

YEAR-END REPORT
JANUARY 1 – DECEMBER 31, 1999



- **The Group's profit after financial items was SEK 162 million (211)**
- **Profit after tax was SEK 233 million (145), corresponding to earnings per share of SEK 3.40 (2.10)**
- **Operating profit in the construction and civil engineering business increased to SEK 252 million (114)**
- **Proposed buy-back of shares and outstanding warrants**
- **Dividend, SEK 0.80 (0.60)**
- **Profit forecast for 2000 is approx. SEK 400 million after financial items**

Market

Sweden

Total expenditure on construction in Sweden rose by 5 percent in 1999. This is in line with expectations, despite a sometimes erratic market in which fluctuations can have an abrupt impact on the construction industry's sectors. Expenditure on construction is expected to reach at least the same level in 2000.

Housing: Signs of the long-anticipated increase in demand for new housing began to emerge in 1999. Despite the considerable need, this rise was somewhat lower than expected, with the exception of the Stockholm area where the upward trend has been slowed by various supply problems.

Regional differences in demand are becoming more distinct. There were no building starts for new apartments in eight of Sweden's provinces in 1999. One of the reasons why new production is not increasing faster is that it is still often more economical to renovate and rebuild existing housing, than to build new, a phenomenon that is now also apparent in counties close to major cities. However, a further increase in total housing construction is expected in 2000.

Construction for industry: Industry's expenditure on construction has increased only moderately during much of the 1990s. In 1999 there was a sharp increase. In the autumn, the level of investment in commercial premises was the highest ever. Demand should continue to be good in the next few years as it follows the rising trend in Swedish industrial production.

Public works: Construction in the public sector has remained at a very low level since the financial crisis of the early 1990s. Public finances are now improving, and public sector construction will increase in the current year.

Road construction and civil engineering: There has been only a modest increase in road construction and civil engineering projects in Sweden over the past 20 years. From an international perspective, Sweden spends less on road infrastructure than other countries, but it should be just the opposite in order to tackle problems such as deteriorating road standards. In addition, willingness to invest varies considerably, as the counties account for most of the production.

Many of the public works and public sector civil engineering projects planned for 1999 under the auspices of the Swedish state road and rail authorities have been postponed. The level of activity in road and railway maintenance is often based on political decisions. In 1999 a reallocation of investment was made from new roads to the running and maintenance of the road and rail network.

Norway

Demand for new housing construction in Norway was slightly better than expected in 1999 and, in contrast to Sweden, it was evenly spread across the country. Housing construction in 2000 is expected to be at the same level as 1999. Sales in the civil engineering market decreased in 1999 and diminished demand is expected to continue in 2000.

Finland

The construction market experienced a high level of activity and considerable interest in investment across the whole building sector. There are no evident signs that this trend is flagging.

Poland

There was a considerable and continuing need for investment in housing, commercial property and infrastructure.

Sales

Peab's operations during the year have been marked by continued good utilisation of capacity, a rising percentage of complete projects, growth in property resale activities and the development of special projects

The Group's net sales for 1999 increased by 10 percent to SEK 13,841 million (12,616).

Of net sales, SEK 434 million related to acquired units. Adjusted for these acquisitions as well as Swerock AB and Cliffton AB, which were only a part of the group for one quarter of the previous year, sales fell by 3 percent. This decrease is attributable to operations outside Sweden. For comparable Swedish units, net sales were at the same level as 1998.

Of the year's net sales, SEK 1,620 million (1,850) relates to production outside Sweden, of which production in Norway amounted to SEK 1,280 million (1,754), and in Finland to SEK 215 million (-).

Profit

Operating profit fell by 12 percent from SEK 280 million in 1998 to SEK 246 million.

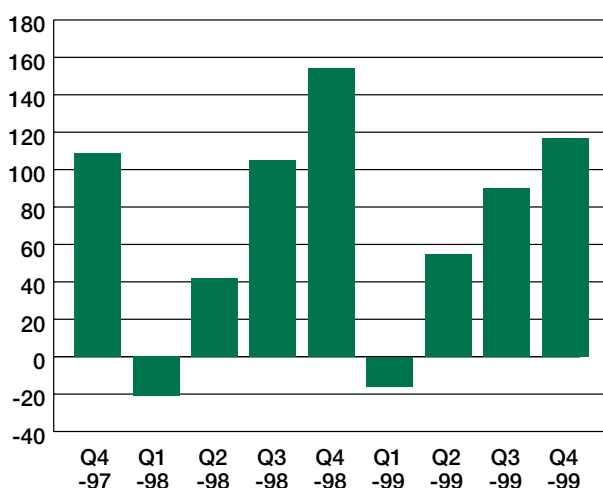
Profit after financial items was SEK 162 million, compared with SEK 211 million.

Return on equity was 10.1 percent against 11.6 percent for the previous year.

Fluctuations in quarterly operating profit due to seasonal variations in the construction market over the last nine quarters are illustrated in the following diagram:

Quarterly operating profit

SEK million



Items affecting comparability

Profit was adversely affected by a SEK 260 million loss relating to the Romeriksporten tunnel project, and a SEK 62 million loss attributable to construction work on the terminal building at Gardermoen Airport. These items, amounting to SEK -322 million (-) are reported under the heading "items affecting comparability" in the operating profit figures.

Surplus funds from SPP

Peab has been allocated SEK 215 million in company-related funds from SPP. Pending a final decision on the form and timing of payment, and in compliance with a statement by Sweden's auditing council, no part of the claim has been taken up as income.

Associated companies

Shares in associated companies' profits are reported in accordance with the equity method. The year's shares in associated companies' profits before tax were SEK 1 million (57). This profit reduction was mainly due to losses in Oskarsborg AB of SEK -28 million (0), Ecuro SEK -14 million (-1) and Maintech SEK -4 million (-4). Profit from sold holdings in associated companies was SEK 179 million (8). Of this amount, SEK 120 million was attributable to the sale of BPA, and SEK 61 million to the disposal of Miljöservice.

Peab reports profit shares with a delay of one quarter. The operations of associated companies' are mainly within the contracting business and therefore follow the industry's seasonal fluctuations in terms of operating profit, which means the second half of the year is expected to produce a higher profit than the first.

Net financial items

Net financial expenses amounted to SEK -84 million (-69), of which SEK -30 million relates to depreciation of shares in Folkebolagen AB. Net interest expenses were SEK -57 million (-69) – an improvement mainly due to reduced net borrowings.

Taxes

Taxes paid amounted to SEK -23 million (-11). Tax on profits of associated companies was SEK -24 million (-17). Deferred tax receivables attributable to losses carried forward arising in 1999 have been reported as deferred tax income of SEK 80 million (-).

Financial position

Net borrowings amounted to SEK 1,107 million compared with SEK 1,493 million on the corresponding date in 1998. The reduction is principally

attributable to sales of shares in associated companies.

The Group's unappropriated liquid funds at year-end were SEK 1,004 million compared with SEK 1,232 million at year-end 1998.

The equity/assets ratio was 23.1 percent compared with 20.4 percent on December 31, 1998.

Risk-bearing capital amounted to SEK 1,914 million against SEK 1,737 million, corresponding to 29.1 percent (26.3) of total assets.

Capital expenditure and personnel

Net capital expenditure on fixed assets amounted to SEK 117 million (977) during the year, of which SEK 223 million (158) was for net sales of shares and participations. During the period, property for resale was acquired for SEK 40 million, net, (44 net sales). The number of employees at year-end was 8,861 compared with 8,717 the previous year.

Business areas

In order to better explain and clarify Peab's various operations, these will be reported from the fourth quarter onwards as four different business areas: Construction and Civil Engineering, Industry, Trust/Management and Operations under Termination.

Construction and Civil Engineering	Industry	Trust/ Management	Operations under Termination
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Business area results

	Sales		Operating profit		Profit after financial items	
	1999	1998	1999	1998	1999	1998
Construction and Civil Engineering	11 397	10 798	252	114	259	142
Industry	2 656	1 256	229	87	201	80
Trust/Management	65	122	213	54	199	-14
Operations under Termination	553	821	-448	25	-497	3
Eliminations	-830	-381				
Total	13 841	12 616	246	280	162	211
Capital employed			3 712	3 592		
Return on capital employed			8%	11%		

Construction and Civil Engineering

Sweden

Peab restructured its Swedish construction and civil engineering operation in 1999. The five separate production units in Sweden were brought together in one legal entity, Peab Sverige. The benefits of this new organisation are increased capacity utilisation, better cost-effectiveness and improved possibilities for co-ordination. Peab Sverige now operates five construction divisions and a nationwide civil engineering division. The restructuring has already started to deliver positive effects.

Peab Sverige focuses on profitable growth. This is achieved by increasing the proportion of projects with high added value. Developing Peab-managed projects will become an increasingly prioritised area in the years to come.

Peab's civil engineering projects in Sweden are mainly focused on local markets, but there are also a number of major projects, such as the land link for the Öresund Bridge, Kolbäck Bridge in Umeå and Traneberg Bridge in Stockholm. Political decisions at both local and national level are often behind the offering of civil engineering projects.

Abroad

From now on, Peab's Norwegian subsidiary Peab AS will focus its operations on three areas; Construction, Project Development and Regional Civil Engineering Projects. The company has enjoyed a stable market and good demand in recent years. Its area of operations is concentrated on greater Oslo and the Sörland region.

Peab's Finnish subsidiary Rakennus OY Leo Heinänen mainly concentrates on rebuilding,

renovation and building services in Helsinki. The company is expected to achieve continued good growth.

Poland has been one of the major investors in construction among the European nations for several years. Peab's subsidiary Peab Sp.zo.o has a customer base that includes a large proportion of Swedish companies expanding in Poland. Recently the company started to manage its own housing construction projects in Warsaw.

Order backlog to produce Construction and Civil Engineering

	Dec 31, 1999	Dec 31, 1998
Coming financial year	5 886	5 394
Next financial year	1 271	1 101
Thereafter	31	360
Total	7 188	6 855

During the year, orders received fell by 5 percent to SEK 12,111 million (12,721). This reduction is largely attributable to the civil engineering operation - which signed a number of large contracts in the period January-June 1998 - as well as an intensified focus on enhanced profitability.

At year-end, the order backlog amounted to SEK 7,188 million compared with SEK 6,855 million on the same date in 1998. There was a higher percentage of construction projects and a lower percentage of civil engineering projects compared with the previous year.

Construction and Civil Engineering results

	Sales		Operating profit		Operating margin	
	1999	1998	1999	1998	1999	1998
Sweden	10 498	10 024	226	113	2.2%	1.1%
Abroad	899	774	26	1	2.9%	0.1%
Total	11 397	10 798	252	114	2.2%	1.1%
Orders received			12 111	12 721		
Order backlog			7 188	6 855		
Capital employed			915	789		
Return on capital employed			35%	21%		
Cash flow ¹⁾			288	135		
Gross investments			212	126		
Number of employees			7 573	7 480		

¹⁾ Operating profit plus depreciation

The profit improvement of the Swedish operation is mainly due to growing production, the increased proportion of complete projects and the clear focus on project development. Careful expansion of the foreign operation and consolidation in Norway have also contributed to the increase in profit.

Industry

Peab's Industry operation consists of a group of strong, independent companies with well-known brand names. Their combined sales amounted to around SEK 2,600 million and profitability is improving steadily. External invoicing accounts for some 70 percent of total sales. The industry-oriented companies provide Peab's construction and civil engineering operation with access to strategically important resources such as material, machines, transport and services.

Swerock

Swerock AB is one of Sweden's leading suppliers of prefabricated concrete, concrete products, rock and gravel. The company has a strong brand and a good market position, especially in major cities and surrounding regions, where good growth is expected to continue. In addition to its strong position in the Swedish construction market, Swerock has in recent years developed an export business for prefabricated products to Norway. Swerock's market position will be further strengthened following the acquisition in 1999 of the Finja-betong prefabricated concrete and concrete products for paving business.

The subsidiary Cliffton AB is a strong player in areas such as transport, hire of heavy contract plant and sales and production of concrete and ballast in southern Sweden.

The company is the leader player in its regional markets. Its strength is based on offering customers a comprehensive concept including machines, material and transport. Cliffton has eight concrete plants in southern Sweden and 30 modern truck mixers for transporting concrete. Swerock has 750 employees.

Peab Asphalt

Peab Asphalt AB is Sweden's third-largest company in the manufacturing and application of hot, medium-hot and cold asphalt. The company has a strong focus on continually developing new products and efficient solutions such as an advanced recycling system for the asphalt that is already on our roads. In 1999, 120,000 tons of excavated asphalt material was processed in Peab's recycling plants. Peab Asphalt has ten fixed asphalt factories, three mobile asphalt-recycling plants, and 275 employees.

Lambertsson Maskin

Lambertsson Sverige AB operates a plant hire business and provides temporary electricity generation. The company's operation is run from 20 depots, which are evenly spread throughout Sweden. Sales are mainly internal to Peab Sverige, but the percentage of external sales is gradually rising. Lambertsson Sverige's organisation matches Peab Sverige's. The company employs 170 people.

Lambertssons Kran

Lambertssons Kran AB is one of Northern Europe's largest crane and aerial work platform rental companies, and has subsidiaries in Norway and Finland. In Sweden, the company is established in Stockholm, Gothenburg, Malmö and Skellefteå. Peab is Lambertssons Kran's biggest customer and accounts for 30 percent of sales. The company has been ISO 9002 certified since 1997, and has 170 employees.

Industry results

	Sales		Operating profit		Operating margin	
	1999	1998	1999	1998	1999	1998
Swerock/Asfalt	2 145	817	151	27	7.0%	3.3%
Maskin/Kran	511	439	78	60	15.3%	13.7%
Total	2 656	1 256	229	87	8.6%	6.9%
Capital employed			1 006	996		
Return on capital employed			23%	9%		
Cash flow ¹⁾			341	159		
Gross investments			226	191		
Number of employees			1 262	1 207		

¹⁾ Operating profit plus depreciation

Both Swerock, its subsidiary Cliffton, and Peab Asphalt are strong and stable players in their respective markets. Well-implemented rationalisation programmes and increasing demand have contributed to a positive profit trend. Increased capacity utilisation in the Plant and Crane segment is an important factor in the improved financial performance. Lambertssons Krans' expansion internationally is expected to continue.

Trust/Management

This concerns reporting on central companies, certain associated companies, depreciation of Group-related overvaluations relating to shares in subsidiaries as well as other Group adjustments. Capital employed amounted to SEK 569 million (380).

Operations under termination

Peab is working to clarify its structure and create favourable conditions for reaching good profitability. Peab intends to continue this refining process in the pursuit of greater clarity. Capital employed for operations under termination was SEK 1,222 million (1,427).

Norway

The Norwegian underground operation with associated civil engineering work in the Scandinavian Rock Group (SRG) and Scandinavian Airport Group (SAG) burdened profit with a total loss of SEK 420 million. This loss includes the outcome of the arbitration proceedings relating to the Rome-riksporten tunnel project, the final settlement of SAG's construction project for the terminal building at Gardermoen Airport amounting to SEK -322 million, and other project losses of SEK -98 million.

Regarding the disposal of SRG, discussions are underway with a number of interested parties and an agreement is expected in the first quarter of 2000 without further negative impact on profit. Now that a verdict has been reached, SAG operations have been closed.

Oskarsborg

Operations in the associated company Oskarsborg AB, in which Peab has a 46 percent holding, will be gradually wound up. Work on the disposal has intensified during the autumn and winter and an outcome is expected during the financial year, 2000.

Other holdings

As part of the structural refining process, Peab has decided to sell off its shares in Wihlborgs Fastigheter AB. The holding consists of 5.7 percent of capital and 14.6 percent of the votes. The shares have a book value of SEK 223 million. The termination of shareholdings will be executed at a time judged as suitable from a stock market perspective.

It has also been decided that the holding in Folkebolagen AB will be sold. Depreciation of shares in Folkebolagen AB affected profits adversely by SEK -30 million.

Highlights of the reporting period

The Group sold 14,200,000 A-shares and 800,000 subscription options in BPA AB. This disposal consists of Peab's total holding in BPA, corresponding to 35.6 percent of votes and 21.7 percent of capital.

The Finnish construction company Rakennus OY Leo Heinänen was acquired in April. The company has sales of SEK 200 million and employs 150 people. Its business is mainly focused on repairs, rebuilding and extensions, building services and facade renovation. Helsinki is the company's principal field of operation.

At the start of 2000, the Stockholm Entreprenad operation was taken over from Stockholm's municipal council. The business, which has 400 employees and sales of SEK 400 million, is mainly involved in the running and maintenance of local authority infrastructure, asphalt paving, bridge repairs and building services in the Stockholm region.

Peab acquired all the shares in Producta Ombyggnads AB in Stockholm. The company's main area of operations is the rebuilding of commercial properties in greater Stockholm. The company has 80 employees and annual sales of SEK 200 million.

An agreement was reached on modification of the ownership situation for the associated company AB Miljöservice in Sweden, which is 50-50 owned by Peab and the French company, SITA. The agreement means that Peab remains a 50 percent owner, but SITA obtains the right to increase its ownership to 100 percent within two years and the relative votes and participation in the company's profit will change accordingly during that time. A co-operation agreement has also been signed between Peab and SITA relating to continued collaboration in Scandinavia. The agreement provided a capital gain of SEK 61 million.

Peab has sold all its shares in Platzer Fastigheter AB, consisting of 360,000 A-shares and 300,000 B-shares. This disposal of shares corresponding to 7.2 percent of the number of votes and 1.5 percent of capital will have no effect on profit.

Highlights after year-end 1999

Peab and Samschakt have reached an agreement in principle that Peab will buy the contracting business that operates via the companies Samschakt Mark AB, Samschakt Maskin AB and Bromac AB.

Negotiations have begun on an eventual acquisition by Cramo of Lambertsson's machine division in Sweden's northern region. The agreement means that Cramo takes over Lambertsson's machine division in the north of Sweden, comprising of around 30 employees, as well as plant and equipment. The business has sales of SEK 55 million. Negotiations are expected to be concluded in February 2000.

The high court in Norway reached a verdict on February 4, 2000, in the dispute between Peab's subsidiary Scandinavian Airport Group (SAG) and Oslo Lufthavn AS. This dispute concerned SAG's construction work on the terminal building at Gardermoen Airport in 1995 and 1996. The verdict and associated costs resulted in a negative impact on profit of SEK 62 million, which has burdened operating profit for 1999.

Changes in Peab's board and management

Erik Paulsson left his position as a member of Peab's board on November 11, 1999.

At today's meeting of the board it was decided to expand corporate management by appointing Göte Brännvall and Mats O Paulsson as Deputy Managing Directors of Peab AB.

Turn of the millennium

Peab was not hit by infrastructure problems, such as disruption of electricity or communications networks, at the turn of the millennium. Tests have been carried out both on IT-platforms and business-critical applications. All the signs are that Peab's preparations for the turn of the millennium were sufficient, and that strategic systems have made the transition to 2000 without problem.

Dividend

The Board of Directors and Managing Director propose a dividend of SEK 0.80 (0.60) per share for 1999. This proposed dividend corresponds to a total dividend payment of SEK 55.3 million.

Proposal to buy-back outstanding warrants

Peab's board also proposes that the Annual General Meeting gives the board authorisation to decide on a buy-back of all outstanding warrants, equivalent to their subscription rights for 9,060,000 new shares.

Proposal to buy back own shares

Peab's board has also resolved that the Annual General Meeting puts forward a proposal to give the board an authorisation to decide on a buy-back of own shares. Such a mandate would mean that until the next annual general meeting, the board would have the possibility – if it is found appropriate – to decide on a buy-back of the company's shares. This is on condition that the proposed legislation on repurchasing of own shares comes into force as announced. An eventual buy-back could be implemented both through the stock exchange and via an offer to shareholders. The board's mandate is also proposed to include the possibility to transfer shares within the framework allowed by the new legislation.

Annual General Meeting

The Annual General Meeting will be held at Grevieparken, Grevie, on Wednesday, May 10, 2000 at 3.00 p.m.

Profit forecast

The Group's profit after financial items for 2000 is expected to be approximately SEK 400 million, excluding any surplus funds from SPP.

Shareholder information

The annual report for 1999 will be published on Peab's website at the end of March 2000, and distributed in mid-April, 2000. The interim report for the first three months of 2000 will be published on May 10, the six-month report on August 23, and the nine-month report on November 8.

Förlöv, February 9, 2000

Mats Paulsson
Managing Director

Condensed income statement

Group (SEK million)	1999	1998
Net sales	13 841	12 616
Operating expenses	-13 453	-12 401
Items affecting comparability	-322	-
Operating profit	66	215
Share of profits of associated companies	1	57
Earnings from sold participations in associated companies	179	8
Operating profit, total	246	280
Profit from financial investments	-84	-69
Profit after financial items	162	211
Taxes	43	-64
Minority interests	28	-2
Net profit for the period	233	145

Condensed balance sheet

Group (SEK million)	1999-12-31	1998-12-31
Assets		
Intangible fixed assets	236	219
Tangible fixed assets	987	882
Long-term interest-bearing receivables	744	457
Financial fixed assets	1 178	1 315
Real estate held for resale	183	144
Inventories	183	191
Current interest-bearing receivables	242	247
Other current receivables	2 723	3 087
Cash and bank balances	99	50
Total assets	6 575	6 592
Shareholders' equity and liabilities		
Shareholders' equity	1 514	1 322
Minority interests	6	23
Interest-free allocations	173	142
Long-term interest-bearing liabilities	2 048	2 096
Current interest-bearing liabilities	144	151
Other current liabilities	2 690	2 858
Total shareholders' equity and liabilities	6 575	6 592

Condensed cash flow analysis

Group (SEK million)	1999	1998
Cash flow from operations before changes in working capital	84	303
Cash flow from changes in working capital	405	-30
Cash flow from operations	489	273
Cash flow from capital expenditure	-310	-583
Cash flow from financing	-130	44
Net change in liquid assets during the period	49	-266

Key ratios

Group	1999	1998	1997
Net sales, SEK million	13 841	12 616	10 679
Operating profit, total, SEK million	246	280	172
Profit/loss after financial items, SEK million	162	211	105
Operating margin, total, percent	1.8	2.2	1.6
Return on equity, percent	10.1	11.6	7.5
Return on capital employed, percent	8.3	10.8	9.0
Equity/assets ratio, percent	23.1	20.4	22.1
Share of risk-bearing capital, percent	29.1	26.3	29.1
Net borrowings at the end of the period, SEK million	1 107	1 493	896
Profit after actual tax, SEK per share	3.40	2.10	1.50
– after completed subscription and conversion	2.50	1.60	1.10
Adjusted equity, SEK per share	22.00	19.50	17.70
– after completed subscription and conversion	21.20	19.30	18.10
Number of shares at the end of the period, million	69.1	69.1	69.1
– after completed subscription and conversion	93.4	93.4	93.4
Average number of outstanding shares, million	69.1	69.1	69.1
– after completed subscription and conversion	93.4	93.4	93.4



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