	Oslo	100.0%		
Raaen Entreprenör AS	860 882 582	Horten	100.0%		
Byggservice & Vedlikehold AS	986 346 384	Oslo	100.0%	88	88
Peab Invest AS	981 704 665	Oslo	100.0%	1,137	1,137
Fastighets AB Skepps-dockan i Malmö	556563-0711	Ängelholm	100.0%	0	1
Fastighets AB Grisen	556466-1055	Båstad	100.0%		
Valhall Flyg AB	556718-8593	Ängelholm	100.0%		
Valhall Flyg KB	969724-7865	Ängelholm	100.0%		
Peab International AB	556568-6721	Båstad	100.0%	348	348
Peab International B.V.	34 119 597	Amsterdam	100.0%		
Peab Svenstad AB	556329-5244	Båstad	100.0%		
Peab Industri B.V.	34 124 635	Amsterdam	100.0%		
Rebux B.V.	3323 8644	Amsterdam	100.0%		
Br Paulsson Peab AB	556113-4114	Båstad	99.9%	157	157
Stadiongatans Lokal-uthyrning AB	556141-1736	Malmö	100.0%		
Norrviken Exploaterings AB	556245-3356	Båstad	100.0%		
Vejby Transport & Miljö AB	556240-2742	Ängelholm	100.0%	1	0
Peab Byggkonstruktion AB	556059-0910	Stockholm	100.0%	51	51
Peab Konstruktion AB	556061-1500	Stockholm	100.0%		
Peab Utvecklings AB	556511-5408	Båstad	100.0%	171	171
Fastighets AB Skånehus	556371-3816	Helsingborg	100.0%		
Peab Holding AB	556594-9533	Båstad	100.0%	0	0

Company	Corp.ID.no.	Registered office	Share of equity[1)2)]	Book value in parent company, MSEK 2007	2006
JaCo AB	556554-6487	Båstad	100.0%		
Varvstaden AB	556683-1722	Båstad	100.0%		
Skånehus AB	556547-6958	Båstad	100.0%		
Birsta Fastigheter AB	556190-3765	Helsingborg	100.0%	60	60
Peab Norden AB	556134-4333	Båstad	100.0%	16	16
Peab Skandinavien AB	556568-8784	Båstad	100.0%	139	139
Flygstaden Intressenter i Söderhamn AB	556438-9665	Båstad	100.0%	272	272
Flygstaden AB	556551-4667	Söderhamn	95.0%		
Stockholms Kommersiella Fastighets AB	556105-6499	Stockholm	100.0%		
Skånska Stenhus AB	556233-8680	Helsingborg	100.0%		
Fastighets AB Anaset	556536-1895	Stockholm	100.0%		
CAMSOF AB	556077-8499	Båstad	100.0%	1	1
Incasec AB	556591-2267	Båstad	100.0%	0	0
Peab Tubsockan AB	556715-1773	Båstad	100.0%	0	0
Peab Grevie AB	556715-0213	Båstad	100.0%	0	0
Peab Båstad AB	556715-0239	Båstad	100.0%	0	0
Peab Boarp AB	556715-0247	Båstad	100.0%	0	0
Peab Konsult AB	556715-0254	Båstad	100.0%	0	0
Peab Invest Oy	1773022-9	Helsingfors	100.0%	635	635
Peab Ugglarp AB	556094-5072	Båstad	100.0%	0	9
Peab Gånarp AB	556565-2947	Båstad	100.0%	1	79
Peab Tåstarp AB	556397-3071	Båstad	100.0%	0	20
Peab Energi AB	556104-1533	Båstad	100.0%	60	
Åstorps Bioenergi AB	556644-8246	Båstad	100.0%		
Skåne Projektfastigheter AB	556471-9143	Båstad	100.0%	36	36
AB Kampenhof	556453-1688	Uddevalla	80.0%		
Hyresmaskiner Gösta Pettersson AB	556082-6470	Båstad	100.0%		
KB Kampenhof	916849-5365	Göteborg	80.0%		
Mauritz Larsson Byggnads AB	556036-8242	Båstad	100.0%		
Bomi AB	556470-0176	Båstad	100.0%		
HB Muraren 126	916837-9759	Göteborg	100.0%		
Projektfastigheter Väst AB	556044-1866	Båstad	100.0%		
Projektfastigheter Götaland AB	556259-3540	Båstad	100.0%		
Peab Industri AB	556594-9558	Båstad	100.0%	–	600
Pionjären Fastighets AB	556114-9773	Boden	100.0%	–	8
Pleiad Speyer GmbH		Speyer	100.0%		
Total				**7,281**	**7,816**

1) The capital participation accords with the vote participation.
2) In addition to the Group companies acquired in 2007 (see Note 5), the proportion of capital for 2007 corresponds with the proportion of capital for 2006.

Parent company

MSEK	2007	2006
Acquisition value brought forward	11,348	7,867
Purchases	60	2,330
Shareholder's contribution	120	1,664
Distribution of shares in Peab Industri AB	–600	–
Sales	–70	–513
Accumulated acquisition values brought forward	**10,858**	**11,348**
Revaluations brought forward	100	100
Accumulated revaluations carried forward	**100**	**100**
Write-downs brought forward	–3,632	–1,890
Sales	62	449
Write-downs for the year	–107	–2,191
Accumulated write-downs carried forward	**–3,677**	**–3,632**
Book value carried forward	**7,281**	**7,816**

During the year, participations in group companies were written down by SEK 107 million (2,191) in the parent company accounts. The write-downs refer to dormant companies or companies with little activity where values have been written down to the equity value. Annual writedowns are reported in the income statement on the "Profit from shares in group companies" line.

Note 42 Cash flow statement

Paid interest and dividends received

	Group		Parent company	
MSEK	2007	2006	2007	2006
Dividends received	63	3	32	0
Interest received	111	50	24	11
Interest paid	94	108	148	86

Adjustments for non cash flow items

	Group		Parent company	
MSEK	2007	2006	2007	2006
Participation in joint ventures	–33	9		
Dividends received from joint ventures	31	3		
Depreciation/amortization and write-downs	254	477	108	2,257
Unrealized exchange rate difference	45	–20		
Gain on sale of fixed assets	–15	–39	1	17
Gain on sale of business/subsidiary	–3			
Provisions	7	9		
Change fair value financial instruments	198	–216	199	–215
Accrued expenses and provisions	–30	90	35	
Dividends from subsidiaries			–1,557	–2,796
Total	**454**	**313**	**–1,214**	**–737**

Transactions without payments

MSEK	Group 2007	Group 2006	Parent company 2007	Parent company 2006
Aquisition of assets by financial leasing	105	237		
Aquisition of subsidiaries financed by loan from the seller	33	84		
Conversion of convertible promissory notes liabilities to equity	466		466	
Aquisition of subsidiaries with own shares		20		

Acquisition of subsidiaries and business areas

MSEK	Group 2007	Group 2006
Fixed assets	267	698
Current assets	382	1,062
Liquid assets	61	179
Minority interests	–5	–
Provisions	–67	–114
Long-term liabilities	–78	–219
Current liabilities	–236	–853
Purchase prices	324	753
Loan from the seller	–33	–84
Aquisition with own shares	–	–20
Paid purchase price	291	649
Less: Liquid assets in acquired companies	–61	–179
Effect on liquid assets	**230**	**470**

Divestment of subsidiaries

MSEK	Group 2007	Group 2006
Fixed assets	6	2
Project- and development properties and inventories	34	53
Current receivables	6	10
Borrowings	–25	–12
Current liabilities	–9	–51
	12	**2**
Received purchase price	15	2
Less: Liquid funds in divested companies	–	–
Effect on liquid funds	**15**	**2**

Note 43 Important estimates and assessments

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

Percentage of completion revenue recognition

The profit entered for contract projects in progress is based on the recognition of revenues as a percentage of their completion, and is prerequisite on an efficient system of calculation, forecasting and project monitoring. Forecasts of the final outcome of the project are critical estimates crucial for results reporting during the progress of the project. There may be a risk that final results for a project will differ from the percentage of completion calculations.

Project and development properties

The book value has been estimated based on prevailing price levels per property at the respective location. Changes in supply and demand may alter reported values and writedown needs may arise.

Disputes

The actual outcome of disputed amounts may vary from the amounts estimated for the accounts.

Taxes

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

Accounting principles

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

Note 44 Information on parent company

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

The consolidated accounts for 2007 consist of the parent company and its subsidiaries, together referred to as the group. The group also includes shares of holdings in joint ventures and associated companies.

The annual report has been prepared in accordance with good accounting practices in Sweden and the consolidated accounts have been prepared in accordance with International Accounting Standards, stated in the regulation of the European Parliament and the Council of Ministers (EG) no 1606/2002 of July 19, 2002, concerning the application of international accounting standards. The annual report and the consolidated accounts give a true and fair view of the parent company as well as of the group's condition and result. The directors' report of the parent company and of the group companies give a true and fair view of the companies' business development, condition and result. It also states major risks and uncertainty factors ahead of the parent company and the group companies.

Förslöv April 4, 2008

Göran Grosskopf
Chairman

Mats Paulsson
CEO

Annette Brodin Rampe
Member of the Board

Karl-Axel Granlund
Member of the Board

Svante Paulsson
Member of the Board

Lars Sköld
Member of the Board

Kent Ericsson
Member of the Board

Bengt Ericsson
Member of the Board

Patrik Svensson
Member of the Board

The annual report and the consolidated accounts have been approved for publication by the board of directors on April 4, 2008. The consolidated income statement and balance sheet and the parent company's income statement and balance sheet will be presented for adoption by the AGM on May 15, 2008.

AUDIT REPORT.

To the annual meeting of the shareholders of Peab AB (publ)
Corporate identity number 556061-4330

I have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the CEO of Peab AB (publ) for the year 2007. The annual accounts and the consolidated accounts are presented in the printed version of this document on pages 32–88. The board of directors and the CEO are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of International Financial Reporting Standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. My responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on my audit.

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

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

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

Förslöv 4 April 2008

Alf Svensson
Authorized Public Accountant

CORPORATE GOVERNANCE REPORT.

GROUP GOVERNANCE AND THE APPLICATION OF THE CODE

Peab group governance is based on the Swedish Companies Act and other relevant legislation, the articles of association, the listing agreement with OMX Nordic Exchange Stockholm, the recommendations of the Swedish Industry and Commerce Stock Exchange Committee and the Swedish Code of Corporate Governance (the Code).

Peab applies the Code in accordance with the listing agreement with OMX Nordic Exchange Stockholm. In 2007, Peab fully applied the Code and there were no non-compliances with the Code during the financial year.

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

THE AGM AND THE NOMINATION PROCEDURE

The AGM was held on 16 May 2007 at Grevieparken, Grevie. 386 shareholders attended the meeting, representing 75 per cent of the votes either personally or through representatives.

The nomination of members of the board of directors and (where appropriate, the auditors) before the AGM follows the nomination procedure established at the previous AGM.

At the 2007 AGM the major shareholders recommended a nomination committee consisting of the chairman of the board of directors and an additional three to four members, of which two to three members should represent the major shareholders and one to two members should represent the small shareholders. The AGM elected Malte Åkerström, Göran Grosskopf, Fredrik Paulsson and Leif Franzon to act as Peab's nomination committee with Malte Åkerström as chairman. The nomination committee's proposals will be presented to the shareholders in the summons to attend the 2008 AGM. An account of the work of the nomination committee may be found on Peab's website.

THE BOARD OF DIRECTORS AND ITS WORK

According to Peab's articles of association the board of directors must be made up of no fewer than five and no more than nine members in addition to the statutory employee representatives. The members of the board of directors are elected annually by the AGM. At the 2007 AGM the following persons were elected as members of the board of directors:

Re-election	New election
Göran Grosskopf	Stefan Paulsson
Karl Axel Granlund	Lars Sköld
Mats Paulsson	
Svante Paulsson	
Annette Brodin Rampe	

Göran Grosskopf was appointed chairman of the board by the AGM.

At the 2007 AGM, the following employee representatives were appointed by the employee unions: Bengt Ericsson, Kent Ericsson, Ulf Lundström (members), Bo Larry Olsson and Leif Johansson (deputies). Ulf Lundström, who has changed position within the group, was replaced by Patrik Svensson in October 2007. 15 meetings of the board of directors were held in 2007, of which five were ordinary meetings of the board (incl. the constitutional meeting of the board), five meetings of the board were held by telephone and five by letter or mail.

Members of the group management submitted reports at the meetings of the board of directors. The company auditor was present at two of the ordinary meetings of the board. The work of

Board meetings, presence 2007

	Feb 14	Feb 20	Apr 2	Apr 9	Apr 18	Apr 24	May 16	May 16[1]	Jul 9	Jul 10	Aug 22	Sep 10	Oct 4	Oct 12	Nov 23
AGM elected members															
Göran Grosskopf	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Mats Paulsson	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Annette Brodin Rampe	•	•	•	–	•	•	•	•	•	•	•	•	•	•	•
Karl-Axel Granlund	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Svante Paulsson	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Stefan Paulsson								•	•	•	•	•	•	•	•
Lars Sköld								•	•	•	•	•	•	•	•
Jan Segerberg	•	•	•	•	•	•	•								
Ordinary employee representatives															
Bengt Ericsson	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Kent Ericsson	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Ulf Lundström	•	•	•	•	•	•	•	•	•	–	–	•	•	•	
Patrik Svensson															•

1) Inaugural meeting

• Present, – Not present

the board is regulated by a work program that is adopted by the board of directors at the constitutional meeting.

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

Peab's CEO, Mats Paulsson, who is also one of the company's major shareholders, is a member of the board of directors. The majority of the elected members of the board of directors (Göran Grosskopf, Karl-Axel Granlund and Annette Brodin Rampe and Lars Sköld) are independent in relation to the company and the management. They are also independent in relation to the company's major owners. Mats Paulsson, Stefan Paulsson and Svante Paulsson should not be considered independent in relation to the company and the management.

THE AUDIT COMMITTEE

MEMBERS IN 2007

Göran Grosskopf, chairman
Karl-Axel Granlund
Stefan Paulsson
Lars Sköld
Svante Paulsson
Annette Brodin Rampe

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

The audit committee prepares the work of the board of directors by assuring the quality of the group financial reports, establishing the guidelines for which other services besides auditing the company may outsource to the company auditor, evaluating the auditors work and informing the nomination committee of the evaluation and assisting the nomination committee in proposing for auditors and remuneration for auditing work. The auditing committee met twice in 2007. Both times all members of the committee attended, as well as the company auditor.

The audit committee regularly reports to the board of directors.

THE FINANCE COMMITTEE

MEMBERS IN 2007

Göran Grosskopf, chairman
Karl-Axel Granlund
Mats Paulsson

The finance committee manages and takes decisions of financial matters in accordance with the finance policy established by the board of directors. At the the finance committee meetings, group management representatives attend and submit reports. The finance committee met four times during 2007. Each time all members of the committee participated.

The finance committee regularly reports to the board of directors.

THE REMUNERATION COMMITTEE

MEMBERS IN 2007

Göran Grosskopf, chairman
Karl-Axel Granlund
Mats Paulsson

The remuneration committee draws up guidelines and a framework for the salaries and other terms of employment for leading officers. The remuneration committee met twice during the financial year. Each time all members of the committee participated.

The remuneration committee regularly reports to the board of directors.

REMUNERATION TO EXECUTIVE MANAGEMENT

The 2007 Annual General Meeting approved the Remuneration Policy for executive management. The remuneration policy is available on Peab's web site, www.peab.se. Information about salaries and other remuneration to the CEO and other leading officers can be found under Note 7 in the annual report.

INCENTIVE PROGRAM

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

AUDITORS

Under Peab's articles of association one or two auditors with a similar number of deputies must be elected by the AGM for a period of four years. At the AGM in 2007, the public accountant Alf Svensson, KPMG, was appointed company auditor and public accountant Dan Kjellqvist, KMPG, was appointed deputy auditor for the company. Besides auditing, Alf Svensson, Dan Kjellqvist and KPMG have only provided services for Peab in the form of accounting and tax consultancy and certain analyses in connection with acquisitions and divestments over the last three years.

GROUP MANAGEMENT

The CEO leads the company in accordance with the framework established by the board of directors and is responsible for daily administration and control of the group. By working with a management forum throughout the group, an efficient decision making process is achieved, as well as good communications. The management forum is separated into executive group management and the steering committee. Executive group management comprises the CEO and the deputy CEOs of Peab AB. Meetings are held once a month and address issues of strategy and the development of improved profitability. Group management consists of executive group management, operational managers and the operational finance manager and Peab's lawyer. Support function managers are assembled as required. Meetings are held once a month and address issues concerning structure and coordination.

GOVERNANCE OF THE BUSINESS UNITS

The Peab organisation is characterised by its production focus with clear decentralisation and delegation of authority and responsibility in order to obtain efficient management and control within each business unit. The support functions support the activities of all Peab group companies.

ETHICAL GUIDELINES

For many years, Peab has based its ethical work on the Peab core values; Reliable, Personal, Down-to-Earth and Developing. These core values form the basis of Peab's Ethical Guidelines, established by the excecutive group management. During 2007, work to establish Peab's Ethical Guidelines throughout the organisation has been intensified.

THE BOARD OF DIRECTORS' REPORT ON INTERNAL AUDITING

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

Peab's board of directors is responsible for ensuring that there are efficient procedures for the management and control of the group concerning the financial reporting. The CEO is responsible for organisation of the internal control and that it follows the guidelines laid down by the board of directors. There is an unambiguous set of rules within the group for delegation of responsibility and authority which follows the group's operational structure. Financial management and control is performed by group accounting/finance together with the operations' accounting.

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

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

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

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

BOARD OF DIRECTORS AND AUDITORS.

Göran Grosskopf
Born 1945. Appointed 2004.

Professor, LLD and Dr Econ.

Chairman of the board of Peab AB, Ingka Holding BV, member of the board of Svox AG. Former professor of tax law and working chairman of the board of Tetra Laval AB.

Holding: 160,000 B-shares.

Karl-Axel Granlund
Born 1955. Appointed 2000.

MSc (economics), MSc (engineering).

Main owner and chairman of the board of Volito AB. Chairman of the boards of CTT Systems AB and Avansys AB.

Holding: 10,200,000 B-shares.

Mats Paulsson
Born 1944. Appointed 1992.

CEO of Peab AB. Chairman of the board of Peab Industri AB. Member of the boards of Skistar AB.

Formerly, various positions within Peab starting in 1959.

Holding:
5,574,234 A-shares,
19,237,510 B-shares.

Svante Paulsson
Born 1972. Appointed 2003.

CEO of Backahill AB. Member of the boards of Fabege AB, Brinova Fastigheter AB, Platzer Fastigheter, Cernelle AB, Rögle BK and Ängelholms Näringsliv AB.

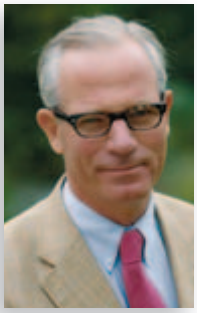
Holding: 983,376 A-shares,
1,367,760 B-shares.

Annette Brodin Rampe
Born 1962. Appointed 2000.

MSc (engineering).

Senior Partner of Brunswick Group. Member of the board of Peab AB, Pilum AB and Ruter Dam. Formerly, various positions in E.ON Sverige AB, Exxon Chemical Inc and CEO of Senea AB.

Holding: 8,000 B-shares.



Lars Sköld
Born 1950. Appointed 2007.

Chairman of the boards of Ewerman AB, Allfrukt in Stockholm AB, Satotukku Oy. Deputy chairman of Åkers AB. Member of various boards within the STC Interfinans group.

Holding: 3,000 B-shares.

Kent Ericsson
Born 1949. Appointed 1998.

Project manager Bygg Sverige.

Employee representative

Holding: 6,800 B-shares,
1,800 convertibles.

Bengt Ericsson
Born 1946. Appointed 2000.

Carpenter Bygg Sverige union.

Employee representative

Holding: 4,400 B-shares,
1,800 convertibles.

Patrik Svensson
Born 1969. Appointed 2007.

Foreman Bygg Sverige union.

Employee representative

Holding: 1,800 convertibles.

Stefan Paulsson was a member of the board of directors since the AGM in May 2007 until his decease in February 2008.

AUDITORS

Alf Svensson
Born 1949.

Authorised public accountant, KPMG.

Auditor in Peab AB since 2007.

Dan Kjellqvist
Born 1954.

Authorised public accountant, KPMG.

Alternate auditor in Peab AB since 2007.

The holdings reported were those on 29 February 2008. Holdings include those of spouses, children who are minors and private company holdings.

Convertibles refer to the number of convertible promissory notes 2007/2012 at nominal SEK 68, see Note 7, Convertible promissory notes.

GROUP MANAGEMENT.

EXECUTIVE MANAGEMENT

Mats Paulsson
CEO Peab AB
Born 1944.

Employed since 1959.

Holding:
5,574,234 A-shares,
19,237,510 B-shares.

Göte Brännvall
Deputy CEO Peab AB
Production and production development
Born 1946.

Employed since 1970.

Holding: 439,764 B-shares,
1,800 convertibles.

Mats Leifland
Deputy CEO Peab AB
Finance and strategy
Born 1957.

Employed since 1995.

Holding: 413,200 B-shares,
1,700 convertibles.

Anders Elfner
Deputy CEO Peab AB
Business and business development
Born 1955.

Employed since 2003.

Holding: 142,800 B-shares,
1,800 convertibles.

Jan Johansson
Deputy CEO Peab AB
Production and production development
Born 1959.

Employed since 1986.

Holding: 200,000 B-shares,
1,800 convertibles.

Mats Johansson
Deputy CEO Peab AB
Strategy and business development
Born 1950.

Employed since 2005.

Holding: 217,200 B-shares,
1,800 convertibles.

Jesper Göransson
Deputy CEO Peab AB
Group Accounting and Finance
Born 1971.

Employed since 1996.

Holding: 357,600 B-shares,
1,800 convertibles.

The management of the Peab group
Working with a management forum throughout the group increases the efficiency of the decision-making process and improves communications. The management forum is separated into executive management and group management.

Executive management
Executive management is made up of the CEO and the deputy CEOs of Peab AB. Executive management meets once a month and deals with questions of orientation of strategy and development to enhance profitability.

Group management
Consists of managers, executive management, operational managers, operational finance manager and Peab's lawyer. Other departmental heads are co-opted as required. Meets once a quarter and deals with questions concerned with structure and coordination.

The reported holdings are those on 29 February 2008. Holdings include those of spouses, children who are minors and private company holdings.

Convertibles refer to the number of convertible promissory notes 2007/2012 at nominal SEK 68, see Note 7, section Convertible promissory notes.

OPERATIONAL MANAGERS

Anders Svensson
Division South
Born 1951.

Employed since 1994.

Holding: 9,200 B-shares, 1,800 convertibles.

Tore Hallersbo

Division West
Born 1955.

Employed since 2005.

Holding: 302,200 B-shares, 1,800 convertibles.

Thomas Anderson
Division Bostad
Born 1956.

Employed since 1996.

Holding: 20,000 B-shares, 1,800 convertibles.

Lars-Erik Söderberg

Division Stockholm Hus
Born 1947.

Employed since 1991.

Holding: 19,200 B-shares.

Jan-Olof Nordin
Division North East
Born 1958.

Employed since 1979.

Holding: 17,200 B-shares, 1,800 convertibles.

Göran Almin
Division Project development
Born 1956.

Employed since 2004.

Holding: 17,200 B-shares, 1,800 convertibles.

Tore Nilsson
Civil Engineering Division
Born 1950.

Employed since 1986.

Holding: 51,980 B-shares, 1,800 convertibles.

Stein Eriksen
Peab AS
Born 1961.

Employed since 2001.

Holding: 17,200 B-shares, 1,800 convertibles.

Antti Peltoniemi
Peab Seicon Oy
Born 1956.

Employed since 2003.

Holding: 41,200 B-shares, 1,700 convertibles.

The holdings reported were those on 29 February 2008. Holdings include those of spouses, children who are minors and private company holdings.

Convertibles refer to the number of convertible promissory notes 2007/2012 at nominal SEK 68, see Note 7, Convertible promissory notes.

SUPPORT FUNCTIONS

Lars Gutwasser
Business support
Born 1947.

Employed since 1969.

Holding: 1,800 convertibles.

Mikael Rydén
IT
Born 1965.

Employed since 1986.

Holding: 7,600 B-shares, 1,800 convertibles.

Gösta Sjöström
Information
Born 1948.

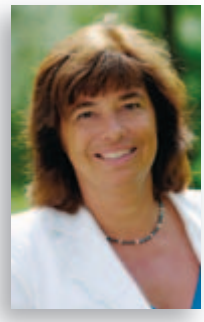
Employed since 1997.

Holding: 300,000 B-shares, 1,800 convertibles.

Jan Persson
Operational finances
Born 1957.

Employed since 1990.

Holding: 40,000 B-shares, 1,800 convertibles.



Karin Malmgren
Legal Affairs
Born 1960.

Employed since 1999.

Holding: 18,200 B-shares, 1,700 convertibles.

Annika Spångberg
Information
Born 1957.

Employed since 2000.

Holding: 6,000 B-shares, 1,800 convertibles.

Stefan Björck
Purchasing & Logistics
Born 1954.

Employed since 2007.

Holding: 400 B-shares, 1,800 convertibles.

The holdings reported were those on 29 February 2008. Holdings include those of spouses, children who are minors and private company holdings.

Convertibles refer to the number of convertible promissory notes 2007/2012 at nominal SEK 68, see Note 7, Convertible promissory notes.

SHAREHOLDERS' INFORMATION.

DIARY 2008

Annual General Meeting	May 15
Interim Report, January–March	May 15
Interim Report, January–June	August 26
Interim Report, January–September	November 25
Year-end Report, 2008	February 14, 2009
Annual Report, 2008	April 2009

FINANCIAL INFORMATION

Peab publishes quarterly reports in Swedish and English about the company's development. Financial information, PeabJournalen and other company-related information, can be downloaded from the Peab website, peab.com, or ordered by contacting:

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Information ordering

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WELCOME TO THE ANNUAL GENERAL MEETING OF PEAB.

TIME AND PLACE

The Annual General Meeting (AGM) of Peab AB will be held at 3 p.m. on Thursday 15 May 2008 at Idrottshallen Grevieparken, Grevie.

NOTIFICATION

Notification of participation in the meeting must be submitted at the latest by 3 p.m. on Friday 9 May 2008. Notification may be submitted by telephone to +46 431 893 50, by mail to Peab AB, Stämma, SE-260 92 Förslöv, or via the company's website at www.peab.com/agm. To participate in the AGM shareholders must be registered in the share register kept at the Swedish Securities Register Centre, VPC AB, by Friday 9 May 2008 at the latest. Shareholders who have registered their shares in trust must have registered such shares in their own names at the latest by this date. Shareholders should request trustees to undertake such registering a few days in advance.

DIVIDEND

The Board of Directors proposes to the AGM an ordinary dividend of SEK 2.25 per share for 2007. The proposed record day is Tuesday 20 May 2008. If the AGM approves the proposals submitted, dividends will be distributed from the VPC on Friday 23 May 2008.

DEFINITIONS.

FINANCIAL DEFINITIONS

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

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

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

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

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

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

Interest coverage ratio
Profit before tax items plus interest expenses in relation to interest expenses.

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

Operating margin
Operating profit as a percentage of net sales.

Order backlog
Orders being constructed or waiting for construction.

Orders received
The sum of orders received during the year.

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

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

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

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

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

CONSTRUCTION-RELATED DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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