




ANNUAL REPORT 2008.

PEAB

WELCOME TO THE ANNUAL GENERAL MEETING OF PEAB

TIME AND LOCATION

The Annual General Meeting (AGM) in Peab AB will be held at 3 p.m. on Thursday 14 May 2009, Grevieparken in Grevie, Sweden.

NOTIFICATION

Notification of participation in the AGM must be submitted at the latest by 2 p.m. on Friday 8 May 2009. 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 by Euroclear Sweden AB (formerly VPC AB), by Friday 8 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 2008. The proposed record day is Tuesday 19 May 2009. If the AGM approves the proposals submitted, dividends will be distributed from Euroclear Sweden AB on Monday 25 May 2009.

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2008 AT A GLANCE

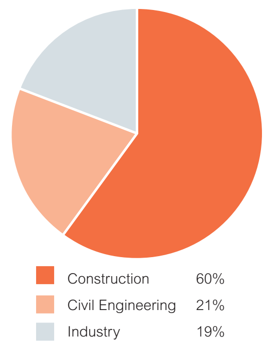
BUSINESS SUMMARY

- Net sales pro forma, including Peab Industri, increased by 8 percent
- Operating profit pro forma, including Peab Industri, increased by 9 percent
- Order backlog for Construction and Civil Engineering amounted to SEK 24,233 million (26,299)
- The stable Swedish construction market weakened in the fourth quarter
- Peab Industri was acquired and integrated into Peab AB as of 15 December 2008

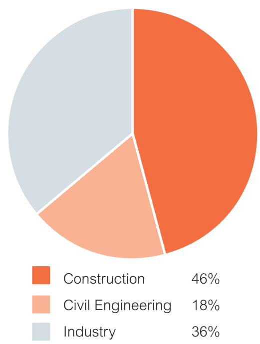
Financial summary	Jan-Dec 2008	Jan-Dec 2007	Pro forma[1] Jan-Dec 2008	Pro forma[1] Jan-Dec 2007
Net sales. MSEK	34,132	31,977	39,762	36,940
Operating profit, MSEK	1,349	1,261	2,202	2,023
Operating margin, %	4.0	3.9	5.5	5.5
Pre-tax profit, MSEK	1,014	1,099	1,712	1,767
Earnings per share before dilution, SEK	6.56	4.92	6.10	4.28
Dividend per share, SEK [2]	2.25	2.25		
Return on equity, %	21.9	23.6	28.6	
Equity/assets ratio, %	25.2	23.5	25.2	
Net receivables (+) / Net debt (–), MSEK	–4,042	587		

1) Including Peab Industri.
2) For 2008, Board of Directors' proposal

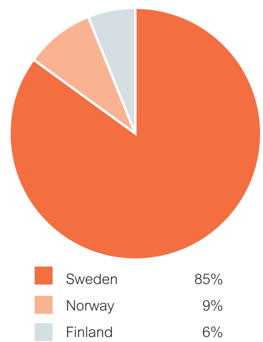
Net sales 2008 pro forma including Peab Industri



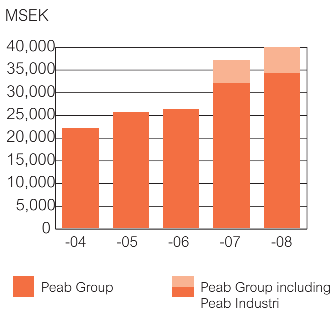
Operating profit 2008 pro forma including Peab Industri



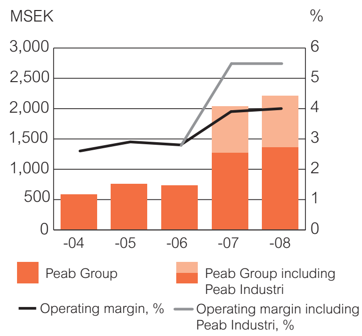
Net sales 2008 pro forma including Peab Industri



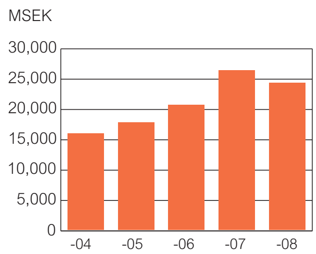
Net sales



Operating profit and margin



Order backlog Construction and Civil Engineering per 31 December



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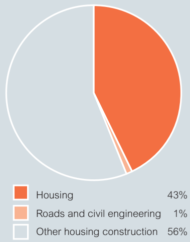
PEAB AT A GLANCE.

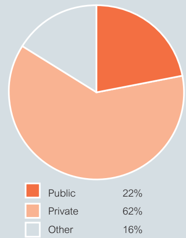
Peab is an innovative and personal construction and civil engineering company that combines the strength of a large Group with a local company's ability to create flexible solutions.

Business areas | Sales per product type | Sales per customer category

CONSTRUCTION

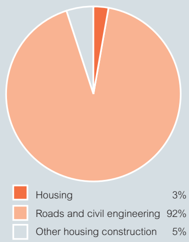
Business area Construction conducts contract work for external customers and for our own housing developments. Operations are run in Sweden, Norway and Finland.
The number of employees on 31 December 2008 was 8,390.

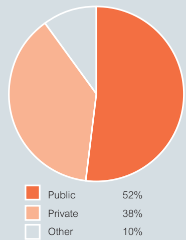




CIVIL ENGINEERING

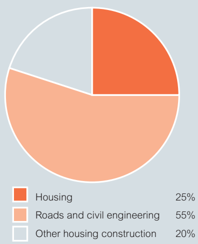
Business area Civil Engineering operates nationwide working with, for example, the construction of major infrastructure projects and civil engineering works. The business is divided into six regions and operates mainly in Sweden and to a lesser extent in Norway.
The number of employees on 31 December 2008 was 2,974.

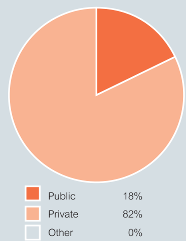




INDUSTRY

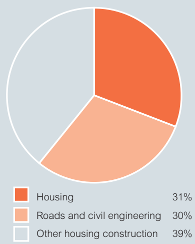
Business area Industry consists of the wholly owned subsidiary Peab Industri. Business is conducted in three complementary areas: Machines, Products and Services. They are all focused on the construction and civil engineering markets in the Nordic region.
The number of employees on 31 December 2008 was 2,676.

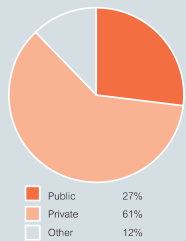




GROUP

Peab is one of the Nordic region's leading construction and civil engineering 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 major city areas. The number of employees on 31 December 2008 was 14,116.





PEAB'S SUCCESS FACTORS

- A competitive business with its own resources
- A solid foundation of core values
- A flat and customer-driven organisation that seizes business opportunities
- A strong financial position

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A 50 YEAR OLD THAT ALWAYS

1959

In 2009 50 years will have passed since the two brothers Mats and Erik Paulsson founded Peab. Since then the company has grown from a source of interest in their home town on the Bjäre peninsula into one of Sweden's biggest construction companies.

This success story is in large part due to the company's unerring ability to see opportunities where others only see problems.

EVERYTHING STARTED WITH A TRACTOR IN THE '50S

The seed to what would become today's Peab was sown in 1959 when the local constable visited the brothers' father. He happened to own the only tractor in the vicinity and the constable wanted him to take care of garbage collection. Their father said no and the constable had to leave the farm without accomplishing his purpose. Then the brothers who had heard the conversation suggested they take the job instead. This was the start of the brothers' budding business. A few years later they stumbled into the construction business. A builder who was erecting a workshop for the Paulsson brothers went bankrupt. The handymen he employed asked Erik and Mats if they couldn't take the company over so they could finish the job. They thought it seemed like a good idea.

Both the construction and machine rental businesses expanded and in 1967 it was time to move operations from the family home. They bought an old farm along Margretetorp Road outside Förslöv that also had quarry, which suited them perfectly. The farm became the base of their operations and Peab actually still has its headquarters there today.

PURCHASE OF WILHBORGS WAS A MILESTONE IN THE '80S

Malmö was in crisis in the middle of the '80s. The Kockum shipyard had been shut down, the Strumpfabrik closed and Eiser trikå went bankrupt. Peab already had an inroad into the area through the construction of the Malmö Stock Exchange, which gave them good connections with the County Governor and the City Council. This led to the company receiving its largest contract so far, the construction of Saab's new car factory in the West Port.

Although business was booming Peab was still a small player on the market. This, however, changed overnight when it in 1985 acquired Wihlborg's construction operations in Malmö. Peab was suddenly twice as big, which was an enormous advantage during the property boom at the end of the '80s.

CRISIS IN THE '90S TOOK PEAB TO THE STOCK EXCHANGE

Then the '90s came bringing an abrupt end to the frenzy of the '80s. Norrland's largest construction company, Hallström & Nisses, was one of many companies to find themselves in dire straits. It was the same size as Peab but it didn't have a distinct owner. Peab decided to acquire the company and became the major shareholder. Since Hallström & Nisses was already listed on the stock exchange, this meant that Peab also entered the stock market.

The next year the crisis hit the conglomerate Avena in Gothenburg, which owned, among others, Kullenbergs Bygg and a little machine company called Lambertsson. Peab decided to take over its construction and machine business. At the same time the construction company ByggPaul in Västerås ran into trouble and soon after Peab made an offer on it as well. Since Peab now consisted of three big construction companies that all had strong brands it decided

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SEES OPPORTUNITIES.

AN ARTICLE BY GÖSTA SJÖSTRÖM

2009

to change its name to Tre Byggare (Three Builders).

BPA ACQUISITION 1993 – AN IMPORTANT PIECE OF THE PUZZLE IN PEAB OF TODAY

BPA was the largest construction company in Sweden at the time. It was owned by a number of trade unions that, due to the economic slump, were interested in selling. However, due to the depressed market, they were having a hard time finding a buyer. They got in touch with Peab to see if it might be interested and a meeting was arranged. Company management decided the acquisition was doable, even though BPA was three times as big as Peab. Peab's MD at the time, Bengt Madsen, travelled to Borås and received a promise from Prime Minister Ingvar Carlsson that the government would support the deal. This was essential since it was already clear that Peab would be forced to cut the work force by half. After the acquisition of BPA the Group changed its name back to Peab.

THE BOLD STROKE

Market analysts had begun to regard the brothers' business deals with increasing scepticism and many were critical after the purchase of BPA. What they hadn't counted on, however, was management's well-known capacity to assess risks as well as Peab's ability to integrate newly acquired companies into its successful company culture. As the economy improved Peab turned out to be very well-equipped to handle all of the projects that were initiated.

The market was also suspicious of the fact that the two brothers each ran one of the two companies Peab and Wihlborgs which were owned by each other. Insinuations were made that business deals were decided over the kitchen table and not in the board room. At the end of the '90s Peab therefore chose to make a dramatic change internally called "The Bold Stroke". With an effective chop of the axe Peab and Wihlborgs were split into two independent companies and Mats became CEO of Peab while Erik became CEO of Wihlborgs. The market reacted very positively to this step and many were surprised that the two brothers had the necessary resolve to make this move. After all, they had worked side-by-side since 1959.

NEW MILLENIUM AND OPERATIONS ARE CONCENTRATED

Part of the real estate included in the acquisition of BPA was hard to valuate and this progressively increased the discount on Peab's shares. Therefore, in the beginning of 2000, Peab initiated a process of concentration in which all extraneous operations were distributed, phased out or sold. All property was gathered into one company Brinova, which was then distributed to the shareholders and listed in 2003. The objective was to create a concentrated and transparent construction company that was easy to value. This process turned out to have other positive effects because when Peab emerged as a distinct, expert construction company it also received more and larger projects.

A NEW FUTURE IS WAITING TO BE BUILT

The current situation is a lot like the end of the '80s and the beginning of the '90s. Doomsday prophets are making dire predictions and the future is said to look black. However, don't forget, Peab has always tried to see opportunities where other see problems.

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WE SEE OPPORTUNITIES,

The financial crisis and the rapidly declining economy cast a shadow over the end of 2008. Nonetheless I have to say it was a very good year for Peab. Our net sales, pro forma including Peab Industri, increased by eight percent and operating profit by nine percent. It looks like 2009 will be a much tougher year. We are, however, well-equipped and we have both the capacity and will to take advantage events as they develop.

PEAB INDUSTRI MAKES US STRONGER

When the financial market collapsed in the autumn of 2008 the business cycle took a dive. We had already begun to prepare ourselves for a weaker market but the velocity of the fall took us and many others by surprise. We realised we had to move fast and take rigorous measures to adapt Peab to the new situation. One of these was to bring Peab Industri back into Peab by making a public offer on the company. The acquisition was finalised in December 2008 and it created a Peab that is fitted to handle the new market situation business-wise and at the same time the new Peab is strategically and financially broader and stronger than each company was on its own.

LONG EXPERIENCE OF HANDLING UPS AND DOWNS IN THE ECONOMY

Fifty years have passed since the seed to today's Peab was sown. Over the years not only have we survived four downturns in the business cycle, we have managed very well. This is due in part to the fact that we have been able to predict developments on the market in time and prepare for them.

This time is no different. We have taken stock of the situation and taken the necessary steps. One of them was refinancing Peab back in the autumn of 2007, which has left us well-equipped, with a strong balance sheet and good liquidity.

Our ambition and ability to successfully assess the market has always permeated Peab. During all these 50 years not one of our companies has gone bankrupt and we have always paid our bills.

It's particularly important to keep a cool head when the market shrinks and revenue drops. The key is in making the right judgements and daring to say no to projects if that is the best thing in the long run.

WE HAVE ALWAYS SEEN OPPORTUNITIES

For some a downturn in the economy is a problem but for others it also full of opportunities. At Peab we have always tried to take

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NOW AND IN THE FUTURE.

advantage of unfolding events. In fact, we have advanced and made some of the most important acquisitions in the history of the company precisely during hard times. Continually focusing on costs has led to profitable production in good and bad times, which has been fundamental for development.

We will remain on the lookout for new opportunities and we aren't afraid of taking on new acquisitions, as long as they clearly contribute added value to Peab. Through the years we have shown that we can integrate new companies and make them a part of value creation in Peab. I see the current crisis as a good chance to strengthen our positions on the market.

THE PEAB SPIRIT IS OUR STRENGTH

One of the reasons we have succeeded so well in integrating external companies into Peab is Peab Spirit. It is very real and actually springs from plain common sense. I like to call it builders' honour. Our customers are naturally the starting point in everything we do. Ever since we started we have valued open-minded cooperation built on trust. We have developed this into our Trust-based contracts where we work with open books and all our numbers on the table. We also put an honour in delivering on time and having respect for the job we do.

We have the same confidence in our employees. I'm convinced that anyone who is encouraged to take an initiative and have ideas will be interested in and enjoy their work. At the same time this promotes cooperation in order to do a good job. We have incredibly skilled and enthusiastic people at Peab that continuously strive to create really good results. This is one of the reasons many of our customers keep coming back to us.

UNCERTAINTY WILL SLOW DEMAND FOR AWHILE

We have a strong position in civil engineering and infrastructure and public investments are going to create a flourishing market. Around 30 percent of production in 2008 comes from this segment, including Peab Industri's sales.

The lack of housing in Sweden is still great but in 2009 production is expected to be historically low. New generations will soon join those in the market for a home and this will intensify the need for new housing even more. In other words, there is no lack of demand, even if uncertainty among consumers postpones purchasing. In the long run everything points to an increase in housing production in the future.

WE HAVE AN IMPORTANT ROLE TO PLAY

At the same time housing costs are still too high and this means a lot of people have a hard time getting into the market. We can't solve this problem on our own but we work on developing different solutions to be able to produce homes at a lower cost, one of them being industrial construction.

For us it's a matter of professionalism and caring about the world around us. Peab has always tried to contribute to society and we see ourselves as both a construction company and a company that participates in building our shared society. That's how it was once upon a time when Erik and I helped the farmers on the Bjare Peninsula and that's still how it is.

In conclusion I want to thank all our customers and partners for the past year. I send a particularly big thanks to all our engaged professional men and women, who make that extra effort every day to exceed our customers' expectations.

"I SEE THE CURRENT CRISIS AS A GOOD OCCASION TO STRENGTHEN OUR POSITIONS ON THE MARKET"

Förslöv April 2009

Mats Paulsson
CEO of Peab

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DRASTIC DROP AT THE END OF THE YEAR.

The first half of 2008 was characterised by a strong Swedish market but the anticipated decline was unexpectedly steep. Above all investments in housing fell. However, civil engineering investments are expected to rise in 2009.

SWEDEN

According to the Swedish Construction Federation investments will continue to decrease in 2009, particularly in new production of housing. The downturn will most likely affect commercial premises. On the other hand, investment volumes in the public sector are expected to increase. There are signs that several of the public housing companies plan to start up new housing developments.

HOUSING

Investments in housing fell by 5.4 percent in 2008. It is difficult to predict what will happen in 2009. According to a forecast by the Swedish Construction Federation the downturn can be as great as 24 percent. Developments are steered by economic and financial political stimulus measures and households' confidence in the economy.

There is a general lack of housing in Sweden. At the most 8,000 houses and 7,000 apartments in apartment buildings will be initiated in 2009. A total of 15,000 initiated homes would be the lowest level in almost ten years. There is a great need for new housing, which means there is also a significant potential in housing when the market turns around. There are several underlying factors that indicate a positive future. In addition to the need for new housing a majority of the population is still working and wages are rising while taxes are lower, which opens up opportunities to invest in a place to live. Nonetheless the consumers' confidence in the economy is at an all time low. Another obstacle is financing. Households are finding it harder to get a loan these days.

COMMERCIAL PROPERTY

Investments in commercial property increased by 8.8 percent during 2008 according to the Swedish Construction Federation.

The rate of growth in commercial property construction is expected to shrink by 3 percent in 2009. This is because it has become increasingly difficult for developers to get a line of credit. Larger projects, for example shopping centres, will most likely continue. These orders often come from international conglomerates with low borrowing levels and are therefore not as affected by the credit crunch. However, uncertainty about market developments can dampen interest in investing. This will not affect the larger projects since they stretch over a period of several years and therefore will not be completed until the business cycle has turned up again.

CIVIL ENGINEERING

The civil engineering market increased by 3.9 percent in 2008 and is expected to rise by 10 percent in 2009 according to the Swedish Construction Federation.

The public sector's investments will increase in civil engineering. A number of major projects have already been initiated and funds have been reserved in the federal budget. The government is going to invest SEK 10 billion through 2010. In addition, the Infrastructure Bill contains SEK 481 billion in investments, and maintenance of roads and railways.

EMPLOYMENT

The downturn in the economy has deeply affected employment and already in November and December the number of construction workers who received notice of termination increased. It is not yet clear how many will actually end up unemployed, which makes it difficult to assess the situation.

NORWAY AND FINLAND

Both Norway and Finland are a little before Sweden in this business cycle. In 2008 investments in construction in Norway shrunk by 2 percent, whilst the investments in Finland increased by 4 percent.

NORWAY

The slowdown in the global economy had a tangible effect in Norway. In 2008 investments in housing dropped by 13 percent and forecast by Byggenæringens Landsforening for 2009 is a reduction of 10 percent.

Investments in premises increased during the first half of 2008 but have slowed down since then. There is good reason to believe that investments in schools, elderly and childcare centres will increase. Nonetheless investments in premises on the whole are expected to diminish by 12 percent in 2009.

Civil engineering investments rose by 2 percent in 2008 and are expected to increase by 4 percent in 2009, above all in the areas of energy and roads.

FINLAND

The negative effects of the downturn have been cushioned by the fact that Asia makes up a relatively large part of Finnish foreign trade. During 2008 investments in the housing sector fell by 4 percent. The market is expected to decrease by 2 percent in 2009 according to Byggnadsindustrin RT Finland. At the same time the Finnish government has increased the tax rebate for households which should stimulate the home repair market.

There has been a good demand for premise construction in 2008 but it has slowed considerably towards the end of the year. Investments increased by a total of 13 percent in 2008 but it expected to shrink by 8 percent in 2009.

Investments in civil engineering grew by 3 percent in 2008 and are expected to remain on that level in 2009. For instance, the huge demand for metal has led to a number of new mining projects that in turn generate major investments in infrastructure.

THE MARKET 2009

Macroeconomic factors will primarily decide how the construction market will develop in 2009. The question is how the global economy and financial markets will develop and if the market has hit bottom or not. There are many positive underlying factors in Sweden and, in general, the country has a relatively strong position.

Another result of the negative growth is that the previous shortage of resources is subsiding. Several construction companies have brought in foreign labour to handle demand during the economic boom and many of them are returning home now that the labour market has worsened. It is, however, difficult to say to what extent.

Prices for material, in particular prefabricated, will also drop and previous delivery problems will in principle disappear.

THE COMPETITION

Peab is one of the three largest construction companies in the Nordic region. The major competition on the Swedish market is Skanska, NCC, JM and Svevia (previously Vägverket Produktion). Skanska, NCC and Peab work in similar ways on the Swedish market offering all kinds of construction and civil engineering products. We compete with JM primarily in housing developments in and around big cities and with Svevia in infrastructure. One probable effect of the so-called Laval decision, which gave a Latvian entrepreneur the right to operate in Sweden without a collective bargaining agreement, is more competition from smaller foreign subcontractors. This will not have any considerable effect on the larger construction companies, but will probably be a hard blow to smaller Swedish companies.

The trend towards ever more and larger cross border procurements continues. However, this has not yet resulted in any broad undertaking from larger European construction companies, rather they have cooperated from project to project.

A number of small and medium-sized companies compete on the local and regional markets. The importance of local presence is driving consolidation in the sector and large companies are acquiring smaller local players. Peab is one of the players which has been successful in acquiring smaller local companies that fit in with our company structure and thereby increased our presence in strategically important markets which we previously have not covered.

Peab's market shares in Finland and Norway are relatively low and in 2008 sales totalled SEK 5 billion, SEK 2.7 billion in Norway and SEK 2.3 billion in Finland. Peab's operations are concentrated around the major cities in these countries and we work predominantly in housing production. As in Sweden, our strongest competition in both countries are Skanska and NCC. In Finland we also compete with Lemminkäinen and YIT, which are both larger than Peab Seicon, and in Norway Veidekke and the AF Group are larger than Peab AS.

Outlook for the business cycle in the construction market

Sweden	Investments 2008, BSEK	Change 2008, %	Forecast 2009,%
Housing	96	–6	–24
Premises	87	10	3
Civil engineering	69	8	10
Total construction investments	**252**	**3**	**–5**
Number of housing starts (9,3 million inhabitants)		22,400	15,000

Norway	Investments 2008, BNOK	Change 2008, %	Forecast 2009,%
Housing	118	–13	–10
Premises	138	8	–12
Civil engineering	49	2	4
Total construction investments	**305**	**–2**	**–8**
Number of housing starts (4,7 million inhabitants)		24,000	18,000

Finland	Investments 2008, BEUR	Change 2008, %	Forecast 2009,%
Housing	10	–4	–2
Premises	10	13	–8
Civil engineering	4	3	0
Total construction investments	**24**	**4**	**–3**
Number of housing starts (5,3 million inhabitants)		26,000	23,000

(Source for this chapter: Sveriges Byggindustrier in cooperation with Byggenæringens Landsforening in Norway and Byggnadsindustrin RT Finland.)

FOTO: CLAES ANDERSSON

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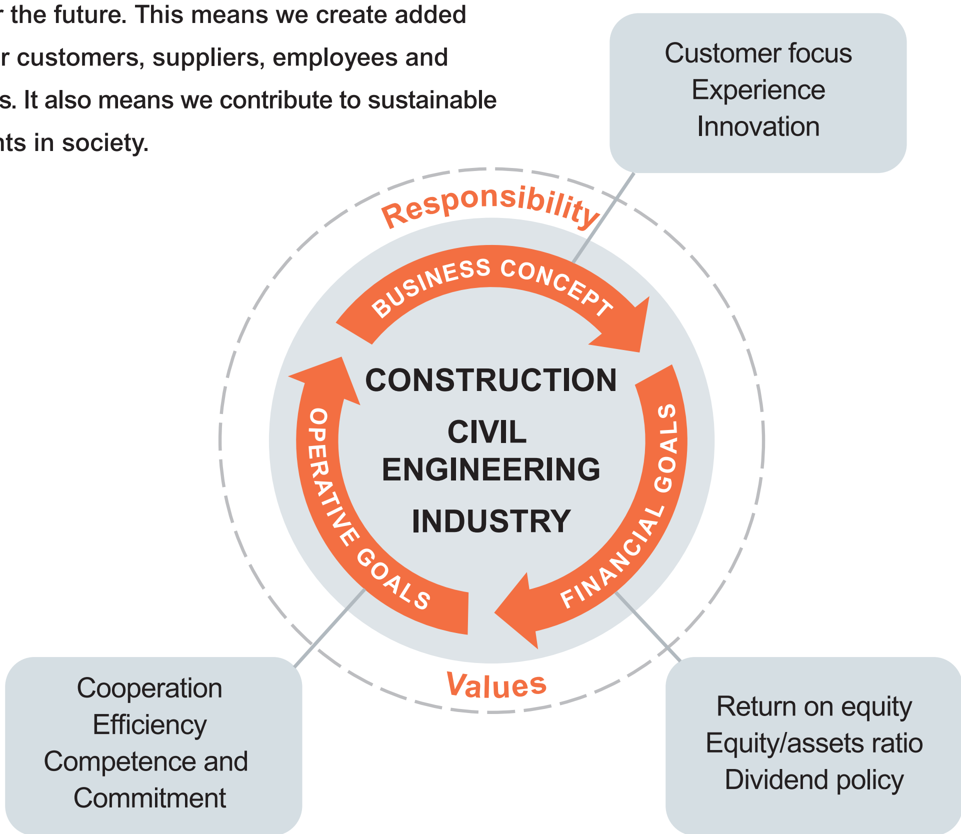
A CONCRETE BUSINESS MODEL.

We build for the future. This means we create added value for our customers, suppliers, employees and shareholders. It also means we contribute to sustainable developments in society.



In order to achieve this we have a concrete business model. It is based on our operations – Construction, Civil Engineering and Industry. Our strong business concept is the common denominator in these business areas. In order to realise it in the best possible manner we have a number of operative goals that are the foundation of our business. These goals are achieved within the framework of our financial goals. The platform for the entire business model is the values that permeate Peab as well as the ethical rules that steer our activities on the market.

BUSINESS CONCEPT

> **"Peab is a construction and civil engineering company that puts total quality in every step of the construction process first. Through innovation combined with solid professional skills we make the customer's interest our own and thereby build for the future."**

Our ability to offer and delivery total quality in the construction process is a powerful competitive edge for Peab. We want our customers to choose us because they see that our prices and quality are the best on the market.

We always endeavour to find new solutions. Building materials and methods develop rapidly and we strive to strike a balance between the tried and true and the innovative. One of our strengths is our ability to be pioneers, in planning and production, together with our customers.

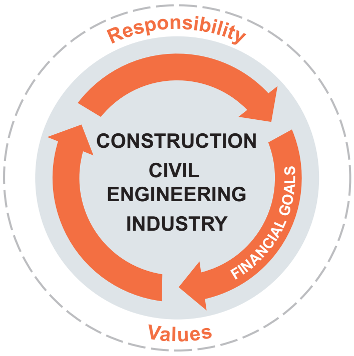
We put an honour in always delivering a product that exceeds our customers' expectations. This requires having employees who are very good at their profession. This in turn requires actively working at being able to offer our employees good career opportunities and education.

The founding philosophy in Peab's business is close cooperation with our customers and this is materialised in our trust-based contracts. Our customers participate in the entire planning and production process. This mutual trust creates long-term relationships.

By building for the future we ensure that our construction of today will meet tomorrow's demands on environment and sustainability, which is why we have always prioritised environmental consideration and enduring quality.

FINANCIAL GOALS

The overriding objective of Peab's business is to create results that in part generate returns to its owners and in part generate funds to use in the development of our operative goals. In this way we can continually fine-tune our business concept and thereby our operations. This benefits all Peab's interested parties. For this reason Group management steers operations based on the Board's guidelines with three financial goals.



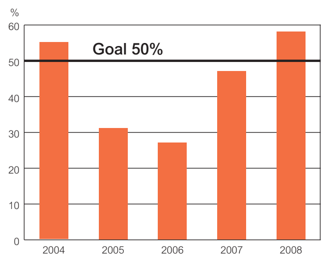
The current financial goals were adopted in the spring of 2007. The goals are then broken down internally in each business area into individual targets for growth, profitability, cash flow and tied up capital.

We will adjust our financial goals as needed if significant changes in the structure of Peab or external circumstances, such as changes on the financial markets or through political decisions, occur. The acquisition of Peab Industri has not led to any adjustment of the financial goals.

Goal

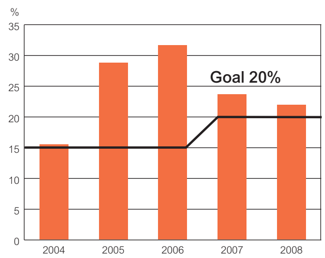
Dividend – Minimum of 50 percent of profit after tax.
The goal is set to assure the owners' return on their contributed capital as well as meet the company's need for funds to develop operations.

Dividend



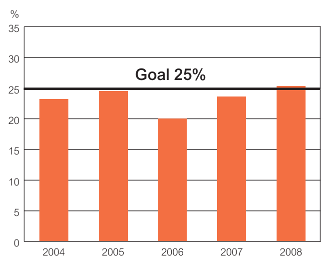
Return on equity – Minimum of 20 percent
The goal is set to create to create an effective business and a rational capital structure that limits the owners' contributed capital and thereby the return requirement.

Return on equity



Equity/assets ratio – Minimum of 25 percent
The equity/assets ratio regulates the relationship between equity and debt. The goal, which is set to balance between the owners' demands on returns and the need to safeguard the business during times with a more difficult market situation, entails that a minimum of 25 percent of Group assets are financed through equity.

Equity/assets ratio



OPERATIVE GOALS

In order to ensure that our business concept is realised in practice we have formulated three overriding operative goals. By continually striving to develop them we improve our business and are an attractive company for our customers, employees, suppliers and shareholders.

COOPERATION

By further developing cooperation between the different business areas in our Group and always using our own operations we become more efficient. This sharpens our competitive capacity, which results in the best possible use of our resources.

EFFICIENCY

Lowering purchase prices

By actively developing our choice of material, international trade and a purchasing organisation for the entire Group we can progressively lower our purchasing prices.

More efficiant production

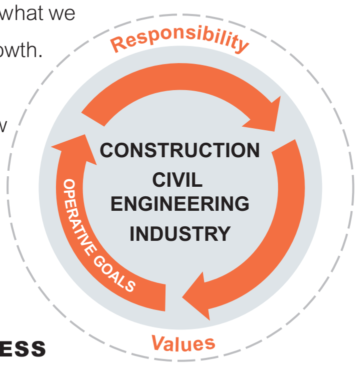
We will continue to develop industrial construction and create the most efficient production in our trade through continouos improvements and greater cost awareness.

COMPETENCE AND COMMITMENT

By actively encouraging our employees to make a personal impact and by providing education and training and career opportunities we make sure we have access to the employees we need and develop the ones we have. Our goal is to be the best workplace in the industry.

SHARED VALUES

Our business model describes what we do to create profitability and growth. It is in turn built on our fundamental values that describe how we do it. Our entire Group is formed around our four core values: Down-to-Earth, Developing, Personal and Reliable.



A RESPONSIBLE BUSINESS

In addition to these core values our business is steered by a number of policy documents on quality, the working environment, the environment and ethics. More information about this can be found in our Sustainability Report on page 97.

OUR CORE VALUES

DOWN-TO-EARTH

We will be known for the down-to-earth way we work, in which decision-making is close at hand and we are sensitive to the needs of our customers.

DEVELOPING

We will be innovative, flexible and continuously improve.

PERSONAL

Through an honest and trustful dialogue with our customers and suppliers we will create and keep long-term, good relationships.

RELIABLE

We will always perform with good business ethics, competence and professional skill.

COOPERATION IN THE GROUP CREATES FULL-SERVICE SOLUTIONS.

The Peab Group consists of several different companies and entities that together form a near complete supplier of everything required in the construction process. This comprehensive platform is even stronger now that Peab Industri is once again an integral part of the Group.

VALUE CREATING COMPREHENSIVE VIEW

Our goal is to be a united Peab that can always deliver complete customer solutions. To do this we must internally have the strategic resources we need, resources which are constantly tested in competitive environments. Equally important is that our different units can work together and that we always choose an internal supplier when possible.

SAFEGUARDED RESOURCES

We increase our opportunities to rationalize and create synergies when we use our own companies. At the same time we can reduce our vulnerability by guaranteeing access to resources no matter what the market situation is.

This creates a competitive edge against our competitors at the same time we gain complete control over our costs and assets.

The fact that the companies in the Group offer their products and services internally as well as externally sets prices at a relevant level and naturally creates continual rationalisations of each business.

We will also have all the resources necessary to take on really big projects, which is a strong asset in the infrastructure projects that are expected to become increasingly significant in the coming years. The acquisition of Peab Industri ensures access to both building components and services and our customers will benefit as well from the synergy effects generated by this cooperation.

GREATER FLEXIBILITY

Our cooperation allows us to move resources within the Group to use them where we need them the most and demand is the greatest. We can also quickly regroup and take advantage of the new business opportunities that arise. By moving personnel from one unit to another we can to a greater extent retain competence in the Group, even when the situation on the market changes.

PHOTO: CLAES ANDERSSON

EFFICIENT PRODUCTION AND LOWER PURCHASING COSTS.

In order to increase our competitive capacity and offer the market good value solutions without lowering quality we continuously work to develop our construction and purchasing processes. The goal is to rationalise production and lower our purchase costs. Acquisition of Peab Industri only augments these opportunities.

MORE INDUSTRIAL CONSTRUCTION

The construction process has become increasingly rational and industrialised and we have invested in developing industrial construction in order to lower construction costs.

In 2008 we began to erect a completely new facility for industrial construction in Valhall Park in Ängelholm. It will be the heart of our new, internally developed construction system (PGS) that will take industrial construction to new heights in Sweden.

The construction system is a flexible system consisting of prefabricated building components which are then fitted together into a complete apartment building. Using predetermined interfaces creates a system with substantial architectonic flexibility, even though the construction system has certain limitations.

With the launch of our construction system in 2009 we approach carmakers' concept of production modules and can further rationalise the building process - from blueprint to finished building.

Peab has previously developed standardised plans for homes where we broaden the number of common and standardised solutions in our housing developments, without forgoing the ability to give every house a unique design and character.

WORKING CLOSER TOGETHER WITH OUR CUSTOMERS – TRUST-BASED CONTRACTS

By working closer together with our customers we can enhance cost-efficiency through innovative solutions. Peab has been working with trust-based contracts a long time. This entails that Peab, the architects, consultants and subcontractors sit down together with the customer at an early stage and plan the project together. Trust-based contracts allow us to better provide our customers with our unique expertise, which can, for example, shorten the time it takes to build. Customers can receive a lower total price and higher quality than would have otherwise been possible. It also means that changes during construction can be treated as part of the project instead of additional work, which reduces the risk of disputes. We carry out trust-based contracts with open accounting and in close cooperation with our customer.

In addition to trust-based contracts we also work with Partnering, a form of collaboration that is common on the European market. Partnering is built on broad cooperation between two or more equal partners throughout the construction process and is a normal work method for projects in the public sector. Partnering requires a whole-hearted engagement at a much earlier stage than in other forms of collaboration. It also requires more work in the procurement process. In return, as in trust-based contracts, it opens the door to creativity and sensibility, which is the foundation of long-term relationships.

MORE EFFICIENT PURCHASING

We continuously develop our logistics to increase efficiency and reduce costs. The tendency is towards fewer material suppliers and subcontractors. By working closer together with our suppliers we can reduce purchase prices and raise quality.

During the year we have continued to develop our national computerised purchase and call-off system PIA. This has already resulted in better use of existing contracts and led to more reliable deliveries, improved cost control and more efficient production.

Closer cooperation with customers and a squeeze on prices in the construction market creates a pressing need for lower purchasing prices. By intensifying relationships with first and foremost our Swedish suppliers and signing long-term contracts we can build with high quality Swedish building material at a good price. In cases where we cannot find domestic alternatives, our purchasing organisation works with international, quality assured suppliers.

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EXPERTISE AND COMMITMENT – WE WILL BE THE BEST WORKPLACE IN THE INDUSTRY.

Peab believes employees are a strategic resource and definitely a factor for success. By developing our personnel we develop our business. This, in turn, strengthens our brand and helps us ensure future resources of qualified personnel.

Volumes in Peab have grown steadily for years. Our competitive capacity is dependent on the professional skills of our personnel and in recent years with a bumper economy we have been very successful at attracting and recruiting new employees. Many of our employees have worked less than two years in the Group and this rapid expansion makes big demands on our ability to offer all our employees good career opportunities.

TRAINING IN SKILLS AND LEADERSHIP

In order to be happy at work, it's important to get the chance to develop. The reason we invest so much in leadership training is to be able to recruit our future leaders from within the Group. We even have specially designed management preparation programs for both white collar workers and craftsmen so that our employees can broaden their theoretical knowledge and thereby qualify for a higher position at Peab. The work to develop a stronger leadership in Peab began in 2006, and in 2007 Peab started the Peab Academy in Ängelholm. We receive some 200-300 employees annually who mix theory with practice in our workplaces. This is one of the longest and broadest leadership courses among Swedish companies, which makes it unique. Through Peab Academy our employees receive specialist skills and a faster career at the same time our unique know-how and special Peab Spirit follows with them into the future.

INTERNAL COMMUNICATION

In order to enjoy their job people need to feel involved and we believe good internal information is essential to this. Knowing what is going on in a company increases interest and strengthens the "we" feeling. Therefore we have invested in our intranet to make it easily accessible to the craftsmen who make up the majority of Peab's employees.

The new intranet was launched in the beginning of the year and all Peab personnel will have received a personal login and e-mail address no later than 31 December 2009. With a personal login everyone can access information via any computer connected to the Internet.

EMPLOYEES SHARE IN RESULTS

It is important for us to have committed employees who remain in the company and for that reason our employees receive a return on the interest they invest in the company. Therefore we have previously invited all our employees in Sweden, Norway and Finland to participate in a convertibles program and we are happy to say that many of them have also chosen to do so.

We also have a profit sharing system that gives a share in the Group's annual profits. The profit shares are administrated by a trust and its capital is placed primarily in Peab shares.

FOCUS ON YOUTH

In order for Peab to have the personnel it needs in the future it is essential to attract youth to the construction industry. For this reason Peab started the Peab School in Ängelholm in 2006, a three-year high school education for craftsmen. The initiative was a great success and in 2008 two new Peab Schools were launched in Malmö and Solna. Another project created to attract young people interested in building is the concept "Young and Talented". It includes, among other things, a scholarship that Peab set up in 2007. 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 awarded two scholarships of SEK 50,000 each in 2008 as an encouragement for those about to enter the construction and civil engineering industry.

Peab also initiated an ongoing societal analysis to systematically study how, among others, students in construction related education perceive Peab.

STRATEGIC HUMAN RESOURCING

Peab began developing a structured work method in the autumn of 2008 for its strategic human resourcing. We make sure we have the right number of people with the right skills and knowledge based on both long and short term developments in the market. We identify key people and train them internally to safeguard succession and retain experience and expertise. Actively working to facilitate our personnel's internal careers makes us an attractive employer.

WE REFLECT OUR MARKET

We believe we are a constructive partner in society and therefore it is important for us to reflect the world around us and the markets we are active in. For this reason we work systematically to further diversity among our employees. Our goal is to create a good mixture of ages, gender and ethnicity. For instance, we encourage more women to take on leadership positions in production and we work to create the same prerequisites for women as well as men for advancement in the company.

The fact that we are a diverse workplace gives us a competitive edge on the market.

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THE ACQUISITION OF PEAB INDUSTRI STRENGTHENS OUR BUSINESS.

In October 2006 Peab decided to distribute the Group's industrial company to Peab's shareholders. On 1 October 2007 the new company, Peab Industri, was listed on the OMX Nordic Exchange Stockholm. This decision was completely right for the market situation at the time.

Since the listing Peab and Peab Industri have during the recent boom years operated as two separate companies, which has contributed to good growth for both. Their combined net sales amounted to approximately SEK 40 billion in 2008.

However, the drastic change in the market in the autumn of 2008 changed the conditions for the companies overnight. For this reason the owners who represented more than 70 percent of Peab summoned an Extra General Meeting to decide on a proposal to acquire Peab Industri. The EGM adopted the proposal and Peab Industri was acquired after a public offer. In December 2008 the company became a subsidiary of Peab AB (for more information see page 59). The acquisition provided the new constellation with the best possible resources to be able to compete on a tougher construction market as well as bolstering both financially. Together we have created a much stronger Group with an improved cash flow and a good equity/assets ratio.

Peab Industri will continue its operations with its own valuable brands. The company's considerable customer base outside the Peab sphere will continue to develop as before - with a high level of service and competitive prices.

THE NEW PEAB GROUP

The acquisition of Peab Industri has led to a new reporting structure in Peab.

The Group now reports in three business areas:

- Construction
- Civil Engineering
- Industry

CONSTRUCTION

CIVIL ENGINEERING

INDUSTRY

Net sales and operating profit per business area

	Net sales		Operating profit		Operating margin	
	Jan-Dec	Jan-Dec	**Jan-Dec**	Jan-Dec	**Jan-Dec**	Jan-Dec
MSEK	**2008**	2007	**2008**	2007	**2008**	2007
Construction	26,493	25,476	1,075	1,114	4.1%	4.4%
Civil Engineering	9,132	7,933	434	352	4.8%	4.4%
Industry	8,581	7,414	855	762	10.0%	10.3%
Group functions	101	124	–160	–205		
Eliminations	–4,545	–4,007	–2	–		
Total including Industry (pro forma)	**39,762**	**36,940**	**2,202**	**2,023**	**5.5%**	**5.5%**
Total excluding Industry	**34,132**	**31,977**	**1,349**	**1,261**	**4.0%**	**3.9%**

Contents

CONSTRUCTION.

Business area Construction works on commissions from external customers and our own housing development projects. We operate in Sweden, Norway and Finland.

We produce housing, public and commercial premises and buildings. Our customers include private property owners, municipalities and companies. Operations in Construction also include construction related services such as construction maintenance and repairs.

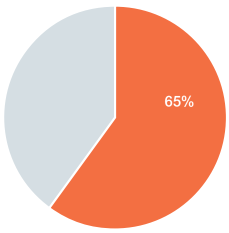
Our organisation in Sweden is nationwide. Our Norwegian business operates in Oslo, Tromsö and Drammen and our Finnish business in Helsinki, Tammerfors, Åbo, Vasa, Seinäjoki, Rovaniemi and Uleåborg.

” WE ARE WELL PREPARED FOR THE FUTURE ”

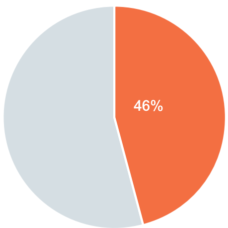
Now that the need for inexpensive housing is on the rise we have launched a robust concept for efficient, resource conserving and economic construction without affecting quality. We have a solid organisation in Sweden, Norway and Finland with skilled and engaged personnel.

Jan Johansson
Deputy CEO
Production and Production Development

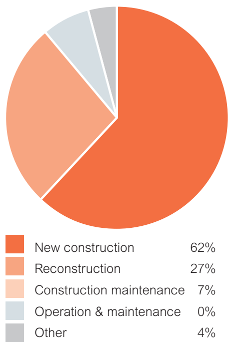
Share of net sales pro forma 2008



Share of operating profit pro forma 2008



Net sales per type of operations



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BEST YEAR EVER.

After a strong first half demand fell in the second half of 2008. Results were good for the whole year, which has given us a good platform for the future. In 2009 we will prioritise further rationalisation of our construction processes and building affordable housing. We will also move forward in construction maintenance and our energy buildings.

SWEDEN

COMMENTS

We were very busy in the beginning of 2008 but we began to feel the business cycle weaken in Norway and Finland. We initiated adjustments to prepare for an anticipated downturn in the economy. Then the financial crisis hit with full force in September 2008 and demand fell drastically. Despite the fact that the global economy is coming apart there is still a substantial construction market. Our order backlog has shrunk in comparison with last year but it is still good and we are entering 2009 at a good clip. However, uncertainty will most likely increase as the year passes.

Some of the larger projects that have characterised 2008 are Aitek Mine where we are building a completely new facility for LKAB. We have also started the project Waterfront in Stockholm where we are erecting a hotel and conference centre in one of the city's best locations, next to the Central Train Station with a view over Riddarfjärden. In Solna we are participating in the creation of a completely new district around the new national soccer stadium and we are building the new jail in Gothenburg.

In 2009 we will prioritise further rationalisations of our construction processes and building affordable housing. One important competitive factor in this endeavour is PGS (Peab General System), which will be a big step closer to industrial construction. PGS develops and delivers a complete construction system for apartment buildings which includes product development, manufacturing, delivery and erection. This will enable a whole new way of building homes with higher quality and much lower costs. This, in combination with smaller living quarters, will make it possible to produce homes that will continue to sell well.

Our capacity utilisation in construction maintenance is good. We will intensify our work to develop a nationwide concept and actively market this service. Construction maintenance is also strategically vital since it can function as a conduit into larger construction projects in the future.

Another area we will further develop in 2009 is our energy buildings. We were the first company in Sweden to build passive houses and we will use that expertise to develop new concepts within GreenBuilding. This is in harmony with our strategic work in the energy sector under the umbrella of Peab Energi.

THE MARKET

Everything points to significant reduction in housing production in the next few years. A slower economy with higher unemployment will result in lower purchasing power and the financial crisis leads to difficulties financing new projects. At the same time shrinking interest rates and real wage hikes due to lowered taxes in 2009 can cushion the fall in the housing market. Despite all there is still a considerable need for new homes. More than half the municipalities in Sweden have a housing shortage. In addition, a third demographic wave will wash over the country in the next few years according to the Swedish Construction Federation, which will entail that a further 120,000 people each year will need a home of their own. At the same time the need for commercial, industrial and public buildings will continue at current levels. This is primarily due to more investments in the public sector.

In all probability there will be room for a greater number of projects in the future for companies that can offer price-worthy housing to the market.

We believe there will be relatively strong development in construction maintenance. For instance, a large part of the apartment buildings constructed in the '70s, some 700,000 apartments according to the Swedish Construction Federation, will need refurbishing in order to meet the new energy conservation requirements.

FINLAND AND NORWAY

COMMENTS

Finland

We started a new operational area in 2008 within business development. We initiate our own projects that we then build, rent and transfer. A prerequisite to start production is that we have already sold the completed project to the end customer. The first project was Business Garden in Helsinki and it was completed in February 2009. During the year we were also represented at the Home Fair in Vasa. We built 52 apartments in two buildings and received a prize for best interior. The Home Fair was a huge success for Peab, financially and in the media.

In 2009 our focus will be on increasing efficiency and customer care. We will also be very active on the market.

Norway

During 2008 we adjusted our organisation to meet the new market situation in Norway. Net sales sank due to the financial crisis. The organisation has, among other things, changed by inserting a level of district managers to strengthen our work with customers and the market.

We acquired Senter Bygg Entreprenor. The company has net sales of some NOK 180 million and 100 employees. The acquisition is a step in our strategy to establish operations in Ostlandet outside of Oslo.

In 2009 focus will be on further developing our organisation and making it even more customer friendly. By implementing our projects in a professional and trust-worthy manner we will contribute to being awarded business from new and existing customers.

THE MARKET

Finland

The Finnish economy is in better shape than many other European countries. This is also true for Finnish business. However, problems are growing for the companies that invested heavily in Russia due to the fall in prices. The housing market in Finland is assessed as relatively good. The right price and right location are crucial factors when selling a home. The latest trend in housing is a demand for smaller homes.

An announcement regarding federal investments in housing and infrastructure is anticipated.

Norway

Despite record population growth, a highly mobile populace and historically low unemployment demand for new homes fell drastically in the second half of 2008. Together with hefty price hikes interest rates also rose to unexpectedly high levels. The worldwide financial crisis exacerbated the downturn on the housing market and also affected the construction market for commercial property.

Everything points to a continued decline in the market during 2009. Interest rates and housing prices will most likely fall. The local and federal government has announced continued and substantial investments in public construction and civil engineering projects in Norway. This will counteract the downturn in the economy but it will take time before they have an impact. Hopefully the market will show signs of improvement towards the end of 2009.

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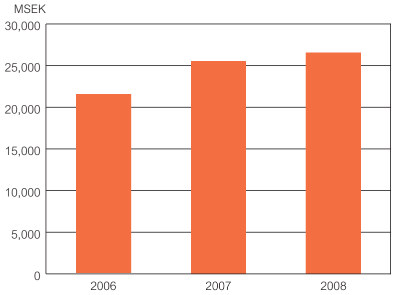
IMPORTANT EVENTS

- Continued project development in Arena City and the district New Ulriksdal in Solna.
- Construction of a number of stadiums started up in several places in Sweden.
- Two larger projects are the new jail in Gothenburg and the new forensic psychiatric ward in Vänersborg.
- A number of local acquisitions have been made during the year to strengthen our positions on the local markets.
- Construction of the first PGS building in Rydebäck outside Helsingborg

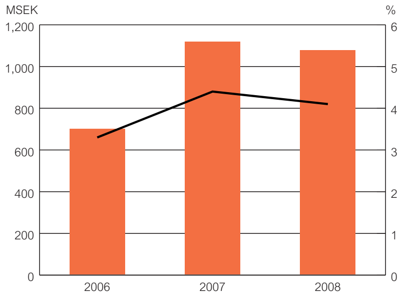
KEY RATIOS

	2008	2007
Net sales, MSEK	26,493	25,476
Operating profit, MSEK	1,075	1,114
Operating margin, %	4.1	4.4
Order backlog on 31 December, MSEK	16,675	20,375
Number of employees	8,390	8,767

Net sales



Operating profit and operating margin



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CIVIL ENGINEERING.

Business area Civil Engineering handles commissions such as building infrastructure projects and the management and maintenance of roads and highways. Operations are divided into seven regions and are conducted primarily in Sweden but to a certain extent in Norway.

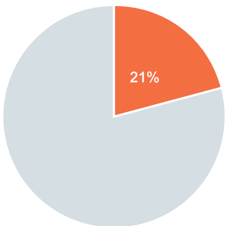
The business area is active in three areas: local civil engineering markets, infrastructure and management and maintenance. Local civil engineering markets comprises land and drainage and water supply projects, construction for industry and development property work etc. Infrastructure includes road and railway projects as well as bridges and tunnels. Management and maintenance works primarily with road maintenance but also provides service to municipalities such as park management and road maintenance. The public sector is our largest customer and clients include the National Road and Railway Administrations and Swedish municipalities.

” WE SEE OPPORTUNITIES ”

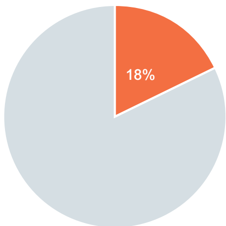
We are well-equipped for the expansion in infrastructure projects which is anticipated in the coming years. We have a flexible organisation with competent personnel that can offer our customers competitive and good solutions.

Tore Nilsson
Operational Manager
Civil Engineering

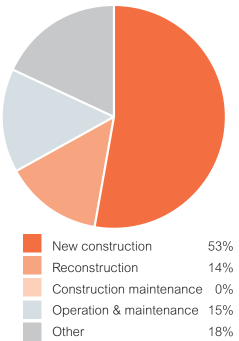
Share of net sales pro forma 2008



Share of operating profit pro forma 2008



Net sales per type of operations



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ANOTHER GOOD YEAR.

Orders continued to flow in well in 2008. We worked on a wide variety of projects and had good capacity utilisation in our three areas. In 2009 we will focus more on infrastructure projects and management and maintenance.

COMMENTS

2008 was a successful year with good order inflow in local civil engineering markets, infrastructure and management and maintenance. However, the coming years will lead to new priorities as the market changes.

We expect a downturn in our construction related operations. At the same time the market for larger infrastructure projects will expand. Another area where we expect increased growth is municipal management and maintenance. We are already assisting a number of municipalities in Sweden by taking over their maintenance operations. Through our previous acquisition of Stockholm Entreprenad we handle the management and maintenance of streets, parks and the drainage and water supply for the City of Stockholm. In 2008 we also acquired Stockholm Hamnentreprenad and Befab, which is, among other things, responsible for management and maintenance in Linköping. This market will continue to grow as more and more municipalities in Sweden choose to open this area of their operations to external competition.

There is also huge future potential in the energy sector and this will be developed together with Peab Energi, which is our concept for coming investments in the energy sector. We are already leaders in this field and our opportunities will increase as this sector expands. We are one of the biggest builders in Sweden of district heating power plants and we have carried out a number of projects within wind and water power and extensions of the main electricity distribution network.

During the year we have continued to integrate our Norwegian and Swedish operations. Merging our resources and working together on a common market makes us stronger and at the same time we can better utilise and develop our mutual know-how.

THE MARKET

We expect the larger municipalities in Sweden to continue to invest in construction in the public sector since their needs are constant. This is, however, not an absolute since the weakened economy has an impact on tax revenues as well.

On the other hand the market for small and large infrastructure projects is expected to expand. One major factor is the government investments that will increase demand throughout Sweden in the next two years.

The government is going to invest an extra SEK 7.6 billion to bring forward a number of road and railway projects. Together with previously allocated funds this entails investments of SEK 10 billion through 2010.

In addition to this the Parliament has passed the government's Infrastructure Bill. This contains SEK 481 billion in investments and management and maintenance of federal roads and railways through 2024. An added SEK 217 billion will be spent to develop the transportation system.

The market in Norway is very similar to the one in Sweden and major infrastructure projects are planned there too.

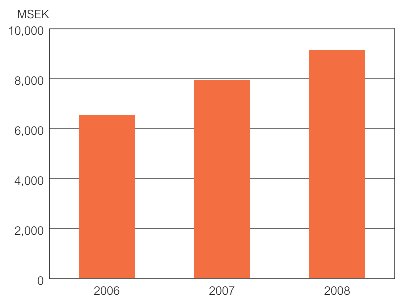
IMPORTANT EVENTS

- The highway between Uppsala and Mehedeby, a billion Swedish crown project which was turned over to the National Road Administration.
- A new general contract with partnering from the National Railway Administration for Malmö Central Station for SEK 265 million.
- An order for three stages in road construction in West Sweden on E6 and Highway 45 worth SEK 575 million.
- Acquisition of Stockholm Hamnentreprenad and Befab in Östergötland, which strengthens our operations in management and maintenance.

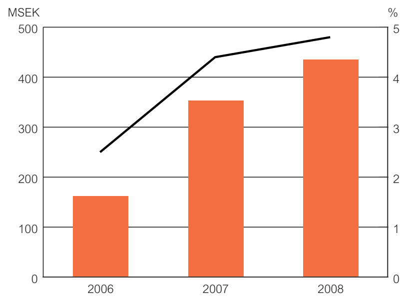
KEY RATIOS

	2008	2007
Net sales, MSEK	9,132	7,933
Operating profit, MSEK	434	352
Operating margin, %	4.8	4.4
Order backlog on 31 December, MSEK	7,558	10,703
Number of employees	2,974	2,777

Net sales



Operating profit and operating margin



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INDUSTRY.

Business area Industry is made up of three complementary units: Machines, Products and Services. All of them are focused on the Nordic construction and civil engineering markets.

Machines works above all with renting work wagons, machines and cranes. Products covers gravel, rock, concrete and asphalt etc. Services is active in, for example, laying asphalt, transportation, dealing in machines and foundation work. Our strength lies primarily in our good local positions and proximity to our customers.

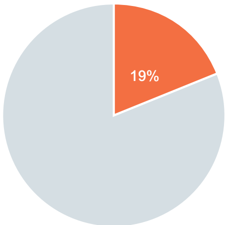
”WE HAVE A STRONG POSITION TO BUILD ON”

“Despite the financial turbulence that is now also casting its shadow over the Nordic countries I feel confident since business area Industry is anchored in the more stable civil engineering markets in Sweden, Norway and Finland.”

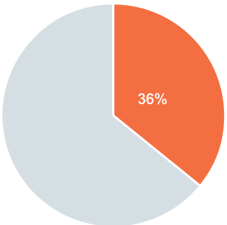
Mats O Paulsson

CEO of Peab Industri AB

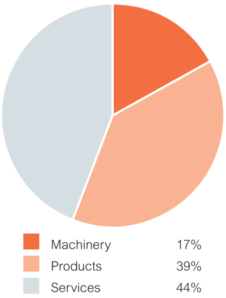
Share of net sales pro forma 2008



Share of operating profit pro forma 2008



Net sales per type of operations



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The major part of our net sales is currently generated from the Swedish market where the business area Industry operates nationwide with strong local ties. We also have business in Norway and Finland.

Machines works with renting work wagons, scaffolding, machines, cranes and temporary electricity as well as sales via dealer agreements.

Products comprises all our products from raw material such as gravel and rock to ready-mixed asphalt and concrete. Other more refined products provided by the area are concrete elements, foundation concrete and roof tiles.

Services comprises all our services such as asphalting, foundation work, transportation and dealing in machines as well as services within electricity, energy and telecommunications.

LOCAL LEADING POSITIONS

The success of business area Industry is built on strong local positions and our proximity to our customers. Products such as gravel and rock, ready-mixed concrete and asphalt are expensive to transport which is why it is so important to produce them close to the project. We are always looking into new possibilities for quarries and factories. When dealing in machines it is also vital to have an extensive network of depots with as broad a range as possible. We continually establish new depots in Sweden, Norway and Finland to increase our already good local presence.

STRONG CUSTOMER RELATIONS AND LONG EXPERIENCE

We have long experience and have over the years built solid relationships with our customers. We nurture the brands in Industry by being good suppliers that develop solutions in close cooperation with our customers.

FOCUS ON CONTINUOUS IMPROVEMENTS AND COST AWARENESS

Since our profitability is dependant on volume we are very focused on continuous improvement and cost awareness. We constantly look for ways to become more efficient, improve productivity, save energy and optimise logistics.

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WE HAVE INVESTED IN THE FUTURE.

Over the years we have made substantial investments and acquired many companies, which has resulted in greater growth and profits. We have advanced our positions and modernised our machinery, which means we are well-equipped for the challenges ahead.

COMMENTS

In 2008 it became apparent that the economy in the Nordic region was going to decline. It was clear that housing construction and private consumption would shrink and we began countering this by running fewer shifts in some of our plants.

In 2009 we will enter a new market situation which will require constantly adjusting our operations. We will intensify our efforts to rationalise, internally and externally. Through even closer cooperation with our customers we can lower costs and find new, more effective solutions.

The challenge lies in taking advantage of the situation to lower costs, rationalise logistics and reduce purchasing prices. The price increments in several of our input goods, such as oil, binding agents and steel, began to regress in the second half of 2008. We are also going to work on being more effective in our entire geographic area by using our resources throughout Scandinavia.

During the boom years we have invested heavily in our fixed assets and therefore we can now compensate for lower volumes with fewer investments. This provides us with a good buffer for a possible reduction in capacity utilisation. At the same time we will work actively to maintain our current level of capacity utilisation or increase it.

THE MARKET

The downturn in the economy will most likely be countered by public investments in infrastructure and other civil engineering construction. The market's assessment is that growth in this area in the coming years will be significant. The governments in both Sweden and Norway have presented bills that would provide considerably higher funding for infrastructure in the coming years. This gives us a relatively strong position since about half of net sales in Industry are generated from civil engineering.

The Swedish energy authority has calculated that Sweden needs some 5,000 wind generators. We have already contributed our products and services to several projects in this area and several indicators point to sustainable growth in this sector for many years to come.

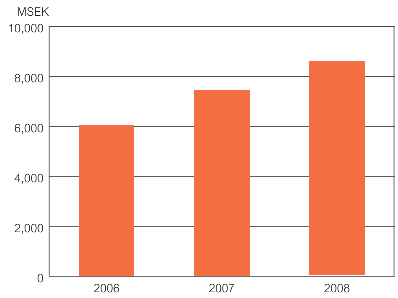
IMPORTANT EVENTS

- Acquisition of Lättklinkerbetong AB, which contributes know-how, products, complementary construction systems and new customer segments.
- Through the acquisition of NSP we strengthened our position and broadened our offer in foundation work services in both Norway and Sweden.
- We received several contracts with the National Road Administration and municipalities concerning maintenance and new pavement of roads and this strengthened our position on the market.
- We increased our market shares in ready-mixed concrete in Finland through the establishment of the 10th concrete station in the country.

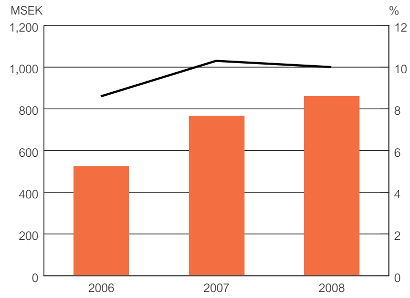
KEY RATIOS

	2008	2007
Net sales, MSEK	8,581	7,414
Operating profit, MSEK	855	762
Operating margin, %	10.0	10.3
Number of employees	2,676	2,373

Net sales



Operating profit and operating margin



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OUR BRANDS

Business area Industry operates primarily through a number of well known brands on a national, regional and above all local level. The local brands often have inbuilt values that are powerful on the markets where the companies are active. In order to get the most out of local brands we use them to expand in markets that are geographically close, at the same time they support our total product and service offer.

Swerock is a supplier of ready-mixed concrete, gravel and rock in Sweden.

Peab Asfalt

Peab Asfalt manufactures and lays warm, half-warm and cold asphalt in Sweden.

Kranor AS rents cranes, elevators and mastclimbers in Norway.

Ralling rents mobile cranes in Sweden.

Marttian Betonirakennus is a supplier of ready-mixed concrete in Finland.

Cliffton offers services within transportation and machinery in Sweden.

Lambertsson rents cranes, elevators, mastclimbers, work wagons, scaffolding, electrical material and generators in Sweden, Norway and Finland.

Skandinaviska Byggelement manufactures prefabricated concrete elements for housing, offices, industries and farm buildings in Sweden.

Nosturiasennus Virtanen rents cranes, elevators, mastclimbers and more in Finland.

Peab Grundläggning

Peab Grundläggning works with foundation fortification, pile-driving, tonguing and drill plinths in the Nordic region.

NeTel is a specialist in planning and expansion of distribution networks for telecommunication, computers and electricity in Sweden and Norway.

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The Board of Directors and the Chief Executive Officer of Peab AB (publ), Corporate ID Number: 556061-4330, hereby submit the following annual report and consolidated accounts for the 2008 financial year.

BUSINESS

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

ACQUISITION OF PEAB INDUSTRI

On 15 October 2008 the owners in Peab AB representing approximately 71 percent of all the votes in the company requested Peab's Board to resolve an extra Annual Meeting to decide on making a public offer to shareholders and convertible holders in Peab Industri AB to transfer all shares and convertibles to Peab. The Extra General Meeting, which was held on 10 November 2008, decided to approve the owners' proposal. According to the proposal Peab offered three newly issued shares in Peab for two shares in Peab Industri.

On 31 December 2008 Peab had within the framework of the offer received 94.1 percent of the capital and 97.1 percent of the votes. During January and February 2009 a further 4.0 percent of the capital and 2.0 percent of the votes were acquired. Peab then called for compulsory purchase of the rest of the shares.

For Peab, the current changes in the economy make it strategically important to have close access to machinery and raw materials from now on. A merger with Peab Industri enables Peab to optimise its level of industrialisation in the construction process, while increasing the efficiency of its purchasing organisation. This is particularly important for larger infrastructure projects, which are expected to become more and more significant in the coming years. The acquisition also increases Peab's financial strength, generating a higher equity/assets ratio and a better cash flow. This strengthens the company's ability to further develop its business and maintain the right conditions for continued good returns to shareholders.

Peab Industri has been consolidated into the Peab Group balance sheet from 31 December 2008. Peab Industri has not been integrated into the income statement for 2008 since only a few weekdays remained of the fiscal year after acquisition. Peab Industri is recorded in the pro forma income statements for 2007 and 2008 as if it had been owned by Peab 100 percent both years.

Peab Industri is reported as a separate business area (Industry). For more information on the acquisition of Peab Industri see note 6.

NET SALES

In 2008, Group net sales increased by 7 percent to SEK 34,132 million (31,977). Pro forma net sales increased by 8 percent to SEK 39,762 million (36,940). Adjusted for acquired and divested units the increase in consolidated net sales amounted to 4 percent. Of the year's net sales, SEK 5,306 million (5,471) related to sales and production outside Sweden.

PROFIT AND FINANCIAL POSITION

2008 operating profit amounted to SEK 1,349 million compared with SEK 1,261 million the previous year. In the fourth quarter a number of project write-downs and provisions were made. They, together with costs for staff-reduction, charged profits with approximately SEK 200 million. The majority of costs are attributable to the Norwegian business. In the comparable year profit was charged with SEK 85 million for a competition damage fine. Pro forma operating profit increased by 9 percent to SEK 2,202 million (2,023).

This year's participation in profits from joint ventures and associated companies was SEK -6 million (33). Capital gains from sold participation in joint ventures amounted to SEK 29 million (6) and refers to the sales of 50 percent in Deamatris Förvaltning AB.

Net financial items amounted to SEK -335 million (-162), of which net interest was SEK -54 million (16). Dividends from Brinova improved net financial items by SEK 32 million (32). The effect of valuing financial instruments at fair value reduced financial items by SEK -324 million (-200), of which the effect on profits of valuing the Brinova holding at fair value amounted to SEK -302 million (-203). The shareholding was reported at the market price on balance sheet day. Pro forma net financial items were SEK -490 million (-256).

Pre-tax profit amounted to SEK 1,014 million, compared with SEK 1,099 million the previous year. Pro forma pre-tax profits were SEK 1,712 million (1,767).

Tax for the year amounted to SEK 79 million (-325). This includes deferred tax income of SEK 370 million. This income was generated in the fourth quarter 2008, through the acquisition of companies with deferred prepaid tax, which were acquired at a price under the nominal value, together with formal tax issue decisions.

Profit for the year amounted to SEK 1,093 million, compared to SEK 811 million the previous year. Pro forma profit in 2008 was SEK 1,724 million (1,254).

The equity/assets ratio on 31 December 2008 was 25.2 percent, compared with 23.5 percent at the end of the previous year. This increase is primarily due to improved results as well as the acquisition of Peab Industri where shares for a value of SEK 2,386 million were issued.

Interest-bearing net debt amounted to SEK 4,042 million compared to a net receivable of SEK 587 million at the same time the previous year. The successive change during the year from a net receivable to net debt is the result of a negative change in working capital. About SEK 2,700 million of the net debt stems from the acquisition of Peab Industri.

The average interest rate in the loan portfolio on 31 December 2008 was 4.6 percent (5.0).

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The Group's liquid funds, including unutilised credit facilities, amounted to SEK 6,165 million at the end of the year, compared with SEK 5,173 million on 31 December 2007.

At the end of the year, the Group's contingent liabilities amounted to SEK 2,156 million compared with SEK 2,131 million on 31 December 2007. Obligations to tenant-owners association were SEK 1,577 million of contingent liabilities compared with SEK 1,430 million at the end of 2007.

CASH FLOW

Cash flow from current operations before changes in working capital amounted to SEK 1,144 million compared with SEK 1,585 million the previous year. Cash flow from changes in working capital was SEK -1,441 million, compared to SEK -755 million the previous year. The decrease is a result of acquisitions of project and development properties, large VAT payments and fewer advances in housing constructions.

Cash flow from investment activities amounted to SEK -967 million compared with SEK 605 million the previous year. Included in the amount for the comparable year is a loan repayment from Peab Industri in connection with its distribution. When project and development property is acquired through company acquisitions, it charges cash flow from investment activities in the same way as acquisitions of subsidiaries. Most of the year's investments concern financing partnership project companies.

Cash flow for the year amounted to SEK 755 million compared with SEK 283 million last year.

INVESTMENTS

Net investments in tangible and intangible fixed assets not including the acquisition of Peab Industri totalled SEK 599 million (742) in 2008. Included in the acquisition of Peab Industri were tangible and intangible fixed assets at a value of SEK 4,875 million. During the year SEK 914 million (670) was invested in project and development properties.

NEW REPORT STRUCTURE

The acquisition of Peab Industri has resulted in an revision of Peab's report structure. As of the fourth quarter 2008 Peab reports the following business areas:

- **CONSTRUCTION**
  All construction will be reported in the business area Construction.
- **CIVIL ENGINEERING**
  Business area Civil Engineering consists of all civil engineering related operations.
- **INDUSTRY**
  Peab Industri will be reported as a new business area, Industry.

The previous business area Administration /Management will cease to exist as a business area and will be reported as a special post called "Group functions".

COMMENTS PER BUSINESS AREA

CONSTRUCTION

Business area Construction consists of the Group's resources in construction related services in Sweden and abroad.

In 2008 net sales amounted to SEK 26,493 million, compared to SEK 25,476 the previous year, a 4 percent increase. Adjusted for acquired units net sales increased by 3 percent. Net sales in Norway declined by 9 percent to SEK 2,682 million and net sales in Finland was practically the same as in 2007 and amounted to SEK 2,288 million.

In 2008 operating profit amounted to SEK 1,075 million, compared to SEK 1,114 million in 2007. In the fourth quarter a number of project write-downs and provisions were made. These, together with costs for staff reductions, charged profit with approximately SEK 200 million. The majority of the costs are attributable to the Norwegian business. The operating margin decreased to 4.1 percent, compared to 4.4 percent in 2007. Swedish operations have continued their positive development with increased net sales and improved operating profit, while they have worsened in foreign operations.

CIVIL ENGINEERING

Business area Civil Engineering consists of operations related to civil engineering.

Net sales in 2008 amounted to SEK 9,132 million, compared to SEK 7,933 million last year, a 15 percent increase. Adjusted for acquired units, net sales improved by 10 percent.

Operating profit in 2008 amounted to SEK 434 million, compared with SEK 352 million the previous year. Operating margin increased to 4.8 percent, compared to 4.4 percent in 2007. The improvement in operating profit and operating margin is a result of a cost-efficient production organisation.

Peab's long-term investment in Norway and Finland is the establishment of a Nordic civil engineering organisation with the intention to increase our presence on these markets.

Net sales and operating profit per business area

	Net sales		Operating profit		Operating margin	
	Jan-Dec	Jan-Dec	**Jan-Dec**	Jan-Dec	**Jan-Dec**	Jan-Dec
MSEK	**2008**	2007	**2008**	2007	**2008**	2007
Construction	26,493	25,476	1,075	1,114	4.1%	4.4%
Civil Engineering	9,132	7,933	434	352	4.8%	4.4%
Industry	8,581	7,414	855	762	10.0%	10.3%
Group functions	101	124	–160	–205		
Eliminations	–4,545	–4,007	–2	–		
Total including Industry (pro forma)	**39,762**	**36,940**	**2,202**	**2,023**	**5.5%**	**5.5%**
Total not including Industry	**34,132**	**31,977**	**1,349**	**1,261**	**4.0%**	**3.9%**

INDUSTRY

Business area Industry is made up of three complementary units Machines, Products and Services. All of them are focused on the Nordic construction and civil engineering markets. Net sales for 2008 amounted to SEK 8,581 million compared with SEK 7,414 million for the previous year, which corresponds to an increase of 16 percent.

Operating profit for 2008 amounted to SEK 855 million compared with SEK 762 million for the previous year. Operating margin decreased to 10.0 percent compared with 10.3 percent for 2007. All units show increased net sales and improved operating profit during 2008 compared to 2007.

ORDER BACKLOG AND ORDERS RECEIVED

CONSTRUCTION AND CIVIL ENGINEERING

Orders received amounted to SEK 32,269 million compared to SEK 37,529 million for 2007, which corresponds to a reduction of 14 percent. The reduction stems from the downturn in the economy as well as a deliberate cutback in foreign operations. The order backlog at the end of the year totalled SEK 24,233 million compared with SEK 26,299 million at the end of last year.

Order backlog increased in Civil Engineering but declined in Construction, especially in the business abroad. Of the total order backlog, 24 percent (26) is expected to be produced after 2009. Construction projects accounted for 69 percent (77) of the order backlog. Swedish operations accounted for 90 percent (85) of the order backlog.

No orders received or order backlog are presented for business area Industry.

Order backlog and orders received

MSEK	2008	2007	2006
Coming financial year	18,445	19,541	16,314
Next financial year	4,493	5,620	3,486
Thereafter	1,295	1,138	842
Total order backlog	**24,233**	**26,299**	**20,642**
Orders received	**32,269**	**37,529**	**28,711**

PROJECT DEVELOPMENT

As part of contract operations, Peab also works with its own housing developments comprised of tenant-owner cooperatives and single homes sold directly to the end customer. New production of own housing developments made up 12 percent of net sales in 2008 compared with 15 percent in 2007. The number of own housing developments in production at the end of the year was 3,612 compared with 3,843 at the end of last year. The number of sold homes in production was 68 percent compared with 75 percent at the end of 2007. Despite the fact that we note longer or more normal sales times Peab has retained high requirements for advance subscription prior to embarking on new projects. The total holding of project and development properties amounted to SEK 3,614 million compared with SEK 2,700 million per 31 December 2007. There were 181 repurchased homes per 31 December 2008, of which 173 pertained to the Finnish housing companies (apartments owned as shares of a company) compared with 96 at the turn of the year 2007.

GROUP FUNCTIONS

Central companies, certain subsidiaries, joint ventures and other holdings are reported under Group functions. The central companies primarily consist of the parent company Peab AB and Peab Finans AB. Peab AB's operations consist of Group management and common Group functions. The internal bank Peab Finans handles the Group's liquidity and debt management as well as financial risk exposure. The company is also a service function for the subsidiaries and creates solutions for loans and investments, project-related financing and currency risk hedging.

Operating profit for the year was SEK -160 million (-205). A competition damage fine of SEK 85 million was charged to profit for the comparable year.

RESEARCH AND DEVELOPMENT

Peab has an ongoing development program in order to be able to offer our customers improved products and services, while boosting the competitiveness of the Peab Group. Peab has no separate research and development organisation; instead this work is integrated into daily 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 buildings comprising product development, production, delivery and assembly. In 2009 a number of apartment buildings will be constructed following the PGS concept.

Peab's goal is to be in the vanguard when it comes to developing new concepts, methods and knowledge concerning industrial construction.

Peab's own housing development construction

	Jan-Dec 2008	Jan-Dec 2007	Jan-Dec 2006
Number of housing starts during the year	1,496	2,011	2,518
Number of homes sold during the year	1,282	2,035	2,300
Total number of homes under construction, at year-end	3,612	3,843	4,193
Share of sold homes under construction, at year- end	68%	75%	75%
Number of repurchased tenant-owner rights/shares in Finnish housing companies in the balance sheet,at year-end	181	104	38

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MATERIAL RISKS AND UNCERTAINTY FACTORS

Peab's business is exposed both to operational and financial risks. Operational risks are as a rule greater than the financial ones. The parent company is indirectly affected by the risks described in this section.

RISK MANAGEMENT

The management of operational risks is a continuous process considering the large number of projects the company has in progress that are started up, carried out and completed. Financial risks are associated with capital tied up in the company and its capital requirements, as well as interest and currency risks in foreign activities.

OPERATIONAL RISKS

Peab's business is largely project related. Operational risks in day-to-day business are connected to bids, percentage of completion and volume and price risks.

Risk	Risk management
Tenders Erroneous tenders and cost estimates can lead to significant losses in projects as well as the loss of an order.	Structured risk assessment is crucial in the construction business to ensure that risks are identified, correctly priced in tenders submitted and that the proper resources are available.
Percentage of completion Peab applies percentage of completion in most of its projects. Miscalculation of percentage of completion can result in external accounting being seriously misleading or that strategic decisions are based on incorrect information.	A prerequisite for percentage of completion is reliable forecasting. Well-developed procedures and system support for the monitoring and forecasting of each project is crucial to limiting risks of erroneous percentage of completion.
Price risks For Peab, price risks refer to such aspects as unforeseen price hikes for materials, subcontractors and wages. Risks vary according to the type of contract. Fixed price contracts also involve the risk of incorrect tender calculations and the risk that price hikes deteriorate profits because the company cannot demand compensation from the customer for them.	Methods of limiting price risks include rationalising construction processes and purchasing procedures and always endeavouring to procure materials and subcontractors back in the tender stage or as early as possible in the process.
Weak economy Customers, suppliers and subcontractors can find it difficult to get financing as a result of the weak economy and the turbulence on the financial market. This in turn can lead them to delay planned investments and make it difficult to meet existing obligations.	Customers' and suppliers' credit worthiness is assessed and handled in the businesses. A prerequisite for contract project initiation is that the client has found financing for the project.

FINANCIAL RISKS

The Group is also exposed to financial risks, such as changes in debt and interest rate levels. Peab's shareholding in Brinova creates considerable exposure for the company through a single holding. Large fluctuations in the price of the Brinova share exert a major impact on the valuation of the holding, which affects Peab's net financial items. For further information on financial risks, see note 36.

MAJOR DISPUTES

The principal negotiations in the current 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 fines of SEK 85 million. The competition damage fines were charged to profit for the year in 2007. 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. Arbitration has been conducted in 2008 and the Swedish Market Court intends to deliver a verdict in the case on 28 May 2009.

SENSITIVITY ANALYSIS

Peab's operations are sensitive to changes in, among other things, 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	Calculation basis	Change	Pre-tax profit effect before
Operative[1]			
Volume (op. marg. constant)	39,800	+/– 10%	+/– 219
Operating margin (volume constant)	5.5%	+/– 1%	+/– 398
Materials and subcontracts	21,500	+/– 1%	–/+ 215
Financial			
Net debt (rate of interest constant)	4,000	+/– 10%	+/- 18
Average effective int. rate [2] (net debt constant)	4.6%	+/– 1%	+/- 31
Holding of Brinova shares (book value)	175	+/-10%	+/-18

1) Based on pro forma 2008 including Peab Industri figures.
2) The calculation assumes that net liabilities, amounting to SEK 3,106 million have a fixed interest period of less than 1 year and are therefore relatively immediately affected by a change in market interest rates.

ACQUISITIONS DURING THE YEAR

In addition to Peab Industri, which has been described previously in this report and on page 59, note 6, the acquisitions in 2008 worth mentioning are listed below.

Peab has acquired Senter Bygg Entreprenör AS in Buskerud, southwest of Oslo. Senter Bygg's net sales in 2007 were NOK 180 million and the company has around 100 employees. Senter Bygg is active in the Drammen region, building and renovating housing.

Peab has acquired all the shares in HälsingeBygg i Hudiksvall AB. The company has 45 employees and net sales in 2007 were SEK 70 million. HälsingeBygg is a traditional construction company focused on construction work and smaller jobs.

Peab has acquired the land developer Berg och Falk AB (BEFAB), which is primarily active in the Östergötland region. BEFAB mainly works with land development, daily operations and maintenance as well as ballast production. The company has around 200 employees and net sales of approximately SEK 360 million.

Further information concerning other acquisitions can be found in note 6.

ENVIRONMENTAL IMPACT IS AN INTEGRATED PART OF OUR WORK

We have put a great deal of time and energy into integrating environmental matters into the way we work. We know that what matters to our customers and future generations is what we actually achieve in our projects. In the autumn of 2008 Peab established a vision, a strategy and four focused objectives for our future environmental work. They will be integrated into our business plan and in 2009 a number of goals along the way will be specified.

Focused objectives

- Energy efficient construction with the least environmental impact possible
- Conservation of resources in the use of materials
- Environmentally aware product choices
- Efficient transportation

We have a company policy that links the environment, sustainable development and quality together with the work environment and personnel matters.

PHASING OUT 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.

ENVIRONMENTAL IMPACT

Peab runs operations required to have permits according to the Environmental Act in the Swedish subsidiaries Swerock, Skandinaviska Byggelement, S:t Eriks and Peab Asfalt, which were part of the acquisition of Peab Industri. Swerock was ISO 14001 certified in 2000.

The operations required to have permits handle gravel pits, rock quarries, transport of waste and hazardous waste and asphalting units. These operations' primary environmental impact is by using non-renewable raw materials and on the future use of land. The operations required to have permits represent about two percent of Group net sales pro forma 2008. Renewal and supplementation of permits is continuous.

Swerock's concrete plants, St:Eriks' and Skandinaviska Byggelement's concrete product plants and Peab Asfalt's stationary and moveable units all require permits. Operations requiring permits represent about six percent of the Group's total net sales pro forma 2008.

PREVENTIVE WORK AND RESPONSIBILITY

GreenBuilding

Peab is a partner in the EU Commission GreenBuilding Program and currently has two projects certified as a GreenBuilding. A building cannot be certified unless the total energy use is 25 percent lower than construction requirements issued by the National Board of Housing, Building and Planning, Sweden.

Peab House Declaration

Peab House Declaration is a Web-based system for reviewing and documenting building products' status concerning suitability, compatibility and environmental impact. The system has been developed by Svensk Husdeklaration AB and Peab is the only construction company with right to use the system in select projects.

Education and training

Education and training and environmental support are essential to Peab's internal environmental work. The crucial factor in deciding whether we are successful or not in our environmental work is what happens everyday in our projects, and therefore Peab works constantly on education and training. Since 2007, environmental responsibility has been delegated in writing in our line organisation from CEO to Project Manager, and in conjunction with this an interactive environmental training course with a subsequent examination has been carried out.

PEAB'S 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 in human resources to handle 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 that new projects and operations generate.

Peab began developing a structured work method in the autumn of 2008 for its strategic human resourcing, thus making sure we have the right number of people with the right skills and knowledge based on both long and short term developments in the market.

In order for Peab to have the personnel it needs in the future it is essential to attract youth to the construction industry. For this reason Peab started the Peab School in Ängelholm in 2006, a three-year high school education for craftsmen. The initiative was a great success and in 2008 two new Peab Schools were launched in Malmö and Solna.

The work to develop a strong leadership in future management in Peab was initiated in 2006 and led to Peab Academy, which started in Ängelholm in 2007. The management course weaves theory with practice at Peab's workplaces. Through Peab Academy our employees receive specialist skills and a faster career at the same time our unique know-how and special Peab Spirit follows with them into the future.

Peab's vision to be the Best Workplace in the Industry has now evolved into a defined long-term goal whereby Peab will be the "best company in the industry by 2009". Consequently Peab embarked upon a series of projects, among them Health and the Work Environment in Focus, which were carried out in 2008. They resulted in a number of so-called learning workplace reviews which are aimed at locally identifying risks and attempting to work preventively to avoid future accidents, injuries and sick leave. Working place reviews will continue with the same scope in 2009.

The average number of Peab Group employees in 2008 was 11,945 compared with 11,480 in 2007.

PROFIT SHARING FOUNDATION

In 2007 Peab established a profit sharing foundation to replace previous systems for profit sharing, see note 8.

CONVERTIBLE PROMISSORY NOTES 2007/2012

On 16 May 2007, the AGM of Peab AB resolved to issue and offer convertibles to all employees. The offer of participation in the program was made to all employees on ordinary market terms, and each employee was offered the right to subscribe to a minimum of 200 convertibles. The convertibles run from 1 December 2007 until 30 November 2012. In all, 41 percent of Peab's employees applied to subscribe for convertibles. The issue has given all employees an opportunity to share in the companies' progress, thus boosting their sense of belonging and dedication.

CONVERSION OF PROMISSORY NOTES 2005/2008

In September 2005 Peab issued a total of 5,500,000 convertibles to all employees. A last chance to convert Peab's Promissory Notes 2005/2008 to B shares was given during the period 1-15 April 2008. Of the remaining outstanding nominal amount, the entire SEK 3.5 million has been converted to 148,407 new B shares.

INCREASE IN SHARE CAPITAL AND NUMBER OF SHARES

As a result of the acquisition of Peab Industri new shares have been issued in kind in Peab AB twice in December 2008. The increase in the number of shares and votes in Peab AB was 14,708,553 A shares representing 147,085,530 votes and 101,720,827 B shares representing 101,720,827 votes. The sum of the new issue was SEK 2,386 million. As of December 31 2008 the total number of shares and votes in Peab AB amounted to 291,030,493 shares representing 599,910,106 votes, of which 34,319,957 A shares representing 343,199,570 votes and 256,710,536 B shares, representing 256,710,536 votes.

In February 2009 further new shares were issued in kind as a result of the acquisition of Peab Industri. The increase in the number of shares and votes in Peab AB in February 2009 was 5,019,237 B shares representing 5,019,237 votes. The sum of the new issue was SEK 133 million.

The total number of registered shares and votes in Peab AB after the issue in kind in February 2009 is 296,049,730 shares representing 604,929,343 votes, of which 34,319,957 A shares represented 343,199,570 votes and 261,729,773 B shares represented 261,729,773 votes.

THE PEAB SHARE

At the end of the year Peab's share capital amounted to SEK 1,557,013,138, divided among a total of 291,030,493 shares, resulting in a nominal value of SEK 5.35 per share. In February 2009 further new issues were made as a result of the acquisition of Peab Industri. The increased amount of shares amounted to 5,019,237 B shares, and the total number of shares in Peab is now 296,049,730.

Of the shares, 34,319,957 are A shares with ten votes per share, and 261,729,773 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 24,702 shareholders in Peab. Mats Paulsson and his companies represent the largest single shareholder with 15.2 percent of the capital and 22 percent of the votes. The joint ownership related to the company's founders Mats and Erik Paulsson amounted at the end of the year to 36 percent of the capital and 68 percent 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, 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. As of 31 December 2008 the foundation owns 2,454,637 B shares in Peab.

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 15 May 2008 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 percent of the registered shares in the company. As of 31 December 2008, Peab's holding of own shares amounted to 12,376,800 B shares, corresponding to 4.3 percent of the total number of shares.

The AGM 2007 resolved to issue and offer convertibles to all employees. The conversion rate for the Convertible Promissory Notes 2007/2012 was fixed at SEK 68 and the issue amount was SEK 598,400,000 corresponding to 8,800,000 new convertibles. Upon conversion to shares, dilution will amount to 2.97 percent of the share capital and 1.45 percent of the votes, based on the number of shares registered per 28 February 2009.

HOLDINGS OF OWN SHARES

In the beginning of 2008, Peab's holding of own shares amounted to 5,625,000 B shares, corresponding to 3.2 percent of the total number of shares. In order to offset any dilution effects from the convertible programs, to use in the financing of acquisitions etc. as well as adjust the Group's capital structure, the Peab AGM on 15 May 2008 resolved to authorise the Boards 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 percent of the registered shares in the company. In 2008 7,053,600 B shares, equivalent of 2.4 percent of the share capital, were bought back for SEK 282 million. During the same period 301,800 B shares, representing SEK 12 million, were disposed of as a part payment for company acquisitions. On 31 December 2008 the Group held 12,376,800 B shares to a nominal value of SEK 5.35 per share, corresponding to share capital of SEK 66 million, which makes up 4.3 percent of the total share capital. See note 28.

CORPORATE GOVERNANCE

For a detailed description of the work of the Board of Directors and corporate governance see page 101, report on Corporate governance.

REMUNERATION FOR SENIOR OFFICIALS

The Board of Directors will propose leaving the remuneration policy unchanged at the AGM on 14 May 2009. For more information about the guidelines adopted for deciding salaries and other remuneration for the CEO and other senior officials, see note 8.

EXPECTATIONS ON FUTURE DEVELOPMENT

Since midyear 2008 we have seen the economy decline. The turbulence on the financial markets contributed to an increased economic slowdown in the fourth quarter of 2008. In 2009, the Swedish construction market is expected to decrease by between 6 and 11 percent, according to the Swedish Construction Federation. New production of housing has stalled and is expected to remain slow in 2009. The Swedish government's investments in infrastructure led to strong growth in public civil engineering projects. Other segments, such as new construction and renovation of premises are expected to show a weak but positive development, primarily through orders from the public sector. Decisive for the growth rate is when actions such as the drastic reductions in interest rates and the government's stimulus packages have an impact on companies' and customers' belief in the future.

THE PARENT COMPANY

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

PROPOSED APPROPRIATION OF PROFITS

The following amounts in SEK are at the disposal of the Annual General Meeting:

Share premium reserve	2,202,052,085
Special reserve	55,000,000
Profit brought forward	2,574,975,785
Profit for the year	–346,833,577
Total	**4,485,194,293**

The Board of Directors propose the following appropriation of disposable profits and non-restricted reserves:

296,049,730 shares at SEK 2.25 per share distributed to the shareholders	666,111,893
Carried forward [1]	3,819,082,400
Total	**4,485,194,293**
1) Of which, to share premium reserve	2,202,052,085
Of which, to special reserve	55,000,000

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INCOME STATEMENT FOR THE GROUP

MSEK	Note	2008	2007	Pro forma 2008	Pro forma 2007
Continuing operations					
Net sales	2, 3, 4	34,132	31,977	39,762	36,940
Production costs		–31,029	–29,049	–35,477	–32,957
Gross profit		**3,103**	**2,928**	**4,285**	**3,983**
Sales and administrative expenses		–1,773	–1,621	–2,104	–1,917
Profit from participation in associated companies and joint ventures	17, 18	–6	33	–4	36
Capital gains from shares sold in joint ventures		29	6	29	6
Capital gains from shares sold in Group companies		–4	0	–4	–
Competition damage charge		–	–85	–	–85
Operating profit	2, 4, 7, 8, 9, 10, 37	**1,349**	**1,261**	**2,202**	**2,023**
Financial incomes		202	152	210	117
Financial expenses		–534	–314	–697	–373
Profit from participation in joint ventures	18	–3	–	–3	–
Net finance	2, 11	**–335**	**–162**	**–490**	**–256**
Pre-tax profit		**1,014**	**1,099**	**1,712**	**1,767**
Tax	13	79	–325	12	–513
Profit for the year from continuing operations		**1,093**	**774**	**1,724**	**1,254**
Profit from discontinued operations, net after tax	5	–	37	–	–
Profit for the year		**1,093**	**811**	**1,724**	**1,254**
Attributable to:					
Shareholders in parent company		1,093	811	1,724	1,254
Minority interest		0	0	0	0
		1,093	**811**	**1,724**	**1,254**
Profit per share	**14**				
before dilution, SEK		6.56	4.92	6.10	4.28
after dilution, SEK		6.45	4.77	6.05	4.19
Profit per share from continuing operations	**14**				
before dilution, SEK		6.56	4.69	6.10	4.28
after dilution, SEK		6.45	4.55	6.05	4.19

MSEK	Note	2008	2007
Assets			
Intangible assets	15	2,112	452
Tangible assets	16	4,335	642
Participation in associated companies	17	0	9
Participation in joint ventures	18	326	238
Other securities held as fixed assets	19, 35	302	602
Interest-bearing long-term receivables	21, 35	453	322
Deferred tax recoverables	13	595	129
Other long-term receivables	22, 35	69	54
Total fixed assets		**8,192**	**2,448**
Project- and development properties	23	3,614	2,700
Inventories	24	528	86
Accounts receivable	25, 35, 36	5,939	4,973
Interest-bearing current receivables	21, 35, 36	329	121
Tax assets		81	56
Recognised but not invoiced income	26	4,137	3,192
Prepaid expenses and accrued income		420	112
Other current receivables	22, 35	461	452
Short-term holdings	35, 36	1,007	0
Liquid funds	35, 36	984	1,212
Total current assets		**17,500**	**12,904**
Total assets		**25,692**	**15,352**
Equity	**28**		
Share capital		1,557	933
Other contributed capital		2,470	624
Reserves		–1	89
Profit brought forward included profit for the year		2,344	1,954
Equity attributable to shareholders in parent company		**6,370**	**3,600**
Minority interest		**92**	**6**
Total Equity		**6,462**	**3,606**
Liabilities			
Interest-bearing long-term liabilities	29, 35, 36	5,563	778
Other long-term liabilities	32, 35	92	45
Provisions for pensions	30, 35	16	11
Other provisions	31	226	78
Total long-term liabilities		**5,897**	**912**
Interest-bearing short-term liabilities	29, 35, 36	1,235	279
Accounts payable	35, 36	4,044	3,392
Income tax liabilities		307	103
Invoiced income not yet recognised	33	3,685	3,580
Accrued expenses and deferred income		2,634	2,086
Other short-term liabilities	32, 35	1,309	1,293
Provisions	31	119	101
Total short-term liabilities		**13,333**	**10,834**
Total liabilities		**19,230**	**11,746**
Total Equity and liabilities		**25,692**	**15,352**

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

REPORT ON CHANGES IN GROUP SHAREHOLDERS' EQUITY

MSEK	Note	Share capital	Other contributed capital	Reserves	Profit brought forward inclu-ded profit for the year	Total	Minority interest	Total share-holders equity
		Equity attributable to shareholders in parent company						
Opening balance 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 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 equity, 31 December 2007		**933**	**679**	**89**	**1,899**	**3,600**	**6**	**3,606**

1) Of which distributions costs -1

MSEK	Note	Share capital	Other contributed capital	Reserves	Profit brought forward inclu-ded profit for the year	Total	Minority interest	Total share-holders equity
Opening balance equity, 1 January 2008		**933**	**679**	**89**	**1,899**	**3,600**	**6**	**3,606**
Annual change in translation reserve	28			73		73		73
Annual change in hedging reserve	28			–163		–163		–163
Total changes in funds recognised directly in equity excluding transactions with the company's owners				**–90**		**–90**		**–90**
Profit for the year					1,093	1,093		1,093
Total changes in funds except for transactions with the company's owners				**–90**	**1,093**	**1,003**		**1,003**
Cash dividend					–377	–377		–377
Acquisition of own shares					–283	–283		–283
Withdrawal of own shares					12	12		12
Acquisition of minority interest							87	87
Sales of minority interest							–1	–1
Conversion convertible promissory notes		1	3			4		4
New share issue		623	1,763			2,386		2,386
Issued convertible promissory notes			35			35		35
Deferred tax on temporary difference related to the loan part of convertibles			–10			–10		–10
Closing balance equity, 31 December 2008		**1,557**	**2,470**	**–1**	**2,344**	**6,370**	**92**	**6,462**

MSEK	Note	2008	2007
Current operations	42		
Pre-tax profit		1,014	1,148
Adjustments for non-cash items		170	454
Income tax paid		–40	–17
Cash flow from current operations before working capital changes		**1,144**	**1,585**
Cash flow from changes in working capital			
Increase (-) /Decrease (+) project- and development properties		–500	–487
Increase (-) /Decrease (+) inventories		–46	–82
Increase (-) /Decrease (+) current receivables		–544	–1,058
Increase (+) /Decrease (-) current liabilities		–351	872
Cash flow from changes in working capital		**–1,441**	**–755**
Cash flow from current operations		**–297**	**830**
Investment operations			
Acquistion of subsidiaries, net effect on liquid funds		–452	–230
Sale of subsidiaries, net effect on liquid funds		12	15
Liquid funds, discontinued operations		–	–64
Acquistion of intangible fixed assets		–45	–45
Acquistion of tangible fixed assets		–227	–385
Sale of tangible fixed assets		18	64
Acquistion of financial assets		–350	–184
Sale of financial assets		77	1,434
Cash flow from investment operations		**–967**	**605**
Cash flow before financing		**–1,264**	**1,435**
Financing operations			
Repurchases of own shares		–282	–129
Borrowings		2,678	–
Amortization of loan		–	–743
Dividend distributed to the shareholders of the parent company		–377	–280
Cash flow from financing operations		**2,019**	**–1,152**
Cash flow for the year		**755**	**283**
Cash at the beginning of the year		1,212	913
Exchange rate differences in cash		24	16
Cash at year-end		**1,991**	**1,212**

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INCOME STATEMENT FOR PARENT COMPANY

MSEK	Note	2008	2007
Net sales	3	53	55
Administrative expenses	8, 9	–158	–169
Competition damage charge		–	–35
Operating profit		**–105**	**–149**
Result from financial investments	11		
Profit from participation in Group companies		271	1,450
Profit from securities and receivables accounted for as fixed assets		–269	–139
Other interest income and similar profit/loss items		24	1
Interest expenses and similar profit/loss items		–229	–149
Profit after financial items		**–308**	**1,014**
Appropriations	12	–159	–1
Pre-tax profit		**–467**	**1,013**
Tax	13	120	119
Profit for the year		**–347**	**1,132**

MSEK	Note	2008	2007
Assets			
Fixed assets			
Tangible assets			
Machinery and equipment	16	3	3
Total tangible assets		**3**	**3**
Financial assets			
Participation in Group companies	41	11,276	7,281
Receivables from Group companies	20, 35	655	612
Other securities held as fixed assets	19, 35	227	548
Interest-bearing long-term receivables	21, 35	59	180
Other long-term receivables	22, 35	1	1
Total financial assets		**12,218**	**8,622**
Total fixed assets		**12,221**	**8,625**
Current assets			
Short-term receivables			
Accounts receivables	25, 35	–	0
Receivables from Group companies	35	29	0
Interest-bearing short-term receivables	21 ,35	306	15
Other current receivables	22, 35	40	199
Prepaid expenses and accrued income	27	6	4
Total short-term receivables		**381**	**218**
Liquid funds	35	2	4
Total current assets		**383**	**222**
Total assets		**12,604**	**8,847**
Equity and liabilities	**28**		
Equity			
Restricted equity			
Share capital		1,557	933
Statutory reserve		300	300
Non-restricted equity			
Share premium reserve		2,202	436
Special reserve		55	55
Profit brought forward		2,575	1,431
Profit for the year		–347	1,132
Total equity		**6,342**	**4,287**
Untaxed reserves	12	**160**	**1**
Long-term liabilities			
Liabilities to Group companies	35	5,180	3,902
Convertible promissory note	35, 36	566	562
Deferred tax liabilities	13	9	9
Total long-term liabilities		**5,755**	**4,473**
Short-term liabilities			
Accounts payable	35	24	22
Liabilities to Group companies	35	3	9
Income tax liabilities		132	–
Other short-term liabilities	32, 35	144	39
Accrued expenses and deferred income	34	44	16
Total short-term liabilities		**347**	**86**
Total equity and liabilities		**12,604**	**8,847**
Pledged assets and contingent liabilities for parent company			
Pledged assets		–	–
Contingent liabilities	39	11,972	8,783

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REPORT ON CHANGES IN THE PARENT COMPANY'S SHAREHOLDERS' EQUITY

	Restricted capital		Non-restricted capital				
MSEK	Share capital	Statutory reserve	Share premium reserve	Special reserve	Profit/loss brought forward	Profit for the year	Total shareholders equity
Opening balance 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 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 equity, 31 December 2007	**933**	**300**	**436**	**55**	**1,431**	**1,132**	**4,287**
Opening balance equity, 1 January 2008	**933**	**300**	**436**	**55**	**1,431**	**1,132**	**4,287**
Allocation of profits					1,132	–1,132	0
Group contribution received					916		916
Tax attributable to Group contribution					–257		–257
Total changes in funds recognised directly in equity excluding transactions with the company's owners					**1,791**	**–1,132**	**659**
Profit for the year						–347	–347
Total changes in funds except for transactions with the company's owners					**1,791**	**–1,479**	**312**
Cash dividend					–377		–377
New share issue	623		1,763				2,386
Conversion convertible promissory notes	1		3				4
Acquisition of own shares					–282		–282
Withdrawal of own shares					12		12
Closing balance equity, 31 December 2008	**1,557**	**300**	**2,202**	**55**	**2,575**	**–347**	**6,342**

1) Of which distributions costs -1

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MSEK	Note	2008	2007
Current operations	42		
Pre-tax profit		–308	1,014
Adjustments for non-cash items		59	–1,214
Income tax paid		–4	0
Cash flow from current operations before working capital changes		**–253**	**–200**
Cash flow from changes in working capital			
Increase (-) /Decrease (+) current receivables		127	–129
Increase (+) /Decrease (-) current liabilities		129	–172
Cash flow from changes in working capital		**256**	**–301**
Cash flow from current operations		**3**	**–501**
Investment operations			
Acquistion of tangible fixed assets		0	–1
Acquistion of financial assets		–987	–191
Sale of financial assets		2	8
Cash flow from investment operations		**–985**	**–184**
Cash flow before financing		**–982**	**–685**
Financing operations			
Issue of convertibles		–	598
Repurchase of own shares		–282	–129
Borrowings		1,639	481
Dividend distributed		–377	–280
Cash flow from financing operations		**980**	**670**
Cash flow for the year		**–2**	**–15**
Cash at the beginning of the year		4	19
Cash at year-end		**2**	**4**

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Note 1 Accounting principles

Compliance with standards and legislation

The consolidated accounts have been drawn up in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and interpretations from International Financial Reporting Interpretations Committee (IFRIC) which have been adopted by EU. In addition, the Swedish Financial Reporting Board recommendation RFR 1.1 Supplementary accounting rules for groups has also been applied.

The accounting principles given below for the Group have been applied consequently for all the periods presented in the consolidated financial reports, if not otherwise stated. The Group's accounting principles have been applied consequently for reports and the consolidation of the parent company, subsidiaries, associated companies and joint ventures in the consolidated financial reports.

The parent company applies the same accounting principles as the Group except in the cases stated below in the section on the parent company accounting principles.

The annual report and the consolidated accounts have been approved for publication on 3 April 2009. 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 14 May 2009.

Valuation basis applied for preparation of the parent company and group 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 IFRSs 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 IFRSs 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 principles

The amendment in IAS 39 Reclassification of financial assets which was adopted by EU during the autumn of 2008 has not had any effect on accounting. The other new and amended standards and interpretations issued by IASB respectively IFRIC and approved of by EU for application in 2008 have not had any effect on Group financial reports. Group accounting principles are unchanged compared with the annual report of 2007.

New IFRSs and interpretations that have not yet been applied

The Group has chosen not to prematurely apply new standards or interpretations when preparing these financial reports and plans no premature application in the coming year. The new standard IFRS 8 Operating Segments will be applied from 2009. IFRS 8 replaces IAS 14 Segment presentation, which puts, to a certain extent, new demands on segment information. The standard is not expected to have an effect on Group segment division and will have an insignificant effect on the additional information that must be reported. In 2009, the Group will begin to apply the revised IAS 1 Presentation of financial statements, which primarily entails that the current Group report on changes in equity will be divided into two reports.

From 2010 onwards, the revised IFRS 3 Business combinations and the amended IAS 27 Consolidated and separate financial statements will be applied by the Group, which entails changes in reporting acquisitions made from 2010. Interpretation IFRIC 12 Service Concession Arrangements deals with the matter of how a private company should present infrastructure as well as the rights and obligations resulting from a contract with national, county and city government concerning, for example, financing, operation and development of the infrastructure. IFRIC 12 has been be adopted by EU in Q1 2009 for application in 2010. IFRIC 15 Agreements for the construction of real estate deals with the matter of when income from construction of real estate should be reported, according to percentage of completion method or at the time the real estate has been completed. IFRIC 15 can primarily affect Peab's revenue recognition and accounting for the results of housing project developments. IFRIC 15 has not yet been approved for application by EU. If it is, application is expected to be obligatory from 2010, including recalculation of comparison year 2009.

Based on the Group's current situation, other adopted IASB standards and IFRIC interpretations which are expected to be applied in the future will not affect the consolidated financial statements.

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. 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 influ-

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ence. 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, write-downs 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.

Associated companies

Associated 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 percent. 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 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 write-down 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 rec-

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

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

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

Other income

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

Government grants

Government grants are recognised in the balance sheet as government receivables when it is reasonably certain that the contribution will be received and that the Group will meet the requirements 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 the difference generated by the recognition of groupwise 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 operating profit or in net financials items 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 chooses to place in this category. The first sub-group 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.

Hedge accounting of net investments

To a certain extent measures have been taken to reduce exchange risks connected to investments in operations abroad. This has been done by taking out loans in the same currency as the net investments. These loans are recognised at the translated rate on balance sheet day. The effective part of the period's exchange rate changes in relation to hedge instruments is recognised directly against equity in the translation reserve, in order to meet and partly match the translation differences that are reported concerning net assets in the hedged operations abroad. In the cases where the hedge is not effective, the ineffective part is recognised directly in the income statement as a financial item.

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 write-downs. 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.

Assets which are rented out under financial leasing agreements are not recognised as tangible fixed assets since the risks and opportunities connected to ownership of the assets are transferred to the lessee. A financial receivable referring to future minimum leasing fees is reported instead.

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
Asphalt and concrete factories	10-15 years
Vehicles and construction machinery	5-6 years
PCs	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 write-downs.

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 IFRSs, the rules of the IFRSs 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 write-down testing.

Goodwill is value at acquisition value minus any accumulated write-downs. Goodwill is divided between cash-generating units and is tested at least once a year for write-down 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 write-downs.

Other intangible assets

Other intangible assets acquired by the Group are recognised at acquisition value minus accumulated depreciation, amortization and write-downs. 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 write-down 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 Group assets is checked each balance sheet day to assess whether there is a write-down requirement. IAS 36 is applied to the testing of write-down 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 write-down 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 write-down 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.

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

The recovery value is 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 that takes into consideration 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 write-downs

A write-down is reversed if there are both indications that write-down requirements no longer exist and assumptions upon which the calculation of the recovery value were based have changed. However, write-downs of goodwill are 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 write-down had not been made.

Write-downs 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 write-down 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 are 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. Earnings per share after dilution is calculated as if convertibles were converted to shares at the beginning of the year, or, if later, from the issue of the convertibles.

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

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in the legal entity and group, a provision or a claim is recognised relating to special payroll tax based on this difference.

Net interest on pension liabilities and anticipated returns on associated plans assets are recognised in net financial items. Other components are recognised as income or expenses in operating profit.

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 is 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.

Restoration costs

These refer to the estimated restoration costs for rock and gravel quarries after operations are terminated. The provision increases with the quarried amount and is reversed after restoration is completed. The reserved amount is expected to be utilised successively following completion of quarrying.

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 Swedish Financial Reporting Board recommendation RFR 2.1 Accounting rules for legal entities. The Swedish Financial Reporting Board statements concerning listed companies are also applied. RFR 2.1 requires that the parent company, in the annual report for the legal entity, use all EU adopted IFRSs and interpretations as far as possible within the framework of the Swedish Company Accounts Act, the Job Security Law and with due regard for the relationship between accounting and taxes. The recommendation states which exceptions and additions must be made to the IFRSs.

Changed accounting principles

The accounting principles of the parent company remain unchanged from the annual report for 2007. The new IASB standards and IFRIC interpretations are not expected to have any effect on the parent company with the future usage delineated in the Group accounting principles given above. The changes in IAS 27 Consolidated and separate financial statements – Cost of an investment in a subsidiary, jointly controlled entity or associate, which must be applied from the fiscal year 2009, have not been prematurely applied but can, in certain cases, affect the parent company's accounting of any distribution of acquired equity in subsidiaries and associated companies.

Differences between the Group's and parent company's accounting principles

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

Classification and design types

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

Subsidiaries and joint ventures

Participations in subsidiaries and joint ventures are recognised in the parent company applying the acquisition value method. 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. For reporting financial guarantee agreements the parent company applies an exception in RFR 2 which means that the rules in IAS 39 relative to financial guarantee agreements made out to the benefit of subsidiaries and joint ventures must not be applied. 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 write-downs 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 Job Security Law 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 are recognised in accordance with the statement from the Swedish Financial Reporting Board (UFR 2). 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.

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Note 2 Pro forma reporting

On 15 October 2008 the owners in Peab AB representing approximately 71 percent of all the votes in the company requested Peab's Board to resolve an Extra General Meeting to decide on making a public offer to shareholders and convertible holders in Peab Industri AB to transfer all shares and convertibles to Peab. The Extra General Meeting, which was held on 10 November 2008, decided to approve the owners' proposal. According to the proposal Peab offered three newly issued shares in Peab for two shares in Peab Industri.

From 15 December 2008 until the end of the year, within the framework of the offer, 94.1 percent of the capital and 97.1 percent of the votes in Peab Industri were acquired. During January and February 2009 a further 4.0 percent of the capital and 2.0 percent of the votes were acquired. Peab then called for compulsory purchase of the rest of the shares.

Peab Industri has been consolidated into the Peab Group balance sheet from 31 December 2008. Peab Industri has not been integrated into the income statement for 2008 since only a few weekdays remained of the fiscal year after acquisition.

In general concerning pro forma reporting

The pro forma income statements for 2007 and 2008 below were prepared to illustrate what the figures for the Peab Group would have been if Peab had owned 100 percent of Peab Industri during both years.

Income statement adjustments

The pro forma adjustments made are reported in the column Adjustments, and they are described in footnote.

2008 **MSEK**	**Peab** **Jan–Dec**	**Peab Industri** **Jan–Dec**	**Adjustment**	**Pro forma** **Jan–Dec**
Net sales	34,132	8,581	–2,951[1)]	39,762
Operating costs	–31,029	–7,399	2,951[1)]	–35,477
Gross profit	**3,103**	**1,182**	**0**	**4,285**
Sales and administrative costs	–1,773	–331		–2,104
Participation in profit from joint venture	–6	4	–2[2)]	–4
Capital gains from sold participation in joint venture	29			29
Capital gains from sold participation in Group companies	–4	0		–4
Operating profit	**1,349**	**855**	**–2**	**2,202**
Financial income	202	19	–11[3)]	210
Financial costs	–534	–174	11[3)]	–697
Participation in profit from associated companies and joint ventures	–3	–		–3
Net financial items	**–335**	**–155**	**0**	**–490**
Pre-tax profit	**1,014**	**700**	**–2**	**1,712**
Tax	79	–67		12
Profit for the year	**1,093**	**633**	**–2**	**1,724**
Attributable to:				
Parent company shareholders	1,093	631		1,724
Minority interests	0	2	–2[2)]	0
	1,093	**633**	**–2**	**1,724**

1) Sales between Peab and Peab Industri amouting to SEK 2,951 million were eliminated. 2) Share in profit in Peab from joint venture participation in companies where Peab Industri is the majority owner were eliminated by SEK 2 million. 2) Internal interest between Peab and Peab Industri in 2008 amounting to SEK 11 million were eliminated.

2007 MSEK	Peab Jan–Dec	Peab Industri Jan–Dec	Adjustment	Pro forma Jan–Dec
Continuing operations				
Net sales	31,977	7,414	–2,451[1)]	36,940
Operating costs	–29,049	–6,359	2,451[1)]	–32,957
Gross profit	**2,928**	**1,055**	**0**	**3,983**
Sales and administrative costs	–1,621	–296		–1,917
Participation in profit from joint venture	33	3		36
Capital gains from sold participation in joint venture	6			6
Competitive damage fee	–85			–85
Operating profit	**1,261**	**762**	**0**	**2,023**
Financial income	152	18	–53	117
Financial costs	–314	–106	47	–373
Net financial items	**–162**	**–88**	**–6[2)]**	**–256**
Pre-tax profit	**1,099**	**674**	**–6**	**1,767**
Tax	–325	–188		–513
Profit for the year in continuing operations	**774**	**486**	**–6**	**1,254**
Profit from discontinued operations, net after tax	37		–37[3)]	0
Profit for the year	**811**	**486**	**–43**	**1,254**
Attributable to:				
Parent company shareholders	811	486	–43	1,254
Minority interests	0	0		0
	811	**486**	**–43**	**1,254**

1) Sales between Peab and Peab Industri amouting to SEK 2,451 million were eliminated. 2) Internal interest between Peab and Peab Industri in 2007 amounting to SEK 47 million were eliminated. Reversal of financial income by SEK 6 million regarding market valuation of the options part of Peab's holding of convertibles in Peab Industri. 3) Net profit from Peab Industri for the period 1 January 2007 to 30 April 2007 amounting to SEK 37 million regarding the discontinued operations was adjusted.

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Note 3 Income distributed by type

Income distributed by essential income item

MSEK	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Continuing operations				
Revenues from contracting business	33,842	31,783	–	–
Services	53	27	–	–
Administrative services	–	–	53	55
Other	237	167	–	–
Total	**34,132**	**31,977**	**53**	**55**
Discontinued operations				
Revenues from contracting business	–	289		
Sale of goods	–	826		
Crane and plant rental	–	461		
Services	–	31		
Other	–	45		
Total	**–**	**1,652**		

Note 4 Segment reporting

Segment reports are prepared for the Group's business and geographical areas. The Group's internal reporting system is based on the follow up of profits and returns on the Group's types of operations which is why segments are the primary basis of allocation.

Internal pricing between Group segments is based on the "arm's length" principle, in other words, the price is valid between parties who are not dependent on each other, who are well-informed and who are interested in the transactions happening.

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

Investments in tangible and intangible fixed assets for the segments include all investments except investments in current inventories and inventories of minor value.

Business areas

Business areas constitute the primary basis of segments in the Group. The acquisition of Peab Industri in December 2008 has led to a revision of Group reporting and the Group now consists of following business areas:

- **Construction:** Business area Construction works on commissions from external customers and Peab's own housing development projects. It operates in Sweden, Norway and Finland producing primarily housing for external customers and Peab's own housing development projects, public and commercial premises and buildings. Customers include private property owners, municipalities and companies. Operations in Construction also include construction related services such as construction maintenance and repairs.
- **Civil Engineering:** Business area Civil Engineering handles commissions such as building infrastructure projects and civil engineering. Clients include the National Road and Rail Administrations, municipalities and local business. Civil Engineering also provides management and maintenance of roads and municipal facilities.
- **Industry:** Operations in Industry, which is focused on the Nordic construction and civil engineering markets, is made up of three complementary units: Machines, Products and Services. Customers are primarily Nordic construction and civil engineering companies. The major part of net sales is generated on the Swedish market.

Other operations consist of items not allocated to a business area and are reported as one item under Group function.

Group 2008

MSEK	Construction	Civil Engineering	Group Functions	Elimination	Group	Industry	Elimination	Group pro forma
Income								
External sales	25,737	8,376	19		34,132	5,630		39,762
Internal sales	756	756	82	–1,594	0	2,951	–2,951	0
Total income	**26,493**	**9,132**	**101**	**–1,594**	**34,132**	**8,581**	**–2,951**	**39,762**
Operating costs	–25,443	–8,700	–253	1,594	–32,802	–7,730	2,951	–37,581
Profit from participation in associated companies/joint ventures	–8	2			–6	4	–2	–4
Capital gains from sales of joint ventures/Group companies	33		–8		25			25
Operating profit	**1,075**	**434**	**–160**	**0**	**1,349**	**855**	**–2**	**2,202**
Financial income					202	19	–11	210
Financial expenses					–534	–174	11	–697
Profit from participation in joint ventures					–3			–3
Tax					79	–67		12
Net profit for the year					**1,093**	**633**	**–2**	**1,724**

Other information

MSEK	Construction	Civil Engineering	Industry	Group Functions	Elimination	Group
Assets	14,198	2,552	7,248	2,560	–1,636	24,922
Share of equity in associated companies/joint ventures	261		19	51	–5	326
Non-allocated assets						444
Total assets	**14,459**	**2,552**	**7,267**	**2,611**	**–1,641**	**25,692**
Liabilities	10,111	2,780	4,779	1,110	–2,651	16,129
Non-allocated liabilities						3,101
Total liabilities	**10,111**	**2,780**	**4,779**	**1,110**	**–2,651**	**19,230**
Investments	332	304	–	45		681
Depreciation	45	66	–	9		120
Write-downs	4	1	–	–		5
Significant costs in addition to depreciation and write-downs that are not related to payments	0	0	–	298		298

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Group 2007

MSEK	Construction	Civil Engineering	Group Functions	Elimination	Group	Industry	Elimination	Group pro forma
Income								
External sales	24,687	7,230	60		31,977	4,963		36,940
Internal sales	789	703	64	–1,556	0	2,451	–2,451	0
Total income	**25,476**	**7,933**	**124**	**–1,556**	**31,977**	**7,414**	**–2,451**	**36,940**
Operating costs	–24,398	–7,581	–332	1,556	–30,755	–6,655	2,451	–34,959
Profit from participation in associated companies/joint ventures	36		–3		33	3		36
Capital gains from sales of joint ventures/Group companies			6		6			6
Operating profit	**1,114**	**352**	**–205**	**0**	**1,261**	**762**	**0**	**2,023**
Financial income					152	18	–53	117
Financial expenses					–314	–106	47	–373
Tax					–325	–188		–513
Net profit for the year					**774**	**486**	**–6**	**1,254**
Other information								
Assets	10,442	2,401	2,687	–747	14,783			
Share of equity in associated companies/joint ventures	243	9		–5	247			
Non-allocated assets					322			
Total assets	**10,685**	**2,410**	**2,687**	**–752**	**15,352**			
Liabilities	7,957	2,549	617	–166	10,957			
Non-allocated liabilities					789			
Total liabilities	**7,957**	**2,549**	**617**	**–166**	**11,746**			
Investments	218	158	7		383			
Depreciation	55	39	3		97			
Write-downs	25	3			28			
Significant costs in addition to depreciation and write-downs that are not related to payments	0	0	85	0	85			

Geographical areas

Geographic areas constitute the Group's secondary segments. Group segments are divided into the following geographic sectors: Sweden, Norway, Finland and Other markets.

Information concerning segment income refers to geographic areas grouped according to where customers are located. Information concerning segment assets and investments for the period in tangible and intangible fixed assets is based on geographic areas grouped according to where the assets are located.

Group	Sweden		Norway		Finland		Other markets		Total	
MSEK	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
External sales	**28,826**	26,506	**3,016**	3,139	**2,288**	2,299	**2**	33	**34,132**	31,977
Assets	**19,923**	12,299	**3,571**	1,286	**2,187**	1,758	**11**	9	**25,692**	15,352
Investments	**636**	356	**43**	25	**2**	2	**0**	0	**681**	383

Parent Company	Group Functions		Sweden	
MSEK	**2008**	2007	**2008**	2007
Net sales	**53**	55	**53**	55

Note 5 Discontinued operations

The AGM held on 16 May 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. Peab Industri has been excluded from the balance for 2007. Peab Industri´s cash flow has been included in the cash flow statement for January to April 2007. Liquid funds in Peab Industri per 30 April 2007, amounting to SEK 64 million, have been recognised as discontinued operations under investment operations.

Profit from discontinued operations

Group MSEK	2007 1)
Net sales	1,652
Production expenses	–1,495
Selling and administrative expenses	–89
Profitf from participation in joint ventures	0
Operating profit	**68**
Net finance	–23
Pre-tax profit	**45**
Tax	–12
Profit after tax	**33**
Adjustment relating to minority in jointly owned company 2)	4
Profit from discontinued operations, net after tax	**37**

1) Refers to the period until end of April 2007.

2) 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
after dilution, SEK	0.22

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
Current financial assets	5
Current receivables	1,111
Short-term holdings	2
Liquid funds	64
Deferred tax liabilities	–141
Provisions	–41
Long-term liabilities	–2,329
Current 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 1)
Cash flow from current operations	165
Cash flow from investment operations	–278
Cash flow from financing operations	132
Net cash flow in discontinued operations	**19**

1) Refers to the period until end of April 2007.

Note 6 Business combinations

Peab Industri

From 15 December 2008 to the end of the year, 94.1 percent of the capital in Peab Industri AB was successively acquired. In January and February 2009 a further 4.0 percent of the capital was acquired. The acquisition was carried out as a share exchange in which two shares in Peab Industri gave three newly issued shares in Peab AB. Compulsory purchase has been requested for the remaining outstanding shares. In addition, 96.4 percent of the convertible promissory notes issued to personnel were acquired.

Operations in Peab Industri are focused on the Nordic construction and civil engineering market and are run in the three operational units Machines, Products and Services.

Machines comprises machines, temporary electricity and crane operations. The unit works mainly in rentals but also sells cranes and machines via dealer agreements.

Products comprises raw materials from gravel and rock to ready-made asphalt and concrete. It also provides more refined products such as concrete elements, foundation concrete and roof tiles.

Services comprises asphalting, foundation work, transportation and dealing in machines as well as services within electricity, energy and telecommunications.

Customers are primarily Nordic construction and civil engineering companies of which Peab is the largest. Most of net sales is currently generated in the Swedish market where the Peab Industri Group operates nationwide with strong local ties. It also has business in Norway and Finland. Net sales in 2008 was SEK 8.5 billion and the Group has some 2,700 employees.

Peab Industri has not been integrated into the Peab income statement for 2008 since only a few weekdays remained of the fiscal year after acquisition. If the acquisition had taken place on 1 January 2008 the Peab Group's income would have been SEK 39,762 million and profit for the year SEK 1,724 million, according to the pro forma accounts drawn up.

Effects of the acquisition in 2008

The acquisition's preliminary effects on Peab Group assets and liabilities are shown below. All surplus values have been temporarily reported as goodwill until the acquisition analysis has been completed. The acquisition analysis may be adjusted during a twelve month period.

Peab Industri's net assets at the time of acquisition:

2008 MSEK	Recorded value in Peab Industri before acquisition	Fair value, adjustment	Fair value recorded in the Group
Intangible fixed assets	155		155
Tangible fixed assets	3,393		3,393
Financial fixed assets	90		90
Inventories	379		379
Accounts receivable and other receivables	1,562		1,562
Short-term holdings and liquid funds	100		100
Interest-bearing liabilities	–2,846	–28	–2,874
Deferred tax liabilities	–95		–95
Accounts payable and other current liabilities	–1,548		–1,548
Net identifiable assets and liabilities	**1,190**	**–28**	**1,162**
Minority interests			–87
Group goodwill			1,327
Purchase sum			**2,402**
Value of share exchange			–2,386
Acquired liquid funds			–100
Positive net effect on liquid funds			**–84**

Transaction costs related to the acquisition included in the purchase sum amount to SEK 16 million.

Preliminary goodwill consists of, among other things, personnel resources and future synergy effects regarding common systems and shared resources.

Other acquisitions

In 2008 also Peab acquired 100 percent of AB Jämshögs Grus & Entreprenad, 100 percent of G Nilsson Last & Planering i Ranseröd AB, 100 percent of Stockholms Hamnentreprenad AB, 100 percent of Senter Bygg Entreprenör AS, 100 percent of HDWG Finans AB, 100 percent of Berg och Falk AB, 100 percent of Hälsingebygg i Hudiksvall AB, 100 percent of Ljungbyheds Golfcenter AB, 100 percent of Projektfastigheter Båstad AB, 100 percent of CompWell AB, 100 percent of Flextronic Holding i Östersund AB as well as 100 percent of Ortum AB.

The above acquisitions in 2008 individually do not have any material acquisition effect from a Group perspective and the information on acquisition effects is therefore given collectively.

In the period after acquisition the above subsidiaries contributed SEK 11 million to Group profits after tax in 2008. If the acquisitions had taken place on 1 January 2008, the combined effect of these acquisitions on Group income would have been SEK 812 million and on profit for the year after tax by SEK 13 million.

Effects of other acquisitions in 2008

The acquisitions' preliminary effects on Group assets and liabilities are shown below. The acquisition analysis may be adjusted during a twelve month period.

The acquired companies' net assets at the time of acquisition:

2008 MSEK	Recorded value in acquired companies before acquisition	Fair value, adjustment	Fair value recorded in the Group
Intangible fixed assets	15	38	53
Tangible fixed assets	135	29	164
Financial fixed assets	0		0
Deferred tax receivables	1	731	732
Project and development properties	18	3	21
Inventories	17		17
Accounts receivable and other receivables	155		155
Liquid funds	323		323
Interest-bearing liabilities	–119		–119
Accounts payable and other current liabilities	–163	–1	–164
Deferred tax liabilities	–23	–18	–41
Net identifiable assets and liabilities	**359**	**782**	**1 141**
Group goodwill			90
Deferred tax income			–464
Purchase sum			**767**
Less: Unpaid part of calculated additional purchase sum			–70
Less: Paid with own shares			–12
Paid in cash purchase sum			**685**
Less: Liquid funds in the acquired companies			–323
Net cash outflow			**362**

Transaction costs connected to the acquisition included in the purchase sum amount to SEK 2 million. Goodwill consists of, among other things, personnel resources and future synergy effects regarding common systems and shared resources which do not meet the criteria for recognition as intangible assets at the time of acquisition.

During the year assets via acquisition of shares (asset acquisitions) have been acquired resulting in a cash flow of SEK 169 million.

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Acquisitions after the balance sheet date

In 2009 100 percent of Henrik Persson Holding AB has been acquired. Acquisition effects are immaterial from a Group perspective.

Acquisitions in 2007

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

The above acquisitions in 2008 individually do not have any material acquisition effect from a Group perspective and the information on acquisition effects is therefore given collectively.

In the period after acquisition the above subsidiaries contributed SEK 24 million to Group profits after tax in 2007. If the acquisitions had taken place on 1 January 2007, the combined effect of these acquisitions on Group income would have been SEK 651 million and on profit for the year after tax by SEK 27 million.

Effects of acquisitions in 2007

The acquisitions' preliminary effects on Group assets and liabilities are shown below.

The acquired companies' net assets at the time of acquisition:

2007 MSEK	Recorded value in acquired companies before acquisition	Fair value, adjustment	Fair value recorded in the Group
Intangible fixed assets		38	38
Tangible fixed assets	119	50	169
Project and development property	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 current liabilities	–179	–7	–186
Deferred tax liabilities	–21	–47	–68
Net identifiable assets and liabilities	**106**	**115**	**221**
Previous holdings in joint ventures			–6
Acquired minority interests			–5
Group goodwill			31
Purchase sum			**241**
Less: Unpaid part of calculated additional purchase sum			–33
Paid in cash purchase sum			**208**
Less: Liquid funds in the acquired companies			–61
Net cash outflow			**147**

Transaction costs connected to the acquisition included in the purchase sum amount to SEK 0.

Goodwill consists of among other things personnel resources and future synergy effects regarding common systems and shared resources which do not meet the criteria for recognition as intangible assets at the time of acquisition.

During the year assets via acquisition of shares (asset acquisitions) have been acquired resulting in a cash flow of SEK -83 million.

Note 7 Government Grants

Group

Goverment grants received as compensation for operating costs amounted in 2008 to SEK 27 million (40), and have reduced costs in the income statement.

Note 8 Employees, personnel costs and remunerations to senior officers

Payroll costs for employees

Group MSEK	2008	2007
Wages and remunerations	4,413	4,066
Pension expenses, defined benefit plans	6	5
Pension expenses, defined contribution plans	310	300
Social insurance costs	1,319	1,218
Total	**6,048**	**5,589**
Total discontinued operations		**340**

Average number of employees

	No. of employees 2008	Of whom men, 2008 percent	No. of employees 2007	Of whom men, 2007 percent
Parent company				
Sweden	28	61	27	59
Subsidiaries				
Sweden	10,508	93	10,161	94
Norway	786	91	652	91
Finland	619	87	634	88
Poland	4	50	4	75
Lettland	–	–	2	50
Total in subsidiaries	**11,917**	**93**	**11,453**	**93**
Group total	**11,945**	**93**	**11,480**	**93**
Discontinued operations			**615**	**90**

Gender distribution in the Board of Directors and executive management

	2008 Percentage of women	2007 Percentage of women
Parent company		
The Board of Directors	11%	10%
Other senior officers	0%	0%
Group total		
The Board of Directors	11%	10%
Other senior officers	0%	0%

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Salaries and other payments divided between senior officers and other staff, and social security costs for the parent company

2008 Parent Company MSEK	Board of Directors and senior officers (11 persons)	Other employees	Total
Salary and remuneration	16	13	29
(of which variable remuneration etc.)			
Social security costs	20	12	32
–of which pension costs	14	7	21

2007 Parent Company MSEK	Board of Directors and senior officers (12 persons)	Other employees	Total
Salary and remuneration	14	13	27
(of which variable remuneration etc.)		1	1
Social security costs	21	14	35
–of which pension costs	15	10	25

Variable remuneration has in certain cases been paid as a lump sum pension premium of SEK 7 million (7) to the Group's CEO and deputy CEOs in the parent company. Variable remuneration has in certain cases been paid as a lump sum pension premium of SEK 3 million (1) to other employees. This part of variable remuneration is reported in social security costs – of which pension costs.

Salaries and other payments divided between senior officers and other staff, and social security costs for the Group

2008 Group MSEK	Board of Directors and senior officers (12 persons)	Other employees	Total
Salary and remuneration	17	4,396	4,413
(of which variable remuneration etc.)		70	70
Social security costs	20	1,614	1,634
–of which pension costs	14	301	315

2007 Group MSEK	Board of Directors and senior officers (13 persons)	Other employees	Total
Salary and remuneration	17	4,049	4,066
(of which variable remuneration etc.)		78	78
Social security costs	22	1,501	1,523
–of which pension costs	16	289	305

Benefits for senior officers

Remuneration and other benefits in 2008

Thousands, SEK	Basic salary/Board remuneration	Variable remun-eration	Other benefits	Pension costs	Total
Chairman of the Board, Göran Grosskopf	450				450
Other members of the Board					
Annette Brodin Rampe	150				150
Karl-Axel Granlund	200				200
Svante Paulsson	150				150
Lars Sköld	150				150
Total related to Board of Directors	**1,100**				**1,100**
Member of the Board and CEO, Mats Paulsson	3,744	2,030			5,774
Other senior officers (5 persons)[1)]	12,011	4,890	348	4,661	21,910
Total	**16,855**	**6,920**	**348**	**4,661**	**28,784**

1) Until 1 September 2008 the group of other senior officers comprised six people and thereafter five. Variable remuneration has been paid to six people.

Remuneration and other benefits in 2007

Thousands, SEK	Basic salary/Board remuneration	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**
Member of the Board and CEO, Mats Paulsson	3,602	2,050			5,652
Other senior officers (6 persons)[1)]	12,270	5,100	430	5,471	23,271
Total	**16,972**	**7,150**	**430**	**5,471**	**30,023**

1) During the first half-year of 2007 the group of senior officials comprised seven people and thereafter six. Variable remuneration has been paid to six people.

Comments on the tables

From time to time, senior officers may be offered variable remuneration. Other benefits refer to company cars.

Pension costs refer 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 1,483,000 (3,068,000) for other senior officers, which were charged to another Group company.

There were six senior officers until 1 September 2008, and subsequently five. During the first half-year of 2007 the group of senior officers comprised seven people and thereafter six.

The Board of Directors

The 2008 AGM decided on a remuneration to external members of the Board of a maximum of SEK 1,100,000 (1,100,000), of which SEK 400,000 (350,000) consisted of remuneration for the Chairman of the Board. Remuneration to the external members of the Board was a maximum of SEK 1,000,000 (1,000,000), and SEK 100,000 (100,000) for work in the remuneration and finance committees. During the year total remuneration amounted to SEK 1,100,000 (1,100,000).

Remuneration is 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 except the CEO.

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 negotiates the salary and terms of employment with the deputy CEOs and the remuneration committee decides these issues.

Variable remuneration for the CEO and other senior officers is related to meeting profit targets for the Group. Variable remuneration for the fiscal year 2008 was maximised at SEK 2,200,000 (2,050,000) for the CEO and a total of SEK 5,400,000 (5,100,000) for the other senior officers.

Principles for the remuneration of senior officers

The group of senior officers is comprised of the CEO and the deputy CEOs. There were seven senior officers until 1 September 2008, and subsequently six.

Remuneration to the CEO and other senior officers consists of a fixed salary, variable remuneration, extra health insurance and those benefits

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otherwise enjoyed by other Peab employees as well as pension. The total remuneration paid to each senior officer is based on market terms and the responsibilities and qualifications of the senior officer.

From time to time, senior officers may be offered variable remuneration. Such variable remuneration may not exceed 60 percent of the regular salary and must above all be based on the pre-tax profit of the Peab Group. Variable remuneration must be set per business year.

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

Senior officers are required to give a maximum of six months notice. Notice on the part of Peab is a maximum of 24 months. No severance pay apart from salaries is paid during the period of notice.

The CEO

The CEO of Peab AB received a salary including benefits of SEK 3,744,000 (3,602,000) in total in 2008. In addition, a variable remuneration of SEK 2,030,000 (2,050,000) was paid in 2008.

All pension obligations to the CEO were settled in 2004 when the CEO celebrated his sixtieth birthday, entailing that no pension premiums would be paid after that point. After the settlement 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 percent of the salary between the ages of 60 and 65 which is the basis of his pension. The pension premium for retirement at 65 amounts to 35 percent of the salary which is the basis of his pension, maximised at 10 basic amounts. The salary which is the basis of his pension consisted of his basic salary and the average of the last three years variable remuneration 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 until the CEO leaves his post.

The CEO will not receive a raise in salary in 2009.

If the CEO is given notice by the company, he has the right to receive six months wages and the agreed upon pension. The period of notice from the CEO is six months.

Other senior officers

The term other senior officers refers to the five (six) deputy CEOs of Peab AB. The group consisted of six persons until 1 September 2008, and subsequently five.

Salary and other remuneration including benefits for other senior officers amounted to SEK 12,359,000 (12,700,000). In addition, variable remuneration paid in 2008 amounted to SEK 4,890,000 (5,100,000).

Pension premiums paid out for other senior officers amounted to SEK 4,661,000 (5,471,000) during the year.

There are early retirement pension commitments for other senior officers. All pension benefits are unassailable.

For the senior official that resigned in September 2008, a settlement has been made for both pension payable between the ages of 60 and 65 and pension payable after the age of 65. After the final settlement all pension obligations to the senior official are part of a defined contribution plan. All pension benefits are unassailable. Part of the settlement was that after 10 June 2006 when the senior official celebrated his 60th birthday no pension premiums would be paid. The payment of the agreed pension has been postponed from 60 to the time the senior official leaves his post.

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

Salaries for other senior officers can be raised a maximum of 2.6 percent in 2009.

If given notice by the company other senior officers are entitled to a maximum of two years' salaries deducted by salaries from new employers. The period of notice from senior officers is six months.

Absence through illness in parent company	2008 percent	2007 percent
Total sick absence as a percentage of ordinary working hours	0.9	1.4
Percentage of total sick absence referring to continous sick leave of 60 days or more	–	47
Sick absence as a percentage of each group's ordinary working hours		
Sick absence by gender:		
Men:	0.5	0.1
Women:	1.6	3.3
Sick absence by age category:		
29 years or younger	0	0
30-49 years	0.9	2.4
50 years or older	0.9	0.8

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 founded a profit sharing foundation. The object of the profit sharing foundation is to create increased participation through employee co-ownership and to better our employees' financial situation after retirement. Individual shares in profits will be proportional to the employee's entitled employment months. Upon retirement, the employee can withdraw their share in the foundation. Under the foundation's investment policy, its assets must be mainly invested in shares in Peab.

In 2008, Peab allocated SEK 75 million (75) for profit sharing. The amount minus payroll tax was paid into the foundation in 2009.

Senior officers are not entitled to benefits from the profit sharing foundation.

Convertible Promissory Notes

At the AGM 2007 in Peab AB it was decided to issue and offer convertibles to all employees. The offer was made to all employees of Peab AB on market terms, and every employee was given the option to subscribe to 200 convertibles in Peab. The purpose of issuing 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 2007/2012

The convertibles 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 Peab. The conversion price was set at SEK 68, and the issue sum of Peab Convertible Promissory Notes 2007/2012 to SEK 598,400,000, corresponding to 8,800,000 new convertibles. Upon conversion to shares, dilution will amount to 2.97 percent of the share capital and 1.45 percent of the votes, based on the number of shares registered per 28 February 2009. The convertible interest rate is 5.44 percent. In all, 41 percent of Peab's employees have subscribed for convertibles.

Convertible loans are reported in notes 11 and 29.

Peab Industri has had a convertible program with the same period and terms. In connection with Peab AB's offer to the shareholders of Peab Industri AB to acquire the shares in Peab Industri AB, all convertible owners also received an offer for cash payment for their convertibles for a nomi-

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nal amount that includes accrued interest. In February 2009 all convertibles loans related to Peab Industri AB had been repaid.

Note 9 Fees and cost remunerations to auditors

	Group		Parent Company	
MSEK	2008	2007	2008	2007
KPMG				
Auditing assignments	9	8	2	2
Other assignments	2	1	0	0
Other				
Auditing assignments	1	0	–	–
Other assignments	1	1	–	–
Total	**13**	**10**	**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 10 Operating costs divided by type

	Group	
MSEK	2008	2007
Continuing operations		
Material	5,601	5,674
Subcontractors	13,577	12,169
Personnel expenses	7,250	6,581
Other production costs	5,781	5,543
Depreciations	120	97
Write-downs	5	28
Other operating costs	468	663
Total	**32,802**	**30,755**
Discontinued operations		
Material	–	362
Subcontractors	–	100
Personnel expenses	–	345
Other production costs	–	591
Depreciations	–	129
Other operating costs	–	57
Total	**–**	**1,584**

Note 11 Net financial income/expense

Group

MSEK	2008	2007
Interest income[1]	152	110
Dividend received related to financial assets valued at fair value	33	32
Net profit related to financial assets valued at fair value	–	4
Net profit related to conversion rights for convertible promissory notes valued at fair value (trading)	–	6
Change in value currency swaps (trading)	5	–
Net exchange rate fluctuation	11	–
Other items	1	0
Financial incomes continuing operations	**202**	**152**
Interest expenses[2]	–198	–89
Net loss related to financial assets valued at fair value[3]	–324	–204
Net loss related to conversion rights for convertible promissory notes valued at fair value (trading)	–7	–5
Change in value currency swaps (trading)	–4	–
Net exchange rate fluctuation	–	–15
Other items	–1	–1
Financial expenses continuing operations	**–534**	**–314**
Profit from participation in associated companies and joint ventures	**–3**	**–**
Net financial income/expense	**–335**	**–162**

1) Of which current interest income from the coupon interest rate part of interest rate swaps SEK 0 million (4). Other interest income refers to interest from items valued at accrued acquisition value.

2) Of which current interest expenses from the coupon interest rate part of interest rate swaps SEK 0 million (4). Other interest expenses refers to interest from items valued at accrued acquisition value.

3) Refers to shareholdings in Brinova Fastigheter AB SEK -302 million (-203).

Parent company

Profit from participations in Group companies

MSEK	2008	2007
Dividends	795	1,557
Write-downs	–524	–107
Capital gain on sale	0	0
Total	**271**	**1,450**

Profits from securities and receivables recorded as fixed assets

MSEK	2008	2007
Dividends	33	32
Interest income, external[1]	19	21
Interest income, Group companies[1]	3	2
Net loss related to financial assets valued at fair value[2]	–299	–200
Net loss related to conversion rights for convertible promissory notes valued at fair value (trading)	–25	6
Total	**–269**	**–139**

Interest income and similar profit/loss items

MSEK	2008	2007
Interest income, external[1]	24	1
Total	**24**	**1**

1) Interest income refers to interest from items valued at accrued acquisition value.

2) Refers to shareholdings in Brinova Fastigheter AB SEK -302 million (-203).

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Interest expenses and similar profit/loss items

MSEK	2008	2007
Interest expenses, external [1]	–32	–9
Interest expenses, Group companies [1]	–190	–135
Net exchange rate fluctuation	0	0
Other items	–7	–5
Total	**–229**	**–149**

1) Interest expenses refer to interest from items valued at accrued acquisition value.

Note 12 Appropriations

Parent Company

MSEK	2008	2007
Transfer to tax allocation reserve	–159	–
Change in additional depreciations, machinery and equipment	0	–1
Total	**–159**	**–1**

Note 13 Taxes

Reported in the income statement

Group

MSEK	2008	2007
Current tax expenses/income		
Tax expenses for the year	–257	–66
Adjustment of tax attributable to previous years	–2	–4
	–259	**–70**
Less: Discontinued operations	–	19
Continuing operations	**–259**	**–51**

Deferred tax expenses/tax income

Temporary differences	–45	–8
Capitalised value of tax loss carry-forwards during the year	4	29
Utilisation of previously capitalised value of tax loss carried forward	–93	–353
Tax income through the acquisition of companies with deferred prepaid tax, which were acquired at a price under the nominal value	507	–
Change in tax rate	–39	–
Revaluation of share pen losses from previous years	–	–39
Revaluation of previous years' reported deferred tax values	4	104
	338	**–267**
Less: Discontinued operations	–	–7
Continuing operations	**338**	**–274**
Total reported tax income/tax expenses in the Group for continuing operations	**79**	**–325**

Parent Company

MSEK	2008	2007
Current tax expenses/income		
Tax income for the year	122	57
Adjustment of tax attributable to previous years	–2	–1
	120	**56**
Deferred tax expenses/tax income		
Temporary differences	–	–1
Utilisation of previously capitalised value of tax loss carried forward	–2	–
Change in tax rate	1	–
Revaluation of reported values of deferred tax receivables	1	64
	0	**63**
Total reported tax income/expenses in the parent company	**120**	**119**

Reconciliation of effective tax

Group

MSEK	2008	2008 (%)	2007	2007 (%)
Pre-tax profit in continuing operations	**1,014**		**1,099**	
Tax in accordance with tax rate for the parent company	–284	28.0	–308	28.0
Effect of other tax rates for foreign subsidiaries	1	–0.1	1	–0.1
Non-deductible expenses	–191	18.8	–110	10.0
Tax exempt income	53	–5.2	13	–1.2
Deductible non profit-influencing items	18	–1.8	–	–
Change in tax rate	–39	3.8	–	–
Tax income through the acquisition of companies with deferred pre-paid tax, which were acquired at a price under the nominal value	507	–50.0	–	–
Revaluation of share pen losses from previous years	–	–	–39	3.6
Revaluation of previous years reported values of deferred taxes	4	–0.4	105	–9.5
Utilised non-capitalised loss carry-forwards	17	–1.6	13	–1.2
Tax attributable to previous years	–2	0.2	–4	0.4
Adjustment of net profit for joint ventures included in pre-tax profit	–5	0.5	4	–0.4
Effective tax in continuing operations	**79**	**–7.8**	**–325**	**29.6**

Parent Company

MSEK	2008	2008 (%)	2007	2007 (%)
Pre-tax profit	**–467**		**1,013**	
Tax in accordance with tax rate for the parent company	131	–28.0	–284	28.0
Non-deductible expenses	–242	51.8	–105	10.4
Tax exempt income	231	–49.5	445	–43.9
Change in tax rate	1	–0.2	–	–
Value adjustment of previous years' deferred tax	1	–0.2	64	–6.3
Tax attributable to previous years	–2	0.4	–1	0.1
Effective tax	**120**	**–25.7**	**119**	**–11.7**

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Tax items charged directly to equity.

Group MSEK	2008	2007
Current tax on price differences regarding reborrowing and expanded investments in foreign assets	–5	–28
Exchange rate differences	4	6
Current tax attributable to cashflow hedging	–63	–1
Deferred tax attributable to convertible promissory notes	–10	3
	–74	**–20**

Parent Company MSEK	2008	2007
Current tax in received Group contributions	–257	–58
Deferred tax attributable to convertible promissory notes	–	–9
	–257	**–67**

Reported in the balance sheet
Deferred tax receivables and tax liabilities

Group	Deferred tax receivables		Deferred tax liabilities		Net	
MSEK	2008	2007	2008	2007	2008	2007
Loss carry-forwards	1,031	142			1,031	142
Share pen losses		2			0	2
Untaxed reserves			–135	–27	–135	–27
Tangible fixed assets		11	–218		–218	11
Group surplus values			–217	–115	–217	–115
Securities holdings/ Convertible receivables			–8	–2	–8	–2
Current receivables	34	5			34	5
Work in progress	44	33			44	33
Pensions	8	4			8	4
Other	56	76			56	76
	1,173	**273**	**–578**	**–144**	**595**	**129**
Offset	–578	–144	578	144	0	0
Net	**595**	**129**	**0**	**0**	**595**	**129**

Parent Company	Deferred tax receivables		Deferred tax liabilities		Net	
MSEK	2008	2007	2008	2007	2008	2007
Loss carry-forwards		2			0	2
Securities holdings			–9	–11	–9	–11
	–	**2**	**–9**	**–11**	**–9**	**–9**
Offset		–2		2	0	0
Net	**–**	**0**	**–9**	**–9**	**–9**	**–9**

When assessing deferred tax receivables from loss carry-forwards, allowance has been made for the current correspondence 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 carry-forward. Where it is uncertain that loss carry-forwards can be deducted no deferred tax assets have been reported. Per 31 December 2008, the value of deferred tax on these loss carry-forwards was SEK 333 million (304).

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

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

Non-reported deferred tax receivables

Tax loss carry-forwards for which deferred tax receivables have not been reported in the income statement or the balance sheet amounted to SEK 9 million (11) in 2008 and refer to the Polish and Latvian businesses. These tax loss carry-forwards fall due in 2009-2013. In the light of recent years' losses in these companies and the extremely limited activities in the future it is unlikely that loss carry-forwards can be offset against future taxable gains.

Changes in deferred tax on temporary differences and loss carry-forwards

Group 2008 MSEK	Amount per 1 Jan 2008	Recognised in income statement	Recognised in equity	Acquisition/ divestment of companies	Amount per 31 Dec 2008
Loss carry-forwards	142	371	–1	519	1,031
Share pen losses	2	–2			0
Untaxed reserves	–27	–20		–88	–135
Tangible fixed assets	11	–59		–170	–218
Group surplus values	–115	27	2	–131	–217
Securities holdings/Convertible receivables	–2	4	–10		–8
Current receivables	5	32	–2	–1	34
Work in progress	33	9	2		44
Pensions	4	4			8
Other	76	–28	3	5	56
Total	**129**	**338**	**–6**	**134**	**595**

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

Group 2007 MSEK	Amount per 1 Jan 2007	Recognised in income statement	Recognised in equity	Acquisition/ divestment of companies	Distribution of the shares in Peab Industri AB	Amount per 31 Dec 2007
Loss carry-forwards	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**

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

Parent Company 2008 MSEK	Amount per 1 Jan 2008	Recognised in income statement	Recognised in equity	Amount per 31 Dec 2008
Loss carry-forwards	2	–2		0
Convertibel promissory notes	–11	2		–9
Total	**–9**	**0**	**–**	**–9**

Parent Company 2007 MSEK	Amount per 1 Jan 2007	Recognised in income statement	Recognised in equity	Amount per 31 Dec 2007
Loss carry-forwards		2		2
Securities holdings	–63	63		0
Pensions	3	–3		0
Convertibel promissory notes	–3	1	–9	–11
Total	**–63**	**63**	**–9**	**–9**

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Note 14 Earnings per share

Earnings per share

SEK	Before dilution 2008	Before dilution 2007	After dilution 2008	After dilution 2007
Earnings per share	6.56	4.92	6.45	4.77
Earnings per share from continuing operations	6.56	4.69	6.45	4.55

Earnings per share before dilution

The calculation of earnings per share for 2008 was based on profit for the year attributable to the parent company's ordinary shareholders amounting to SEK 1,093 million (811) and on a weighted average number of outstanding shares in 2008 of 166,627,000 (164,985,000).

Earnings per share after dilution

The calculation of earnings per share for 2008 was based on profit for the year attributable to the parent company's ordinary shareholders amounting to SEK 1,132 million (819) and on a weighted average number of outstanding shares in 2008 of 175,474,000 (171,255,000). The two components were calculated as follows:

Weighted average number of outstanding ordinary shares before dilution [1]

Thousands of shares	2008	2007
Total number of outstanding ordinary shares per 1 January	168,828	79,881
Conversion convertible promissory notes	148	5,687
Split 2:1	–	85,255
New share issue in kind [2]	116,429	–
Acquisition/disposal of own shares during the year	–6,751	–1,995
Total number of outstanding shares per 31 December	**278,654**	**168,828**
Weighted average numbers of outstanding ordinary shares before dilution [2]	**166,627**	**164,985**

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

MSEK	2008	2007
Profit attributable to the parent company's ordinary shareholders	1,093	811
Interest rate effect on convertible promissory notes 2005/2008 (after tax)	39	8
Profit attributable to the parent company's ordinary shareholders after dilution	**1,132**	**819**

Weighted average number of outstanding ordinary shares after dilution [1]

Thousands of shares	2008	2007
Weighted average number of outstanding ordinary shares before dilution	166,627	164,985
Effect of converting convertible promissory notes	8,847	6,270
Weighted average numbers of outstanding ordinary shares after dilution	**175,474**	**171,255**

1) Repurchased shares are not included in the calculation.

2) As a result of the acquisition of Peab Industri in December 2008 new shares were issued in kind in Peab AB (publ). In the calculation of the average number of outstanding shares these 116.4 million were added per 2008-12-31 since Peab Industri's profit was not in any part recognised in the income statement.

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Note 15 Intangible fixed assets

Group 2008 MSEK	Intangible fixed assets, external purchase Goodwill	Brands	Customer relations	Other intangible assets	Intangible fixed assets, internally developed Industrialised construction	Total
Opening acquisition value	367	56	31	2	46	502
Purchases				4		4
Purchases via acquired companies	1,442	122	67	48		1,679
Internally developed assets					41	41
Translation differences for the year	5	–2	–1			2
Closing accumulated acquisition value	**1,814**	**176**	**97**	**54**	**87**	**2,228**
Opening depreciation	–	–6	–11	–1		–18
Depreciation via acquired companies		–15	–25	–8		–48
Depreciation for the year [1]		–7	–10	0	–1	–18
Translation differences for the year			1			1
Closing accumulated depreciation	**–**	**–28**	**–45**	**–9**	**–1**	**–83**
Opening write-downs	–32	–	–	–	–	–32
Translation differences for the year	–1					–1
Closing accumulated write-downs	**–33**	**–**	**–**	**–**	**–**	**–33**
Closing book value	**1,781**	**148**	**52**	**45**	**86**	**2,112**

Group 2007 MSEK	Intangible fixed assets, externally purchased Goodwill	Brands	Customer relations	Other intangible assets	Intangible fixed assets, internally developed Industrial construction	Total
Opening acquisition value	593	98	43	14	–	748
Purchases via 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
Closing accumulated acquisition value	**367**	**56**	**31**	**2**	**46**	**502**
Opening depreciation	–	–2	–1	–6	–	–9
Distribution of the shares in Peab Industri AB		2	3	2		7
Depreciation for the year [1] [2]		–6	–13	0		–19
Reclassifications				3		3
Translation differences for the year			0	0		0
Closing accumulated depreciation	**–**	**–6**	**–11**	**–1**	**–**	**–18**
Opening write-downs	–80	–	–	–	–	–80
Distribution of the shares in Peab Industri AB	31					31
Sales/disposals	18					18
Translation differences for the year	–1					–1
Closing accumulated write-downs	**–32**	**–**	**–**	**–**	**–**	**–32**
Closing book value	**335**	**50**	**20**	**1**	**46**	**452**

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

	2008	*2007*
Production costs	*13*	*15*
Sales and administrative costs	*5*	*0*
	18	***15***

2) Of total depreciation of SEK 19 million in 2007, SEK 4 million are related to discontinued operations

Specification of other intangible assets, externally acquired

MSEK	2008	2007
Patent	17	–
Leasehold land	6	–
Other	22	1
Total	**45**	**1**

Impairment testing of goodwill in cash generating units

The balance sheet of the Peab Group per 31 December 2008 included total goodwill of SEK 1,781 million (335). Cash generating units with significant reported goodwill value compared with the total reported value of the Group per segment are specified below.

MSEK	2008	2007
Peab Sverige AB Group	37	37
Construction		
Nybyggarna i Nerike AB	14	14
Other units in Sweden	22	8
Peab Seicon Oy Group	83	72
Björn Bygg Group	50	50
Other units in Norway	67	58
Civil Engineering		
Berg & Falk AB	37	–
Olof Mobjer Entreprenad AB	15	15
Markarbete i Värmland AB	13	12
Other units - Civil Engineering	93	69
Industry		
Peab Industri Group	1,327	–
Other		
Compwell AB	23	–
Total	**1,781**	**335**

Goodwill write-downs

The Group made no goodwill write-downs during 2008 or 2007. For the cash generating units where calculation of the recovery value was made and no write-down need was identified, company management has assessed that no feasible possible changes in important assumptions would result in the recovery value lower than the recorded value.

Method for calculating recovery value

For all goodwill values the recovery value for the cash generating units has been based on a calculation of useful value. The calculation model is based on a discount of forecasted future cash flows compared to the unit's reported values. These future cash flows are based on 5 year forecasts produced by the management of the respective cash generating units. Goodwill impairment tests have an infinite time horizon and extrapolation of cash flow for the years after the forecast was calculated based on a growth rate from year 6 onwards, in a span of 0–3 percent.

Important variables when calculating useful value

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

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

Operating margins: Historic profitability levels and operative efficiency, access to key personnel and qualified manpower, the ability to cooperate with customers/customer relations, access to internal resources, raises in salary, material 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. A reasonable or cautious assumption for future development is that it parallels net sales growth. A high level of internally developed projects may entail a greater need for working capital.

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. Normally investment levels are the equivalent of the depreciation rate of tangible fixed assets.

Tax burden: The tax rate in forecasts is based on Peab's expected tax situation in the respective country with regard to tax rates, loss carry-forwards etc.

Discount rate: Forecasted cash flows and residual values are discounted to current value applying a weighted-average cost of capital (WACC). The interest rate on borrowed capital is the equivalent of the average interest rate of Group net debt. The required return on equity is based on the Capital Asset Pricing Model. A pre-tax weighted discount rate of approximately 9 percent has been used in calculating useful value.

Note 16 Tangible fixed assets

Group 2008

MSEK	Buildings and land	Machinery and equipment	Construction in progress	Total
Opening acquisition value	460	448	46	954
Purchases	99	146	38	283
Purchases via acquired companies	1,087	5,111	113	6,311
Sales/disposals	–10	–62		–72
Reclassifications	12	0	–8	4
Translation differences for the year	–1	–3		–4
Closing accumulated acquisition value	**1,647**	**5,640**	**189**	**7,476**
Opening depreciation	–58	–250	–	–308
Accumulated depreciation in acquired companies	–282	–2,496		–2,778
Sales/disposals	3	49		52
Reclassifications		0		0
Depreciation for the year	–13	–88		–101
Translation differences for the year		1		1
Closing accumulated depreciation	**–350**	**–2,784**	**–**	**–3,134**
Opening write-downs	–4	0	–	–4
Write-downs in acquired companies	–3	–2		–5
Sales/disposals	2			2
Closing accumulated write-downs	**–5**	**–2**	**–**	**–7**
Closing book value	**1,292**	**2,854**	**189**	**4,335**

Group 2007

MSEK	Buildings and land	Machinery and equipment	Construction in progress	Total
Opening acquisition value	1,089	3,632	20	4,741
Purchases	76	260	119	455
Purchases via 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
Closing accumulated acquisition value	**460**	**448**	**46**	**954**
Opening depreciation	–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
Closing accumulated depreciation	**–58**	**–250**	**–**	**–308**
Opening write-downs	–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
Closing accumulated write-downs	**–4**	**0**	**–**	**–4**
Closing book value	**398**	**198**	**46**	**642**

MSEK	2008	2007
Book value of real estate in Sweden	1,207	361
Tax assessment value of buildings in Sweden	378	128
Tax assessment value of land in Sweden	413	77

Parent Company	Machinery and equipment	
MSEK	2008	2007
Opening acquisition value	7	7
Purchases	0	0
Closing accumulated acquisition value	**7**	**7**
Opening depreciation	–4	–4
Depreciation for the year	0	0
Closing accumulated depreciation	**–4**	**–4**
Closing book value	**3**	**3**

Group financial leasing

Companies in the Group lease vehicles, construction machinery and other production equipment through many different leasing agreements. The recorded value related Group financial leasing amounted to SEK 632 million (37).

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

Note 17 Participation in associated companies

Group MSEK	2008	2007
Acquisition value carried forward	9	–
Acquisition of associated companies	–	9
Sales of associated companies	–11	–
Profit from participation in associated companies, net after tax	2	0
Accumulated acquisition values carried forward	**0**	**9**
Book value carried forward	**0**	**9**

Specifications of Group's holdings in associated companies

Company Registered office, Corp.Id.no	2008 Share per cent	2008 Book value, MSEK	2007 Share per cent	2007 Book value, MSEK
Karlskoga Biofuel AB Karlskoga, 556712-5512	49.9	0	49.9	0
Asfaltsbeläggningar i Boden AB Boden, 556279-8768	–	–	40.0	9
Total		**0**		**9**

The items below are included in the consolidated financial statements. They make up Group participation in the income and costs, assets and liabilities of associated companies.

MSEK	2008	2007
Income	190	166
Expenses	–188	–166
Profit	**2**	**0**
Fixed assets	10	41
Current assets	1	31
Total assets	**11**	**72**
Current liabilities	1	26
Long-term liabilities	10	37
Total liabilities	**11**	**63**
Net assets/liabilities	**0**	**9**

Note 18 Participation in joint ventures

Specification of Group holdings of participation in joint ventures

Company, Registered office, Corp.ID.no	Share percent	Book value, MSEK 2008	2007
Fotbollsstadion i Malmö Fastighets AB Malmö, 556727-4641	50	70	50
Dockan Exploatering AB Malmö, 556594-2645	33	41	41
Fältjägaren Fastigheter AB Östersund, 556688-3517	50	37	–
Österåkers Näs Fastighets HB Stockholm, 969723-2107	30	30	31
Kokpunkten Fastighet AB Västerås, 556759-5094	50	20	–
Ale Exploatering AB Göteborg, 556426-2730	50	16	15
Norrvikens Fastigheter AB Stockholm, 556703-1470	50	15	15
Nyckel 0328 SE Horsham, West Sussex, United Kingdom, SE11	30	13	–
Mälarstrandens Utvecklings AB Västerås, 556695-5414	44	12	7
Byggutveckling Svenska AB Linköping, 556627-2117	50	8	9
Råsta Holding AB Solna, 556742-6761	25	8	–
Kungsörs Grus AB Kungsör, 556044-4134	50	8	–
Svenska Fräs & Asfaltsåtervinning SFA AB Markaryd, 556214-7354	30	6	–
Gartnerhagen Bolig AS Alta, 990 025 924	50	6	8
Fastigheten Preppen HB Göteborg, 969684-0983	50	6	6
KB Älvhögsborg Trollhättan, 916899-2734	50	5	5
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	4
Kirkebakken Vest AS Horten, 988 796 174	50	4	3
Expressbetong AB Halmstad, 556317-1452	50	3	–
Dampskipskaia H-fest AS Tromsö, 988 780 499	50	2	5
Gottåsa Fastighets AB Alvesta, 556499-2948	50	2	–
Fastighets AB Anaset Stockholm, 556536-1895	50	1	–
Tomasjord Park AS Tromsö, 983 723 853	50	1	1
Peab I5 AB Örebro, 556679-4276	50	–	28
Deamatris Förvaltning AB Stockholm, 556518-6896	50	–	1
HB Solrosen 7-8 JV Borås, 916897-4088	50	–	1
Other not specified items		0	0
Total		**326**	**238**

The items below are included in the consolidated financial statements. They make up Group participation in the income and costs, assets and liabilities of associated companies.

MSEK	2008	2007
Income	321	283
Expenses	–332	–250
Profit	**–11**	**33**
Fixed assets	258	249
Current assets	1,443	778
Total assets	**1,701**	**1,027**
Current liabilities	611	291
Long-term liabilities	764	498
Total liabilities	**1,375**	**789**
Net assets/liabilities	**326**	**238**

Note 19 Other long-term securities holdings

MSEK	Group 2008	2007
Financial assets are recognised at fair value through the income statement		
Fair value option		
Shares and participation [1]	210	517
Available-for-sale		
Derivate	–	25
Loan receivables and accounts receivable	92	60
Total	**302**	**602**

1) SEK 175 million (477) of Group holdings refer to shares in Brinova Fastigheter AB.

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

MSEK	Parent Company 2008	2007
Acquistion value		
Opening balance 1 January	308	253
Assets added		25
Assets removed	–8	
Reclassifications		30
Closing balance per 31 December	**300**	**308**
Accumulated change in value through the income statement		
Opening balance 1 January	234	428
Unrealized change in value through the income statement for the year	–324	–194
Closing balance per 31 December	**–90**	**234**
Book value per 31 December	**210**	**542**

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

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Note 20 Receivables from Group companies

Parent company

MSEK	2008	2007
Acquisition values carried forward	612	241
Added receivables	436	564
Reclassifications	180	–
Setttled receivables	–573	–193
Book value carried forward	**655**	**612**

Note 21 Interest-bearing receivables

Interest-bearing long-term receivables

	Group		Parent Company	
MSEK	2008	2007	2008	2007
Receivables from joint ventures	187	135	–	–
Other interest-bearing long-term receivables	266	7	59	–
Convertible promissory notes conversion part [1)]	–	180	–	180
Total	**453**	**322**	**59**	**180**

Interest-bearing short-term receivables

MSEK	2008	2007	2008	2007
Receivables from joint ventures	329	67	306	–
Other interest-bearing receivables	–	54	–	15
Total	**329**	**121**	**306**	**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	2008	2007	2008	2007
Receivables from joint ventures	20	46	–	–
Other long-term receivables	49	8	1	1
Total	**69**	**54**	**1**	**1**

Other current receivables

	Group		Parent company	
MSEK	2008	2007	2008	2007
Receivables from joint ventures	4	193	–	178
Other current receivables	457	259	40	21
Total	**461**	**452**	**40**	**199**

Note 23 Project and development properties

	Group	
MSEK	2008	2007
Direct owned project and development properties	3,028	2,368
Advanced project and development properties	17	18
Participation in Finnish housing companies	479	283
Bought-back participation in tenant-owner's associations and similar	73	18
Other	17	13
Total	**3,614**	**2,700**

Recovery

Of project and development property to a book value of SEK 3,614 million (2,700) approximately SEK 2,510 million (1,596) 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 Inventories

	Group	
MSEK	2008	2007
Raw materials and consumables	175	6
Products in progress	119	67
Finished products and goods for resale	234	13
Total	**528**	**86**

Note 25 Accounts receivable

Accounts receivables were written down for actual and feared bad debts to the tune of SEK 12 million (15) where of actual group bad debts amounted to SEK 7 million (8). The loss was caused by some of the company's customers going bankrupt.

The parent company had no bad debts.

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Note 26 Recognised income not yet invoiced

	Group	
MSEK	2008	2007
Recognised income on uncompleted contracts	22,646	16,278
Invoicing on uncompleted contracts	–18,509	–13,086
Total	**4,137**	**3,192**

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 income respondents project costs for the whole project.

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

	Parent Company	
MSEK	2008	2007
Accrued interest income	5	1
Prepaid overhead expenses	1	3
Total	**6**	**4**

Note 28 Equity

Group
Specification of equity item reserves

Translation reserve

MSEK	2008	2007
Opening balance translation reserve	92	0
Translation differences for the year	73	94
Less: Translations differences related to distributed operations	–	–2
Closing balance translation reserves/reserves	**165**	**92**

Hedging reserve

MSEK	2008	2007
Opening balance hedging reserve	–3	–
Cash flow hedging for the year	–227	–4
Tax attributable to changes in the hedging reserve	64	1
Closing balance hedging reserve	**–166**	**–3**

Total reserves

MSEK	2008	2007
Opening balances total reserves	89	0
Changes in translation reserve for the year	73	92
Changes in hedging reserve for the year	–163	–3
Closing balance total reserves	**–1**	**89**

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

	Number of shares		Amount that affected equity, MSEK	
	2008	2007	2008	2007
Opening repurchased own shares	5,625,000	7,315,000	1,010	881
Withdrawal of own shares		–5,500,000		
Split		1,815,000		
Purchases during the year	7,053,600	1,995,000	283	129
Divestments during the year	–301,800		–12	
Closing repurchased own shares	**12,376,800**	**5,625,000**	**1,281**	**1,010**

Share capital

	A shares	B shares	Number of issued fully paid shares	Share capital, SEK
Number of issued shares 1 January 2008	19,611,404	154,841,302	174,452,706	933,321,977
Conversion convertible promissory notes		148,407	148,407	793,978
New share issue in kind	14,708,553	101,720,827	116,429,380	622,897,183
Total number of issued shares 31 December 2008	**34,319,957**	**256,710,536**	**291,030,493**	**1,557,013,138**

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 reissued.

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 profi t 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 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 2008, the Group's holding of own shares was 12,376,800 units (5,625,000).

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 14 May 2009.

Cash dividend of SEK 2.25 (2.25) per share, totalling SEK 666,111,893 (392,518,589), was calculated on the number of registered shares. Total dividends are calculated 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 keep existing owners and attract new ones. 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	2008	2007
Share capital	1,557	933
Other contributed capital	2,470	679
Reserves	–1	89
Profit brought forward included profit for the year	2,344	1,899
Equity related to shareholders in parent company	**6,370**	**3,600**

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. 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 2008 was 25.2 per cent (23.5).

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 percent. The return on equity (including profits from terminated activities, net after tax) was 21.9 percent (23.6) at the end of 2008. By way of comparison, the Group's average interest expenses on interest-bearing borrowing was 4.6 percent (5.0).

Peab's target is that the dividend to shareholders should amount to 50 percent of profit after tax. Dividends should also be distributed in a reasonable proportion to evolution in Peab's profits and consolidation requirements. An ordinary dividend of SEK 2.25 per share (2.25) is proposed for 2008. Calculated as a share of the Group's reported profit after tax, the proposed dividend amounts to 58 percent (47). Exclusive of the 12,816,800 shares owned by Peab AB on 28 February 2009, which do not entitle to dividend, the proposed dividend is equivalent to a total dividend distribution of SEK 637 million (377). Besides the ordinary dividend, extra cash dividends may be proposed if the Board of Directors finds there are sufficient funds which are not considered necessary to Group development. Extra dividends may also be made in other forms besides cash.

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 percent of Peab's employees applied to subscribe to convertibles.

At the start of 2008, Peab's holding of own shares amounted to 5,625,000 B-shares, corresponding to 3.2 percent of the total number of shares. On 15 May 2008, 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 percent of the registered shares in the company. In 2008 7,053,600 B shares, corresponding to 2.4 percent of the total number of shares, were repurchased for SEK 282 million. During the same period 301,800 B shares were divested for SEK 12 million as partial payment for company acquisitions. As of 31 December 2008, Peab's holding of own shares amounted to 12,376,800 B shares, corresponding to 4.3 per cent of the total number of shares. 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.

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 with a broad 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

Together with profit for the year the following funds make up non-restricted equity, i.e. the sum available for dividends to the shareholders.

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 the 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 starting 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	2008	2007
Long-term liabilities		
Bank loans	4,518	737
Convertible promissory notes	582	4
Financial leasing liabilities	452	37
Loans from joint ventures	11	–
Total	**5, 563**	**778**
Current liabilities		
Bank loans including overdraft facilities	1,011	266
Short-term part of leasing liabilities	224	13
Total	**1,235**	**279**

Convertible promissory notes 2005/2008 [1)]
Group

MSEK	2008	2007
Nominal value after issue of 5,500,000 convertible promissory notes	479	479
Original amount classified as equity	–27	–27
Conversion	–470	–466
Capitalised interest	18	18
Recorded liability on 31 December	**–**	**4**

1) The convertibles ran from 16 June 2005 to 15 June 2008 with a coupon interest rate of 2.69 percent.

Convertible promissory notes 2007/2012 [2)]
Group

MSEK	2008	2007
Nominal value after issue of 8,800,000 convertible promissory notes	598	–
Original amount classified as equity	–35	–
Capitalised interest	6	–
Recorded liability on 31 December	**569**	**–**

2) The convertible promissory notes run from 1 December 2007, with settlement day in January 2008, to 30 November 2012 with a coupon interest rate of 5.44 percent.

Convertible promissory notes Peab Industri 2007/2012 [3)]
Group

MSEK	2008	2007
Remaining part of the liability, 2007/2012	13	–
Recorded liability on 31 December	**13**	**–**

3) Remaining part of Peab Industri's personnel convertibles which had not been acquired per 31 December 2008 by Peab AB. All these convertibles were acquired in the beginning of 2009.

Financial leasing liabilities

Financial leasing liabilities fall due for payment as follows;

Group

MSEK	Minimum leasing charge	Interest	Capital amount	Minimum leasing charge	Interest	Capital amount
Within one year	240	18	222	14	1	13
Between one and five years	428	34	394	35	4	31
Later than five years	64	4	60	7	1	6
Total	**732**	**56**	**676**	**56**	**6**	**50**

The increase in financial leasing liabilities primarily refer to the acquisition of Peab Industri.

Note 30 Pensions

Defined benefit pension plans

Group

MSEK	2008	2007
Present value of unfunded obligations	18	13
Present value of fully or partially funded obligations	19	0
Total net present of obligations	**37**	**13**
Fair value of plan assets	–15	–3
Net present value of obligations	**22**	**10**
Non-recognised actuarial gains (+) and losses (-)	–6	1
Net reporting of defined benefit plans recognised as provisions for pensions	**16**	**11**

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	2008	2007
Net obligations for defined benefit plans as at 1 January	13	24
Paid out remunerations	–2	–11
Expenses for work during current period and interest expenses	6	4
Actuarial gains and losses	2	0
Effect from business acquisitions	19	1
Adjustments	0	–5
Distribution of the shares in Peab Industri AB	0	–2
Translation differences	–1	2
Obligations for defined benefit plans as at 31 December	**37**	**13**

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

MSEK	2008	2007
Fair value for plan assests as at 1 January	3	5
Contributions from employer	0	1
Expected return	0	0
Difference between expected and actual return	0	2
Effect from business acquisitions	13	–
Adjustments	–1	–3
Distribution of the shares in Peab Industri AB	0	–2
Translation differences	0	–
Obligations for defined benefit plans as at 31 December	**15**	**3**

Expenses charged to income statement

MSEK	2008	2007
Expenses for work during current period	6	4
Interest expenses on obligations	0	1
Expected return on plan assets	0	0
Recognised actuarial gains (–) and losses (+)	0	0
Effects of reductions and adjustments	0	0
Total net expense in the income statement	**6**	**5**

Expenses are recognised in the following lines in the income statement

MSEK	2008	2007
Production expenses	2	0
Selling and administrative expenses	4	4
Financial income	0	0
Financial expenses	0	1
Total costs	**6**	**5**
Actual return on plan assets	0	0

Assumptions for defined benefit plan obligations

The most important actuarial assumptions on balance sheet day	2008	2007
Discount rate	4.30%	5.50%
Expected return on plan assets	6.30%	5.80%
Future pay increase	4.50%	4.50%
Future increase in pensions	4.25%	2.00%

Historical information

MSEK	2008	2007	2006	2005	2004
Present value of defined benefit plan obligations	37	13	24	31	21
Fair value of plan assets	–15	–3	–5	–18	–14
Plan deficit	**22**	**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 2008 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 83 million (99). Alecta's surplus may be distributed among the policyholders and/or the insured. At the end of 2008, Alecta's surplus in the form of collective consolidation level amounted to 112 per cent (152). 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	2008	2007	2008	2007
Expenses of defined contribution plans continuing operations[1]	310	300	21	25

1) This include SEK 83 million (99) referring to an ITP plan fi nanced in Alecta, see above.

Note 31 Provisions

Provisions which are long-term liabilities

	Group	
MSEK	2008	2007
Guarantee risk reserve	130	76
Close-down costs	4	1
Re-establishment costs	48	–
Payroll tax on provisions for pensions	–	0
Disputes	14	–
Other	30	1
Total	**226**	**78**

Provisions which are current liabilities

	Group	
MSEK	2008	2007
Guarantee risk reserve	82	87
Close-down costs	17	–
Other	20	14
Total	**119**	**101**

Provisions which are long-term liabilities

Group
2008-12-31

MSEK	Guarantee risk reserve	Close-down costs	Re-establishment costs	Payroll tax on provisions for pensions	Disputes	Other
Book value brought forward	76	1	0	0	–	1
Provisions set aside during the year	41	1	1			
Amounts requisitioned during the year	–2			0		–1
Provisions acquired companies	20	2	47		14	30
Reversed unutilized provisions during the year	–5					
Book value carried forward	**130**	**4**	**48**	**–**	**14**	**30**

Provisions which are current liabilities

Group
2008-12-31

MSEK	Guarantee risk reserve	Close-down costs	Other
Book value brought forward	87	0	14
Provisions set aside during the year	23	16	16
Amounts requisitioned during the year	–15		–14
Provisions acquired companies		2	4
Reversed unutilized provisions during the year	–12		
Translation difference	–1	–1	
Book value carried forward	**82**	**17**	**20**

Guarantee risk reserve

Refers to the estimated cost of remedying faults and deficiencies in terminated projects that arise while the project is under warranty. Resources are consumed during the guarantee period of the project which is generally two to five years. As the effect of the time point for payment is not significant expected future disbursements are not valued at present value.

Close-down costs
Refers to remaining estimated termination costs for activities in Poland and estimated termination costs for a part of activities in Norway.

Re-establishment costs
Refers to restoration costs for gravel pits and rock quarries after termination of operations. The provision grows in relation to the amount quarried and is reversed after restoration is complete. The reserved sum is expected to be used successively after operations are terminated. The estimated restoration time is 1 to 15 years.

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

Note 32 Other liabilities

	Group	
MSEK	2008	2007
Ohter long-term liabilities		
Additional purchase price	35	30
Advance	0	13
Interest rate swaps	17	0
Other long-term liabilities	1	–
Total	39	2
Total	**92**	**45**

Other short-term liabilities		
Additional purchase price	24	17
Acquisition shares subsidiaries	97	–
Deduction upon acquisition of own shares	6	3
Liabilities to joint ventures	25	–
Competition damage charge	85	85
Value added tax	481	741
Tax at source, social security costs	194	95
Other short-term liabilities	397	352
Total	**1,309**	**1,293**

	Parent Company	
MSEK	2008	2007
Acquisition shares subsidiaries	97	–
Competition damage charge	35	35
Deduction upon acquisition of own shares	6	3
Tax at source	1	1
Other short-term liabilities	5	0
Total	**144**	**39**

Note 33 Invoiced income not yet recognised

	Group	
MSEK	2008	2007
Invoiced sales on uncompleted contracting project	36,160	28,293
Recognised income on uncompleted contracting projects	–32,475	–24,713
Total	**3,685**	**3,580**

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 income respondents project costs for the whole project.

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 Invoicied 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

	Parent Company	
MSEK	2008	2007
Accrued payroll expenses	6	7
Accrued social security expenses	4	4
Accrued interest expenses	3	3
Accrued acquisition costs for subsidiaries	29	–
Accrued overhead expenses	2	2
Total	**44**	**16**

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Note 35 Valuation of financial assets and liabilities 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 listed shareholdings and different types of derivates.

The fair value of listed shareholdings and share derivatives are estimated according to the closing price on end of the accounting period 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 2008	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 income statement	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	210[1)]			92			302	302
Interest-bearing long-term receivables				453			453	456
Other long-term receivables				69			69	69
Accounts payable				5,939			5,939	5,939
Interest-bearing short-term receivables				329			329	330
Prepaid expenses and accrued income		5[2)]					5	5
Other short-term receivables				349			349	349
Short-term shareholdings				1,007			1,007	1,007
Liquid funds				984			984	984
Total financial assets	**210**	**5**	–	**9,222**	–	–	**9,437**	**9,441**
Financial liabilities								
Interest-bearing long-term liabilities						5,563	5,563	5,578
Other long-term liabilities			17			75	92	92
Provisions for pensions						16	16	16
Interest-bearing short-term liabilities						1,235	1,235	1,235
Accounts payable						4,044	4,044	4 ,044
Accrued expenses and deferred income			9		4		13	13
Other short-term liabilities			222			412	634	634
Total financial liabilities	–	–	**248**	–	**4**	**11,345**	**11,597**	**11,612**
Unrealised profit/loss				4		–15		

1) Listed companies

2) Derivatives

Contents

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 income statement	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 receivable				4,973			4,973	4,973
Interest-bearing short-term receivables				121			121	121
Prepaid expenses and accrued income			3				3	3
Other short-term receivables				397			397	397
Short-term shareholdings				0			0	0
Liquid funds				1,212			1,212	1,212
Total financial assets	**517**	**25**	**3**	**7,139**	**–**	**–**	**7,684**	**7,683**
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 short-term liabilities						279	279	279
Accounts payable						3,392	3,392	3,392
Accrued expenses and deferred income					2		2	2
Other short-term liabilities			7			452	459	459
Total financial liabilities	**–**	**–**	**7**	**–**	**2**	**4,957**	**4,966**	**4,966**
Unrealised profit/loss				–1				

The effect of valuing financial instruments at fair value was included in the group's profits to the tune of SEK –324 million (–194), where SEK –302 million (–203) referred to market valuation of shareholdings in Brinova. Market valuation of interest rate and currency swaps was included to the tune of SEK 1 million (–2).

Parent Company 2008	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 income statement	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				1,797			1,797	1,804
Other securities held as fixed assets	210[1]			17			227	227
Interest-bearing long-term receivables				59			59	59
Other long-term receivables				1			1	1
Accounts receivable				–			–	–
Short-term receivables Group companies				29			29	29
Interest-bearing short-term receivables				306			306	306
Other short-term receivables				36			36	36
Liquid funds				2			2	2
Total financial assets	**210**	**–**	**–**	**2,247**	**–**	**–**	**2,457**	**2,464**
Financial liabilities								
Long-term liabilities Group companies						5,022	5,022	5,022
Convertible promissory notes						566	566	573
Accounts payable						24	24	24
Short-term liabilities Group companies						3	3	3
Other short-term liabilities						143	143	143
Total financial liabilities	**–**	**–**	**–**	**–**	**–**	**5,758**	**5,758**	**5,765**
Unrealised profit/loss				7		–7		

1) Listed companies

2) Derivatives

Contents

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 income statement	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[1]	25[2]		6			548	548
Interest-bearing long-term receivables				180			180	180
Other long-term receivables				1			1	1
Accounts receivable				0			0	0
Short-term receivables Group companies				0			0	0
Interest-bearing short-term receivables				15			15	15
Other short-term 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
Short-term liabilities Group companies						9	9	9
Other short-term liabilities						38	38	38
Total financial liabilities	–	–	–	–	–	**4,533**	**4,533**	**4,531**
Unrealised profit/loss						2		

1) Listed companies

2) Derivatives

The effect of valuing financial instruments at fair value was included in the parent company's profits to the tune of SEK –324 million (–194), where SEK –302 million (–203) referred to market valuation of shareholdings in Brinova.

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Note 36 Financial risks and financial policies

Treasury and finance

The Group is exposed to various types of financial risk through its operations. The term financial risk refers to fluctuations in the company's profits and cash flow resulting from changes in exchange rates, interest rates, refinancing and credit risks. Group treasury and finance is governed by the financial policy which is established by Peab's Board of Directors. The policy is a framework of guidelines and regulations in the form of a risk mandate and limitations in treasury and finance. The Board has appointed a treasury and finance committee which is chaired by the Chairman of the Board. It is authorised to take decisions that follow the financial policy in between meetings of the Board. The treasury and finance committee must report any such decisions at the next meeting of the Board. The Group Accounting/Finance support function and the Group's internal bank Peab Finans AB manage coordination of Group treasury and finance. The overall responsibility of the treasury and finance function is to provide cost-effective funding and to minimise the negative effects on Group profit due to the price of cashflow risks.

Liquidity risks

The liquidity risk refers to the risk of the Group having difficulties in meeting obligations related to financial liabilities. The Group has a rolling one-month liquidity plan for all the units in the Group. Plans are updated each week. Group forecasts also comprise liquidity planning in the medium term. Liquidity planning is used to handle the liquidity risk and the cost of Group financing. The objective is for the Group to be able to meet its financial obligations in favourable and unfavourable market conditions without running into significant unforeseen costs. Liquidity risks are managed centrally for the entire Group by the central treasury and finance department.

The financial policy dictates that Group net debt be mainly covered by loan commitments that mature between 1 and 7 years. At the end of the year, the average loan period for utilised credits was 44 months (41), for unutilised credits 54 months (84), and for all granted credits 48 months (63).

Peab's base financing was renegotiated and extended in 2007. At the end of the year, the loan commitments in the bilateral loan agreements totalled SEK 3,250 million divided among six banks. The loan agreements, which are not subject to amortization, run until September 2014. The base financing in Peab Industri, which was acquired in December 2008, is made up of bilateral loan agreements totalling SEK 2,300 million divided among four banks. The loan agreements, which are not subject to amortization, run until June 2014. The bilateral loan agreements all have the same basic documentation and contain financial covenants in the form of interest coverage ratio and equity/assets ratio that the Group must meet, which are standard for this kind of loan. Peab had exceeded these key ratios by a broad margin at the end of the year.

Peab set up a lending program for commercial papers in 2005. Under the program, Peab can issue commercial papers for a maximum of SEK 1,500 million. The borrower is Peab Finans AB and the guarantor is Peab AB. At the end of the year, Peab had outstanding commercial papers worth SEK 0 million (0).

Peab issued convertible bonds to all employees in December 2007. Settlement was in January 2008. A total of 8.8 million convertibles were issued for a total nominal sum of SEK 598.4 million. The interest coupon rate on the convertible bonds is fixed at 5.44 percent. The convertibles run from 1 December 2007 to 30 November 2012. In June 2005, Peab issued convertible bonds to all employees. A total of 5.5 million convertibles were issued for a total nominal sum of SEK 478.5 million. After conversions in 2007, the remaining convertible bonds at the beginning of 2008 had a nominal value of SEK 3.5 million, which were converted to 148,425 new B shares during the year.

Total credit commitments, excluding unutilised leasing lines and that part of the certificate program which has not been utilised, amounted to SEK 10,793 million (5,037) per 31 December 2008. Of the total credit commitments, SEK 6,815 million (1,068) was utilised.

Age analysis of financial liabilities

Group 2008 MSEK	Currency	Average interest rate as per balance sheet date, %	Nominal value, original currency	Amount SEK	Up to 1 year	1-5 years	5 years and later
Bank loans	SEK	4.1	3,800	3,800	692	1,054	2,054
Bank loans	NOK	4.9	954	1,065	599	11	455
Bank loans	EUR	3.0	64	705			705
Convertible promissory notes	SEK	5.4	582	582		582	
Financial leasing liabilities	SEK	5.1	447	447	169	255	23
Financial leasing liabilities	NOK	7.1	27	30	4	26	
Financial leasing liabilities	EUR	5.0	15	169	14	155	
Total				**6,798**	**1,478**	**2,083**	**3,237**

Group 2007 MSEK	Currency	Average interest rate as per balance sheet date, %	Nominal value, original currency	Amount SEK	Up to 1 year	1-5 years	5 years and later
Bank loans	SEK	4.5	534	534	484	50	
Bank loans	NOK	5.9	248	296	61	235	
Bank loans	EUR	5.1	18	173		66	107
Convertible promissory notes	SEK	5.4	4	4	4		
Financial leasing liabilities	SEK	4.5	48	48	10	32	6
Financial leasing liabilities	EUR	4.5	0	2	2		
Total				**1,057**	**561**	**383**	**113**

Interest rate risks

The interest rate risk is the risk that Peab's cash flow or the value of financial instruments may vary with changes in market interest rates. Interest rate risk can result in changes in fair values and cash flows. A crucial factor affecting interest rate risk is the fixed interest period.

On 31 December 2008, interest-bearing net debt amounted to SEK 4,042 million (net receivables SEK 587 million). Total interest-bearing liabilities amounted to SEK 6,815 million (1,068), of which SEK 1,235 million (279) were short-term. The financial policy dictates that the average fixed interest period on total borrowing may not exceed 24 months. Peab has chosen short fixed interest periods for outstanding credits. The interest rate swap per 31 December 2008 was SEK 300 million maturing in September 2013 at an effective interest rate of 4.0 percent. Peab pays a fixed annual interest rate and receives floating rates (Stibor 3 months) in the interest rate swap. The swap agreement is recognised at fair value in book closing. Per 2008-12-31 this fair value was SEK -17 million. As the table below shows, the fixed interest period for SEK 5,643 million of the Group's total interest-bearing liabilities, including derivatives, is less than 1 year. Interest-bearing asset items totalling SEK 2,537 million have short fixed interest periods, with the result that the fixed interest period for SEK 3,106 million of Group net debt, including derivatives, is less than 1 year, making these liabilities directly susceptible to changes in market interest rates. Since the majority of the financial liabilities have a short maturity most of the interest rate risk is considered a cash flow risk. For further information see the sensitivity analysis on page 32 in the Board of Directors' report.

Loan period for utilised credit per 31 December 2008

Fixed interest period	Amount, MSEK	Average effective interest rate percent	Share, percent
2009	5,943	4.3	87
2010–	872	5.6	13
Total	**6,815**		**100**

Fixed interest rate period on utilised credits, including derivates, 2008-12-31

Fixed interest period	Amount, MSEK	Average effective interest rate percent	Share, percent
2009	5,643	4.3	83
2010–	1,172	5.2	17
Total	**6,815**		**100**

Currency risks

The risk that fair values and cash flows from financial instruments may fluctuate with changes in the value of foreign currencies is referred to as a currency risk.

Financial exposure

Group borrowing is done in local currencies to reduce currency risks in operations. Assets and liabilities in foreign currency are translated at the rate on the balance sheet date. Borrowing in the interest-bearing liabilities per 31 December 2008, including leasing but excluding currency derivatives, was allocated as follows:

	Local currency in millions	MSEK
SEK	4,922	4,922
EUR	68	743
NOK	1,030	1,150
Total		**6,815**

Internal loans are used to handle temporary liquidity needs in Peab's foreign operations. Currency swaps are used to eliminate exchanges risks. Currency swaps usually run three months. Currency swaps are reported at fair value in book closing and value changes are reported as unrealised exchange rate differences in the income statement and as current receivables and liabilities in the balance sheet. At the end of the year, there were outstanding currency swaps relating to financial exposure of EUR 30 million (6) and NOK 276 million (0). Exchange rate differences in net financials items from financial exposure were SEK 11 million (-15) in 2008. Exchange rate differences in operating profit were SEK 0 million (0).

Exposure of net assets in foreign currency

The translation exposure arising from investments in foreign net assets are primarily hedged through loans in foreign currency or forward exchange contracts. At the end of 2008, hedging through forward exchange contracts or loans in NOK for foreign net assets in Norway amounted to NOK 189 million (84) and hedging through loans in EUR for foreign net assets in Finland were EUR 19 million (0).

Foreign net assets

Local currency in million	2008-12-31	Of which hedged	2007-12-31	Of which hedged
NOK	446	189	199	84
EUR	105	19	35	
PLN	3		3	

A 10 percent stronger EURO rate on 31 December 2008 would entail a positive translation effect on equity of SEK 94 million. A corresponding strengthening of the Norwegian crown would generate a positive translation effect on equity of SEK 29 million. The translation effects are calculated on that part of foreign net assets which is not hedged. The effects of corresponding exchange rate changes on profit for the year are limited. Annual exchange rate differences in equity (net assets in foreign subsidiaries) amounted to SEK 73 million (94).

Commercial exposure

Although international purchases and sales of goods and services in foreign currency are currently small, they are expected to increase as the Group expands and the competition grows in terms of purchasing goods and services. Contracted or forecast currency flows can be hedged for 6 months from the date of the contract. At the end of the year, there were exchange rate hedges related to forecasted currency flows of NOK 315 million (175) and EUR 6 million (0). Since anticipated currency flows are hedged there are no transaction or translation effects on equity or in profit for the year if currency rates change.

Credit risk

Credit risk refers to the risk of a counterparty failing to meet their obligations.

Credit risks in financial instruments

Credit risks in financial instruments are very limited, since Peab only deals with counterparties with high credit ratings. Counterparty risks are primarily associated with receivables on banks and other counterparties involved in the purchase of derivatives. The financial policy contains special counterparty regulations 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. Peab did not suffer any financial instrument losses in 2008.

Total counterparty exposure related to derivative trading calculated as a net receivable per counterparty amounted to SEK 0 million (1) at the end of 2008. The estimated gross exposure to counterparty risks related to liquid funds and current investments amounted to SEK 1,991 million (1,212).

Credit risks in accounts receivable

The risk that Group customers cannot meet their obligations, i.e. payment is not received from customers, is one customer credit risk. Bad debts are

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very rare in construction since there are so many different projects and customers where invoicing is continuous during production. The Group's customers undergo a credit rating control providing information on customers' financial positions from various credit rating companies before a project is undertaken. The Group has established a credit policy for handling customer credit. For instance, it specifies where decisions, regarding credit limits of various magnitudes are taken and how uncertain receivables should be handled. Bank guarantees or other collateral are required for customers with low credit ratings or insufficient credit history. The maximum exposure to credit risk is the reported value presented in the Group balance sheet. Total bad debts in construction operations amounted to SEK 13 million (8). There was no significant concentration of credit risks on the balance sheet date.

Age analysis, not written-down accounts receivable due

	Book value of receivables not written-down	
MSEK	2008	2007
Accounts receivable, not fallen due	4,513	4,379
Accounts receivable, fallen due 0–30 days	688	131
Accounts receivable, fallen due 30 days – 90 days	180	150
Accounts receivable, fallen due 90 days – 180 days	172	69
Accounts receivable, fallen due 180 days – 360 days	213	45
Accounts receivable, fallen due 360 days	173	199
Total	**5,939**	**4,973**

Accounts receivable written-down

MSEK	2008	2007
Opening balance	24	57
Reversed write-downs	–15	–50
Write-downs in acquired companies	35	–
Write-downs for the year	12	15
Translation differences	–1	2
Balance carried forward	**55**	**24**

There are no mature receivables of significant amounts for other financial receivables.

Note 37 Operational lease contracts

Group
Leasing charged to income for the period:

MSEK	2008	2007
Minimum lease payments	295	205
Contingent rent	0	0
Total	**295**	**205**

Interminable leasing payments amount to:

MSEK	2008	2007
Within a year	205	168
Between one and five years	385	91
Later than five years	–	–
Total	**590**	**259**

Home computers for employees, car rentals, rental of premises and office inventories are classified as operating leasing agreements. Main part of the leasing payment refers to rental of premises as operational lease contract.

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

Leasing income generated by objects that are rented to a third party is marginal.

Note 38 Investment undertakings

In 2008, the Group has signed agreements to acquire tangible fixed assets amounting to SEK 64 million (-).

By participating in joint ventures, the Group has committed to investing SEK 54 million (23).

Joint venture companies have committed investments of SEK 271 million (-).

The parent company has not signed any agreements to acquire tangible fixed assets.

Note 39 Pledged assets and contingent liabilities

Pledged assets

	Group		Parent Company	
MSEK	2008	2007	2008	2007
For own liabilities and provisions				
Related to long-term liabilities to credit institutions:				
Real estate mortgages	657	154		
Assets with attached liens	599	–		
Other	4	–		
Related to current liabilities to credit institutions:				
Real estate mortgages	588	367		
Shares	9	8		
Assets with attached liens	15	–		
Other	14	–		
Total related to own liabilities and provisions	**1,886**	**529**	**–**	**–**
For own contingent liabilities and guarantees				
Real estate mortgages	2	–		
Floating charges	60	30		
Restricted bank balance	5	8		
Total for own contingent liabilities and guarantees	**67**	**38**	**–**	**–**
Other	**109**	**95**		
Total pledged assets	**2,062**	**662**	**–**	**–**

Contingent liabilities	Group		Parent Company	
MSEK	2008	2007	2008	2007
Shared obligations as part-owner in limited partnerships	271	654	–	–
Guarantees and contracting guarantees for Group companies	–	–	10,101	7,324
Guarantee liabilities in favour of joint ventures	215	6	213	5
Other guarantees and contingent liabilities	1,670	1,471	1,658	1,454
Total	**2,156**	**2,131**	**11,972**	**8,783**

Other guarantee and contingent liabilities primarily refer to undertakings to tenant-owner cooperatives.

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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 68 percent of the votes in Peab AB per 31 December 2008. 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. From the 15th of December 2008 until the end of the year Peab AB progressively acquired 94.1 percent of the capital in Peab Industri AB. Peab Industri has not been integrated into the income statement for 2008 since only a few days remained of the fiscal year after acquisition. Therefore all items in the income statment that refer to Peab Industri are to be considered related parties. Peab Industri was consolidated into the Peab Group balance sheet per 31 December 2008.

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 AB.

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 Directors of Skistar.

Fabege
Erik Paulsson is Chairman of the Board of Directors and has significant influence. Svante Paulsson is a member of the Board of the 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 CEO of Kranpunkten.

Gullbergs
Fredrik Paulsson has been Chairman of the Board of Directors of Gullbergs in 2008 and until March 2009 when he left the Board of Directors.

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	2008	2007
Transactions with joint ventures		
Sales to joint ventures	1,065	534
Purchases from joint ventures	20	115
Liabilities to joint ventures	4	1
Receivable from joint ventures	125	274
Dividends from joint ventures	–	1
Transactions with Peab Industri [1]		
Sales to Peab Industri	161	144
Purchases from Peab Industri	2,791	2,307
Liabilities to Peab Industri	–	322
Receivable from Peab Industri	–	16

1) 31 December 2007 Peab AB held a convertible prommisory note in a nominal amount of SEK 198 million that is recognised at its market value in the balance sheet. Peab AB in 2007 made a provision for a competition damage fee of SEK 35 million for cases relating to the asphalt operation.

MSEK	2008	2007
Transactions with Brinova		
Sales to Brinova	114	141
Purchases from Brinova	1	2
Liabilities to Brinova	0	–
Receivables from Brinova	36	12
Shareholdings in Brinova, fair value	175	477
Dividend from Brinova	32	32
Transactions with Skistar		
Sales to Skistar	120	82
Purchases from Skistar	1	4
Liabilities to Skistar	0	0
Receivables from Skistar	18	9
Transactions with Wihlborgs		
Sales to Wihlborgs	287	258
Purchases from Wihlborgs	8	7
Liabilities to Wihlborgs	3	2
Receivables from Wihlborgs	43	26
Transactions with Fabege		
Sales to Fabege	544	234
Purchases form Fabege	23	22
Liabilities to Fabege	6	0
Receivables from Fabege	46	63
Transactions with Backahill		
Sales to Backahill	3	3
Purchases from Backahill	0	0
Liabilities to Backahill	0	0
Receivables from Backahill	0	0

Contents

Transactions with Kranpunkten		
Sales to Kranpunkten	0	0
Purchases from Kranpunken	42	29
Liabilities to Kranpunkten	11	5
Receivables from Kranpunkten	2	0

Transactions with Gullbergs		
Sales to Gullbergs	0	0
Purchases from Gullbergs	52	44
Liabilities to Gullbergs	8	18
Receivables from Gullbergs	1	0

Summary of transactions with related parties
Parent company

MSEK	2008	2007
Transactions with subsidiaries		
Sales to subsidiaries	52	52
Purchases to subsidiaries	17	8
Liabilities to subsidiaries	5,180	3,911
Receivables from subsidiaries	655	612
Dividends from subsidiaries	796	1,557
Transactions with Peab Industri [1]		
Sales to Peab Industri	1	2
Purchases from Peab Industri	2	7
Liabilities to Peab Industri	–	0
Receivable from Peab Industri	–	2

1) 31 December 2007 Peab AB held a convertible prommisory note in a nominal amount of SEK 198 million that is recognised at its market value in the balance sheet. Peab AB has during 2007 made a provision for a competition damage fee of SEK 35 million for cases relating to the asphalt operation.

Transactions with Brinova		
Shareholdings in Brinova, fair value	175	477
Dividend from Brinova	32	32

Transactions with Skistar		
Purchases from Skistar	0	0

Executive management

For information on salaries and other remuneration to the Board of Directors and the CEO and senior officers along with information on costs and obligations relating to pensions and similar benefits and agreements on retirement remuneration, see note 8.

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 2008	2007
Peab Finans AB	556552-1324	Båstad	100.0%	1,616	1,616
Peab Sverige AB	556099-9202	Båstad	100.0%	3,222	1,907
Peab Bau GmbH	DE 811 771 570	Berlin	100.0%		
Peab Sp.z.o.o	40624	Warszawa	100.0%		
Kompetenskraft i Solna AB	556737-7683	Solna	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%		
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%		
HB Solrosen 7-8	916897-4088	Borås	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%		
Pronima Fastighets KB	969700-8325	Göteborg	100.0%		
Kreaton AB	556644-5010	Göteborg	100.0%		
Peab Byggservice Mälardalen 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%		
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%		
Österhöjdens Garage AB	556753-0240	Upplands-Bro	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	Riga	100.0%		
Kungsfiskaren Bygg & Fastighet AB	556471-2296	Stockholm	100.0%		
Stockholm Entreprenad AB	556569-4386	Stockholm	100.0%		
Stockholm Hamnentreprenad AB	556036-9133	Stockholm	100.0%		
Siljan Anläggning AB	556540-6211	Orsa	100.0%		

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Company	Corp.ID.no	Registered office	Share of equity [1) 2)]	Book value in parent company, MSEK 2008	2007
PB Prefabmontage AB	556597-7138	Stockholm	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	100.0%		
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%		
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%		
BKVA Fastighets AB	556694-4244	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%		
Ljungbyhed Park AB	556545-4294	Klippan	70.0%		
Activus Ljungbyhed AB	556558-9644	Klippan	75.0%		
Ljungbyheds Golfcenter AB	556571-3012	Klippan	100.0%		
Peab Exploateraarena-staden 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%		
G Nilsson Last & Planering i Ranseröd AB	556236-0908	Kristianstad	100.0%		
AB Jämshögs Grus & Entreprenad AB	556048-3918	Olofström	100.0%		
Peab Fastigheter i Växjö AB	556716-6664	Båstad	100.0%		
Peab Ugglarp AB	556094-5072	Båstad	100.0%		0
HälsingeBygg i Hudiksvall AB	556624-4025	Hudiksvall	100.0%		
Värby Fastighets AB	556703-4771	Ängelholm	100.0%		
Berg och Falk AB	556602-3064	Ödeshög	100.0%		
BEFAB Entreprenad Mjölby AB	556595-7452	Linköping	100.0%		
BEFAB Schakt AB	556555-2287	Mjölby	100.0%		
BEFAB Markteknik AB	556581-4612	Linköping	100.0%		
YP Entreprenad & Konsult AB	556486-8817	Linköping	100.0%		
Peab Seicon Oy	1509374-8	Helsingfors	100.0%	488	488
Oy Seicon Construktion International LTD	0925347-7	Seinäjoki	100.0%		
Norra Tull Ab	2141211-9	Helsingfors	100.0%		
Peab Norge AS	990 040 729	Olso	100.0%	97	97
Peab AS	981 032 411	Oslo	100.0%		
Bestum Prosjektutvikling AS	952 669 826	Oslo	50.5%		
Gydas Vei DA	982 796 083	Olso	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%		
Nesland Eiendom AS	985 788 170	Tromsö	100.0%		
Vestre 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	100.0%		
Lenken og Bueslaget Utvikling AS	983 025 757	Oslo	100.0%		
Engaland AS	990 153 825	Oslo	100.0%		
ANS Solligården	957 524 346	Olso	100.0%		
Peab Bolig Prosjekt 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%		
Zerom Näring AS	992 177 292	Oslo	100.0%		
Strömmen Centrum AS	985 704 449	Oslo	100.0%		
Raaen Entreprenör AS	860 882 582	Horten	100.0%		
Senter Bygg Entreprenör AS	976 469 429	Modum	100.0%		
Byggservice & Vedlikehold AS	986 346 384	Oslo	100.0%	88	88
Peab Invest AS	981 704 665	Oslo	100.0%	1,332	1,137
Peab Industri AB	556594-9558	Ängelholm	94.1%	2,402	
Lättklinkerbetong AB	556239-1721	Allingsås	100.0%		
Peab Industri Växtorp AB	556232-8368	Båstad	100.0%		
A8 Älvbrinken AB	556620-6842	Boden	100.0%		
Peab Industri Sverige AB	556594-9624	Ängelholm	100.0%		
Lambertsson Sverige AB	556190-1637	Båstad	100.0%		
LKME i Förslöv AB	556543-5293	Båstad	100.0%		
KB Muraren 105	916837-9544	Mölndal	100.0%		
Krantorp KB	969623-0540	Mölndal	100.0%		
Swerock AB	556081-3031	Helsingborg	100.0%		
Swerock Uppsala AB	556031-3289	Uppsala	100.0%		
AB Uppsala Grus	556206-6281	Uppsala	100.0%		
Rådasand AB	556042-8699	Lidköping	100.0%		
Pumpcenter i Västsverige AB	556091-0746	Helsingborg	100.0%		
Peab Transport & Maskin AB	556097-9493	Örkelljunga	100.0%		
Peab Bildrift AB	556313-9608	Helsingborg	100.0%		
AB Roler	556100-0729	Örebro	100.0%		
Gruvgrus AB	556103-9933	Gällivare	100.0%		
Peab Vagnpark AB	556234-0371	Båstad	100.0%		
Engströms Grävmaskiner	556308-2527	Boden	100.0%		
Nordisk Maskintjänst AB	556417-8118	Luleå	100.0%		
AB Vendels Grustag	556035-8383	Uppsala	100.0%		
UMF Entreprenad AB	556658-8116	Uddevalla	100.0%		
Grävsam AB	556530-4978	Uddevalla	100.0%		
Pajala Bilfrakt Ek.för	797600-0542	Pajala	100.0%		
St: Eriks AB	556203-4750	Uppsala	100.0%		
Gånarps Fastighets AB	556469-9600	Hässleholm	100.0%		
Mjöbäckspannan AB	556313-0615	Svenljunga	100.0%		
S:t Eriks Norge AS	990918635	Slemmestad	100.0%		
Skandinaviska Byggelement AB	556034-2148	Helsingborg	100.0%		
Nordmarkens Betongprodukter AB	556546-8229	Årjäng	100.0%		

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Company	Corp.ID.no	Registered office	Share of equity 1) 2)	Book value in parent company, MSEK 2008	2007
Skandinaviska Byggelement Norge AS	892 890 692	Slemmestad	100.0%		
Peab Asfalt AB	556098-8122	Båstad	100.0%		
Svenska Beläggningsaktie-bolaget. SBB	556187-3828	Hylte	100.0%		
Asfaltbeläggningar i Boden AB	556279-8768	Boden	100.0%		
Markteknik Schakt & Transport i Åre AB	556272-6140	Åre	100.0%		
Pionjären Fastighets AB	556114-9773	Boden	100.0%		
Asfaltgrabbarna i Piteå AB	556571-9233	Piteå	100.0%		
Asfalt & Väg i Strängnäs AB	556545-6034	Strängnäs	100.0%		
Svensk Beläggningsteknik i Sävsjö AB	556539-9309	Sävsjö	100.0%		
Kvalitetsasfalt i Mellansverige AB	556537-5432	Västerås	100.0%		
Väglaboratoriet i Norr AB	556609-5500	Båstad	100.0%		
NeTel AB	556592-4056	Stockholm	100.0%		
NeTel AS	983096514	Oslo	100.0%		
ATS Kraftservice AB	556467-5998	Lindesberg	100.0%		
ATS Service AB	556707-9719	Markaryd	100.0%		
ATS Mark AB	556707-8380	Markaryd	100.0%		
Peab Grundläggning Norden AB	556554-1587	Båstad	100.0%		
Nordenfjeldske Spunt og Peleservice AS	916 964 145	Trondheim	100.0%		
Smefa Entreprenør AS	919 653 612	Vestby	100.0%		
Peab Grundläggning AB	556154-7364	Båstad	100.0%		
Tollarps Betong & Pålning AB	556123-6612	Kristianstad	100.0%		
Peab Industri Grus AB	556715-5337	Ängelholm	100.0%		
Peab Industri Betong AB	556715-4827	Ängelholm	100.0%		
Peab Industri Asfalt AB	556715-4835	Ängelholm	100.0%		
Peab Industri Kran AB	556715-4843	Ängelholm	100.0%		
Peab Industri Byggelement AB	556715-4850	Ängelholm	100.0%		
Peab Industri Norge AS	990609527	Oslo	100.0%		
Lambertsson Norge AS	985129738	Skedsmo	100.0%		
Kranor AS	976313062	Slemmestad	100.0%		
Peab Industri Finland AB	556687-9226	Helsingborg	100.0%		
Peab Industri Finland AB. finsk filial	2006361-5	Nurmijärvi	100.0%		
Marttilan Betonirakennus Oy	077 212 0-6	Ollila	100.0%		
Vasa Betongstation AB	1509160-3	Vasa	100.0%		
Lambertsson Oy	0937993-4	Turku	100.0%		
YN-Sora Oy	0706695-0	Kiikala	100.0%		
Fastighets AB Skeppsdockan i Malmö	556563-0711	Ängelholm	100.0%	0	0
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%		
Br Paulsson Peab AB	556113-4114	Båstad	99.9%	157	157
Stadiongatans Lokaluthyrn-ing AB	556141-1736	Malmö	100.0%		
Norrviken Exploaterings AB	556245-3356	Båstad	100.0%		
Vejby Transport & Miljö AB	556240-2742	Ängelholm	100.0%	1	1
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

Company	Corp.ID.no	Registered office	Share of equity 1) 2)	Book value in parent company, MSEK 2008	2007
Fastighets AB Skånehus	556371-3816	Helsingborg	100.0%		
Peab Holding AB	556594-9533	Båstad	100.0%	0	0
JaCo AB	556554-6487	Båstad	100.0%		
Varvstaden AB	556683-1722	Båstad	100.0%		
Skånehus AB	556547-6958	Båstad	100.0%		
Fastighetsbolaget Fair Fyrtio HB	916630-7422	Örebro	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%	0	139
Flygstaden Intressenter i Söderhamn AB	556438-9665	Båstad	100.0%	272	272
HDWG Finans AB	556470-0184	Båstad	100.0%		
Ortum AB	556641-8355	Helsingborg	100.0%		
Stockholms Kommersiella Fastighets AB	556105-6499	Stockholm	100.0%		
Skånska Stenhus AB	556233-8680	Helsingborg	100.0%		
CAMSOF AB	556077-8499	Båstad	100.0%	1	1
Peab Hem AB	556397-3071	Båstad	100.0%		0
Peab Gånarp AB	556565-2947	Båstad	100.0%		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 Invest Yek AB	556753-4226	Båstad	100.0%		
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
Carpenova AB	556753-4242	Båstad	100.0%	0	
Flextronics Holding Östersund AB	556663-2682	Båstad	100.0%	221	
Peab Park AB	556107-0003	Båstad	100.0%	2	
Peab Energi AB	556104-1533	Båstad	100.0%	60	60
Åstorps Bioenergi AB	556644-8246	Båstad	100.0%		
CompWell AB	556589-5140	Malmö	100.0%		
CompWell Oy	1631252-7	Helsingfors	100.0%		
CompWell Sp.zo.o.	282227	Warszawa	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%		
Pleiad Speyer GmbH		Speyer	100.0%		0
Total				**11,276**	**7,281**

1) The capital participation accords with the vote participation except for Peab Industri AB where vote participation amounts to 97.1 percent.

2) In addition to the Group companies acquired in 2008 (see note 6), the proportion of capital for 2008 corresponds with the proportion of capital 2007.

Contents

Parent Company MSEK	2008	2007
Acquistion value brought forward	10,858	11,348
Purchases	3,206	60
Shareholder's contribution	1,315	120
Distribution of shares in Peab Industri AB	–	–600
Sales	–1,850	–70
Accumulated acquistion values brought forward	**13,529**	**10,858**
Revaluations brought forward	100	100
Accumulated revaluations carried forward	**100**	**100**
Write-downs brought forward	–3,677	–3,632
Sales	1,848	62
Write-downs for the year	–524	–107
Accumulated write-downs carried forward	**–2,353**	**–3,677**
Book value carried forward	**11,276**	**7,281**

During the year, participations in group companies were written down by SEK 524 million (107). The write-downs refer to dormant companies or companies with little activity where values have been written down to the equity value. Annual write-downs are reported in the income statement on the "Profit from participation in Group companies" line.

Note 42 Cash flow statement

Paid interest and dividends received

	Group		Parent Company	
MSEK	2008	2007	2008	2007
Dividends received	33	63	33	32
Interest received	136	111	41	24
Interest paid	192	94	223	148

Adjustments for non cash flow items

	Group		Parent Company	
MSEK	2008	2007	2008	2007
Participation in joint ventures/ associated companies	6	–33		
Dividends received from joint ventures		31		
Depreciation/amortization and write-downs	130	254	525	108
Unrealized exchange rate difference	–23	45		
Gain on sale of fixed assets	–70	–15	1	1
Gain on sale of business/ subsidiary	–53	–3		
Provisions	4	7		
Change fair value financial instruments	328	198	328	199
Accrued expenses and provisions	–152	–30		35
Dividends from subsidiaries			–795	–1,557
Total	**170**	**454**	**59**	**–1,214**

Transactions without payments

	Group		Parent Company	
MSEK	2008	2007	2008	2007
Aquisition of assets by financial leasing	22	105		
Aquisition of subsidiaries financed by loan from the seller	70	33		
Conversion of convertible promissory notes liabilities to equity	4	466	4	466
Aquisition of subsidiaries through issue in kind	2,386			
Aquisition of subsidiaries with own shares	12			

Contents

Acquisition of subsidiaries and business areas

MSEK	Group 2008	2007
Acquired assets and liabilities		
Intangible assets	1,631	70
Tangible assets	3,561	168
Financial assets	93	29
Deferred tax recoverables	1,021	
Current assets	2,478	382
Liquid funds	423	61
Minority interest	–87	–5
Long-term provisions	–150	–3
Interest-bearing long-term liabilities	–3,110	–78
Deferred tax liabilities	–426	–64
Current liabilities	–1,626	–236
	3,808	**324**
Deferred tax income	–465	
Purchase prices	3,343	324
Loan from the seller	–70	–33
Issue in kind	–2,386	
Aquisition with own shares	–12	
Paid purchase price	875	291
Less: Liquid assets in acquired companies		
Effect on liquid assets	–423	–61
Effect on liquid assets	**452**	**230**

Disposal of subsidiaries

MSEK	Group 2008	2007
Sold assets and liabilities		
Financial assets	1	6
Project- and development properties and inventories	29	34
Operative receivables		6
Liquid funds	1	
Minority interest	–1	
Long-term provisions	–2	
Interest-bearing long-term liabilities	–58	–25
Current liabilities	–4	–9
	–34	**12**
Sales price	19	15
Less: Loan to buyer	–6	
Received purchase sum	13	15
Less: Liquid funds in disposed companies	–1	
Effect on liquid assets	**12**	**15**

Note 43 Important estimates and assessments

Group Management has together with the Board of Directors discussed developments, selections and information regarding the Group's important accounting principles and assessments, as well as the application of these principles and assessments.

Certain important accounting estimates made when applying the group's accounting policies are described below.

Percentage of completion method

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.

Impairment tests of goodwill

When calculating cash generating units' recoverable amount in order to assess the need to write-down goodwill, several estimations and assessments about the future have been made. These are presented in note 15. As is apparent in the description in note 15 changes during 2009 of the conditions for these estimations and assessments could have a significant effect on goodwill.

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 NASDAQ OMX Stockholm. The address of the head office is Margretetorpsvägen 84, SE-260 92 Förslöv.

The consolidated accounts for 2008 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.

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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 3, 2009

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

Patrik Svensson
Member of the Board

Kim Thomsen
Member of the Board

The annual report and the consolidated accounts have been approved for publication by the Board of Directors and the Chief Executive Officer on April 3, 2009. 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 14, 2009.

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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 2008. The annual accounts and the consolidated accounts are presented in the printed version of this document on pages 29-90. 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 April 3, 2009

Alf Svensson
Authorized Public Accountant

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THE SHARE AND THE OWNERS.

Peab's B share is listed on the NASDAQ OMX Nordic Exchange Stockholm – Mid Cap. As of 31 December 2008 the total market capital of Peab was SEK 6.3 billion (11.3).

TRADING IN THE PEAB SHARE

As of 31 December 2008 the closing price of the Peab share was SEK 21.60, which was a 68 percent decrease in 2008. According to Affärsvärlden's general index, NASDAQ OMX Nordic Exchange Stockholm decreased by 42 percent in 2008. During 2009, the Peab share has been quoted at a maximum of SEK 30.60 and a minimum of SEK 21.90. During 2008, the Peab share was quoted at a maximum of SEK 68.25 and a minimum of SEK 15.20. During 2008, 94.2 million shares (114.2) were traded, equivalent to 374,000 shares per trading day (457,000). A round lot of shares is 100 shares.

SHARES AND SHARE CAPITAL

In an Extraordinary General Meeting on 10 November 2008 the decision was taken to make a public offer to Peab Industri's shareholders and convertible owners to transfer all shares and convertibles in Peab Industri. The shareholders in Peab Industri were offered three (3) newly issued Peab shares in each series in exchange for two (2) shares in Peab Industri. In connection to the offer a decision was taken to issue new shares of a maximum 14,708,553 A shares and no more than 113,173,269 B shares. As a consequence of the acquisition of Peab Industri, new shares were issued in kind in Peab AB in December 2008. The increase in the number of shares and votes in Peab through an issue in kind on 12 December 2008 and 22 December 2008 amounted to 14,708,553 A shares representing 147,085,530 votes and 101,720,827 B shares representing 101,720,827 votes. The amount of the newly issued shares was SEK 2,386 million.

As of 31 December 2008 the share capital amounted to SEK 1,557,013,138. There were 291,030,493 shares with a nominal value of SEK 5.35.

In February 2009 further shares were issued in kind as a result of the Peab Industri acquisition. The increase in the number of shares and votes in Peab through an issue in kind on 9 February 2009 was 5,019,237 B shares representing 5,019,237 votes. The amount of the newly issued shares was SEK 133 million. The total number of registered shares and votes in Peab AB after the new issues in December 2008 and February 2009 is 296,049,730 shares divided into 34,319,957 A shares and 261,729,773 B shares. A shares have 10 votes, and B shares have 1 vote. All shares carry equal rights to dividends in the company's assets and profits.

HOLDINGS OF OWN SHARES

At the start of 2008, Peab's holding of own shares amounted to 5,625,000 B shares, corresponding to 3.2 per cent of the total number of shares. The Peab AGM on 15 May 2008 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 percent of the registered shares in the company.

In 2008, 7,053,600 B shares, corresponding to 2.4 percent of the total number of shares were bought back for SEK 282 million. During the same period 301,800 B shares were sold yielding SEK 12 million as partial payment for company acquisitions. On 31 December 2008, Peab's holding of own shares amounted to 12,376,800 B shares, corresponding to 4.3 percent of the total number of shares.

INTERRUPTED ISSUE OF CONVERTIBLES

On 15 May 2008 the AGM of Peab AB approved the Board of Director's proposal to issue and offer a maximum of 2,000,000 convertibles (Peab convertibles 2008/2012) to new employees in Peab AB. The AGM decision stated that the conversion price and interest rate would be based on market conditions in the autumn 2008, and the offer was to be made to employees in November 2008.

In the light of the present financial turbulence, changed market conditions since the AGM and the reasonable assumption that the offer to new employees is no longer in the interest of shareholders, the Board of Directors decided to interrupt the issue and transfer of Peab convertibles 2008/2012 program for new employees.

DIVIDEND

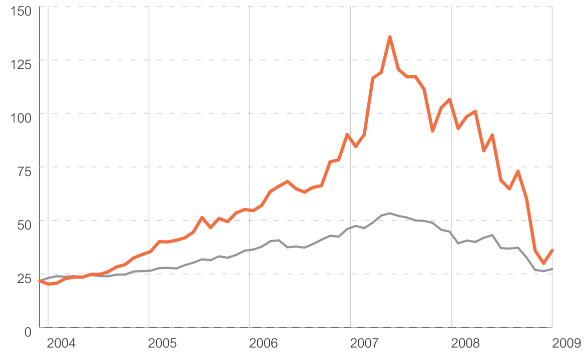
A dividend of SEK 2.25 (2.25) per share is proposed for 2008. Exclusive of the 12,816,800 shares owned by Peab AB on 11 February 2009, which do not entitle to dividend, the proposed dividend is equivalent to a total dividend distribution of SEK 637 million (377). Calculated as a share of the Group's reported profit after tax, the proposed dividend amounts to 58 percent (47). Calculated as a share of the Group's reported profit pro forma including Peab Industri, the proposed dividend amounts to 37 percent. The proposed dividend is equivalent to a direct return of 9.0 percent based on the closing price on 27 February 2009.

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 below and on our website at peab.se/analytiker.

Price trend of the Peab share
2 January 2008 – 27 February 2009

Price trend of the Peab share, total return, monthly
31 December 2003 - 31 December 2008



SHAREHOLDER INFORMATION.

UPCOMING REPORTS 2009

Annual General Meeting	14 May
Interim Report, January–March	14 May
Interim Report, January–June	25 August
Interim Report, January–September	25 November
Annual Accounts Report, 2009	17 February 2010
2009 Annual Report,	April 2010

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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Tel +46 431 890 00, Fax +46 431 45 19 75

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Evli Bank	Magnus Eidemo magnus.eidemo@evli.com
Handelsbanken Capital Markets	Tobias Kaj toka14@handelsbanken.se
HQ Bank	Olof Nyström olof.nystrom@hagqvi.com
SEB Enskilda	Bengt Claesson bengt.claesson@enskilda.se
Swedbank Markets	Niclas Höglund niclas.hoglund@swedbank.com

Data per share

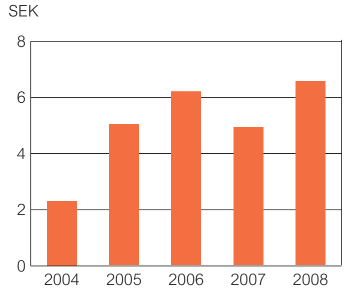
	2008	2007
Earnings, SEK	6.56	4.92
– after dilution	6.45	4.77
Equity, SEK	22.86	21.32
– after dilution	24.13	20.27
Cashflow before financing, SEK	–7.59	8.70
– after dilution	–7.20	8.41
Share price at year-end, SEK	21.60	66.75
Share price/equity, %	94.5	313.0
Dividend, SEK [1]	2.25	2.25
Yield, % [2]	10.4	3.4
P/E ratio [2]	3	14

1) For 2008, Board of Directors' proposal to the AGM.
2) Based on closing price at year-end.

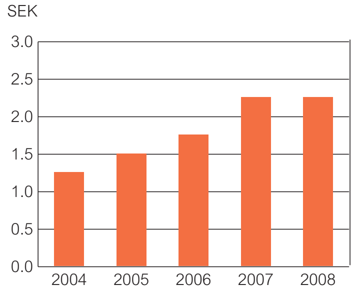
Share capital development 1974-2009

Year		Change, MSEK	Total, MSEK
1974	Share issue	0.1	0.1
1978	Bonus issue 9:1	0.9	1.0
1983	Bonus issue 7:1	7.0	8.0
1986	Split 10:1	–	8.0
1986	Bonus issue 1:4	2.0	10.0
1987	Share issue 1:2	5.0	15.0
1989	Bonus issue 2:1	30.0	45.0
1992	Directed issue	63.0	108.0
1993	Directed issue	25.0	133.0
1994	Share issue 3:1	398.9	531.9
1997	Share issue 3:10	159.6	691.5
2000	Conversion	148.7	840.2
2000	Subscription	1.2	841.4
2002	Subscription	30.6	872.0
2007	Withdrawal	–55.0	817.0
2007	Bonus issue	57.1	874.1
2007	Conversion	59.2	933.3
2007	Split 2:1	–	933.3
2008	Conversion	0.8	934.1
2008	Share issue in kind	622.9	1557.0
2009	Share issue in kind	26.9	1583.9

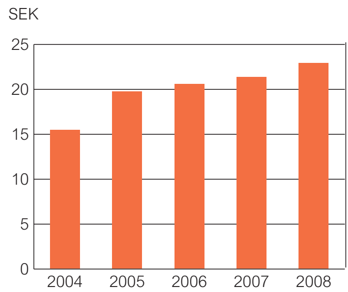
Earnings per share[1), 3)]



Dividend per share [2), 3)]



Equity per share [3), 4)]

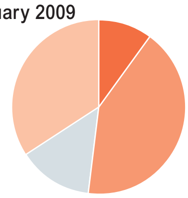


1) For 2004–2005, not recalculated for the distribution of Peab Industri.
2) For 2008, Board of Directors' proposal to the AGM.
3) Calculated on the recalculated number of shares after the 2:1 split for the years 2004–2006.
4) All balance sheet items except those for 2007 include Peab Industri.

List of shareholders, 28 February 2009

	Class A shares	Class B share	Total number of shares	Proportion of capital, %	Proportion of votes,%
Mats Paulsson with companies	9,754,910	34,398,610	44,153,520	14.9	21.8
Erik Paulsson with family and companies	12,207,615	19,966,299	32,173,914	10.9	23.5
Karl-Axel Granlund with companies		18,050,875	18,050,875	6.1	3.0
Fredrik Paulsson with family and companies	4,261,430	6,002,154	10,263,584	3.5	8.0
Stefan Paulsson's estate	4,261,431	5,956,781	10,218,212	3.5	8.0
Svante Paulsson with family and companies	1,720,908	2,393,580	4,114,488	1.4	3.2
Swedbank Robur Funds		4,292,458	4,292,458	1.4	0.7
SEB Investment Management		4,124,780	4,124,780	1.4	0.7
Sara Karlsson with family and companies	1,778,140	1,218,067	2,996,207	1.0	3.1
Peab´s profit sharing foundation		3,651,309	3,651,309	1.2	0.6
Handelsbanken Funds		3,351,596	3,351,596	1.1	0.6
Länsförsäkringar Funds		2,524,195	2,524,195	0.9	0.4
Foreign shareholders		40,969,668	40,969,668	13.8	6.8
Others	335,523	102,012,601	102,348,124	34.6	17.5
Number of outstanding shares	**34,319,957**	**248,912,973**	**283,232,930**		
Peab AB		12,816,800	12,816,800	4.3	2.1
Number of registered shares	**34,319,957**	**261,729,773**	**296,049,730**	**100.0**	**100.0**

Shareholder categories, proportion of capital, 28 February 2009

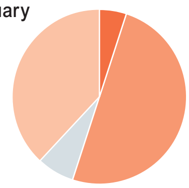


Financial companies and trust funds	10%
Other Swedish legal entities	42%
Foreign shareholders	14%
Swedish private persons	34%

Allocation of shareholdings, 28 February 2009

Number of shares	Number of shareholders	Proportion of capital,%	Proportion of votes,%
1– 500	10,413	0.6	0.3
501– 1,000	4,028	1.1	0.5
1,001– 5,000	7,440	6.2	3.0
5,001– 10,000	1,577	3.7	1.9
10,001– 15,000	778	3.1	1.5
15,001– 20,000	278	1.6	0.8
20,001–	831	83.7	92.0
	25,345	**100.0**	**100.0**

Shareholder categories, proportion of votes, 28 February



Financial companies and trust funds	5%
Other Swedish legal entities	50%
Foreign shareholders	7%
Swedish private persons	38%

Shares and votes per share class, 28 February 2009

Share class	Number	Number of votes	Proportion of capital, %	Proportion of votes,%
A	34,319,957	10	11.6	56.7
B	261,729,773	1	88.4	43.3
	296,049,730		**100.0**	**100.0**

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A RESPONSIBLE PARTNER

"Peab builds for the future. We want to be the leading and most attractive construction and civil engineering company in Sweden. Our construction will create added value for our customers, suppliers and ourselves as well as contribute to sustainable development in society. Good financial profitability is a prerequisite for our success."

Mats Paulsson, CEO of Peab

PEAB IS A GOOD PLACE TO WORK

As an employer Peab has a considerable responsibility for ensuring the well-being and safety of its employees in the workplace. Shortcomings in the work environment not only cause the individual employee to suffer but they also increase costs for the company in the form of sick leave and loss of work.

All Peab employees should feel responsible for – and participate in - improving the work environment.

WORK ENVIRONMENT MANAGERS

Peab's work environment managers have during the year visited more than 250 workplaces and conducted reviews on site to monitor the efficiency of working environment measures, point out improvements that can be made and draw up action plans. This work will continue in 2009.

ZERO ERROR VISION

Peab has a zero error vision when it comes to workplace accidents and following safety regulations. This vision applies to our own employees and our subcontractors. There is a communicated strategy for this work which is followed at all our workplaces. Safety representatives play an important role and meetings to raise their competence are held annually in every region to augment their participation and involvement.

REDUCING STRAIN INJURIES

The main health problem in the construction industry, including Peab, is strain injuries. To reduce these we developed a course together with Previa AB and after taking this course our employees will be more knowledgeable, have a different behaviour pattern and a stronger sense of responsibility to minimise accidents and strain injuries. The course will start in 2009.

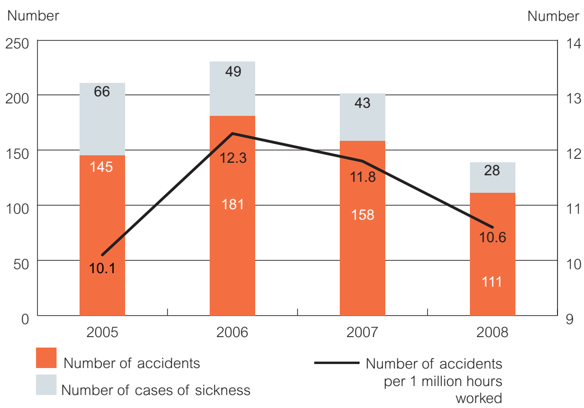
EMPLOYEE INFLUENCE AND PARTICIPATION

We want our employees to take responsibility and get involved. Having a personal impact and being able to influence one's work situation are vital factors in this endeavour. Peab has always been characterised by its decentralised organisation, in which everyone is close to the decision-making. We believe that personal engagement boosts our employees' motivation to take initiative, which improves quality and renders customers even more satisfied.

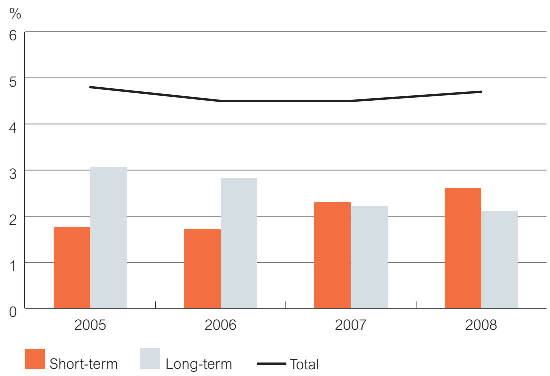
DEVELOPMENTAL LEISURE

Free time well spent is a prerequisite for a good work environment. For this reason Peab has developed a nationwide concept containing physical fitness measures and meaningful leisure. Special human resource consultants manage and develop the concept which, among other things, offers activities in sports, health, leisure, hobbies, culture and entertainment.

Development in work-related accidents and sickness at Peab



Development in sickness absence at Peab



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PEAB IS GOOD FOR THE ENVIRONMENT

Integration of environmental issues into our work processes is the foundation of our work for a sustainable society. We have a company policy that links the environment, sustainable development and quality together with the work environment and personnel matters. We have also developed an operations management system (VLS) in which we have integrated environmental issues into our work processes.

The operations management system is based on the requirements in ISO 14001. We have put a great deal of time and energy into integrating environmental matters into the way we work. We know that what matters to our customers and future generations is what we actually achieve in our projects.

We will continue to raise our expertise in environmental matters in order to meet future demands on sustainable construction that takes into consideration both people and the environment. The fact that we have been privileged to take part in many projects with stringent environmental standards is a sign that we have the right focus.

VISION, STRATEGY AND OBJECTIVES

In the autumn of 2008 Peab established a vision, a strategy and four focused objectives for our future environmental work. They will be integrated into our business plan and in 2009 a number of goals along the way will be specified.

FOCUSED OBJECTIVES

- Energy efficient construction with the least environmental impact possible
- Conservation of resources in the use of materials
- Environmentally aware product choices
- Efficient transportation

GREENBUILDING

In 2005 the EU Commission, together with the Swedish Property Federation and others, started the GreenBuilding Program (GBP). It is a voluntary program aimed at enhancing the realisation of cost-efficient energy conservation measures. In order for a building to be classified as a GreenBuilding its total energy consumption must be 25 percent lower than building norms.

Peab is a partner in the program and currently has two certified buildings.

PEAB HOUSE DECLARATION

Peab House Declaration is a Web-based system for reviewing and documenting building products' status concerning suitability, compatibility and environmental impact. The system has been developed by Svensk Husdeklaration AB and Peab is the only construction company with the right to use the system in select projects.

Through Peab House Declaration we can identify different construction products' compatibility and suitability, trace the materials used and document realms of responsibility through attests from contractors and suppliers.

IDENTIFYING HAZARDOUS SUBSTANCES

Peab applies the BASTA system. BASTA is a system used in the construction industry to phase out the most dangerous chemical and construction products in our projects.

Peab is also a member of Byggvarubedömningen, an environmental assessment system for building products. We use this aid in purchasing and require that our suppliers do likewise. For more information on Byggvarubedömningen go to www.byggvarubedomningen.se

PREVENTION MEASURES

Important components in our internal environmental work are competence development and environmental support. It is our day-to-day practical environmental work that determines whether or not we succeed, and for this reason Peab continually trains and educates its personnel.

Another vital factor is risk elimination. We analysis and document the risks in our projects and work preventively to minimise them. This is to ensure that environmental regulations are followed and to identify factors that are significant from an environmental perspective. The environmental risks, regulations, preventive measures, follow-up and documentation of the project is identified and steered through a project plan and checklists.

PEAB IS GOOD TO DO BUSINESS WITH

Peab is a big company with many employees and contacts, which means our business also influences the world around us. Our local roots keep us in touch with our local environment but we have important contacts on a regional and national level as well. We encourage our employees to get involved in matters that are positive for society in general and local residents in particular.

WE FOLLOW REGULATIONS

Peab only deals in business that strictly follows Swedish law and good business ethics. The law, regulations and norms are, however, only a minimum. In many different areas Peab has higher ambitions, which is evident in our annual business plans.

WE ARE HONEST

Peab has been built up and become a large company in competition with others. We believe competition is a prerequisite for continued healthy development and we do not allow any form of price collaboration, cartel building or the misuse of any possible market dominance we may have. Every part of Peab's operations must support correct and healthy competition – both when bidding and procuring.

WE CONTRIBUTE

We sponsor carefully chosen programs with social and humanitarian goals as well as sports. We do not, however, ever contribute financially to political parties or individual politicians.

WE MAKE THE SAME DEMANDS ON OUR PARTNERS

Our responsibility to the world around us requires that our partners adhere to our communicated sustainable principles. We have already come a long way with this in Sweden. As our operations become more globalised, particularly in purchasing, at the same time traceability grows in importance, we need to be able to monitor our foreign suppliers. We have therefore initiated a control system which will ensure that our entire business is run according to the Group's environmental, social and ethical principles.

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CORPORATE GOVERNANCE REPORT.

Peab Group governance is based on the Swedish Companies Act and other relevant legislation, the Articles of Association, the listing agreement with NASDAQ OMX Stockholm and the Swedish Code of Corporate Governance (the Code).

Göran Grosskopf, Chairman of the Board

GROUP GOVERNANCE AND THE APPLICATION OF THE CODE

In 2008, Peab fully applied the Code and there were no deviations from the Code during the financial year.*

The corporate governance report with the Board of Directors' report on internal auditing has not been reviewed by the company auditor and is not part of the formal financial reports.

THE AGM AND THE NOMINATION PROCEDURE

The AGM was held on 15 May 2008 at Grevieparken, Grevie. It was attended by 398 shareholders, representing about 75 percent of the votes either personally or through representatives.

The procedure of preparing the nomination of members of the Board of Directors (and where appropriate the auditors) for the AGM follows the nomination procedure established at the previous AGM.

At the 2008 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, Erik 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 shareholders in the notice to attend the 2009 AGM. An account of the work of the nomination committee is available on Peab's website.

An Extra General Meeting was held 10 November 2008 in Grevieparken, Grevie to deal with the company's major shareholders proposal that Peab AB acquire Peab Industri AB. It was attended by 169 shareholders representing about 74 percent of the votes, either personally or through representatives.

**The code was revised per 2008-07-01, introducing a new rule stating that the majority of the nomination committee must be independent in relation to the company and executive management. Peab's nomination committee, appointed at the AGM 15 May 2008, consists of four members, one is independent. The company does not consider this to be a deviation from the Code.*

Board meetings, attendance 2008

	13/2	15/2	4/4	14/5	15/5[1]	5/6	1/7	25/8	12/10	14/10	17/11	8/12	19/12	22/12
AGM elected members														
Göran Grosskopf	•	•	•	•	•	•	•	•			•	•	•	•
Mats Paulsson	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Anette Brodin Rampe	•	•	•	•	•	•	•		•	•	•	•	•	•
Karl-Axel Granlund	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Svante Paulsson	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Stefan Paulsson			–	–	–	–	–	–	–	–	–	–	–	–
Lars Sköld	•	•	•	•	•	•	•	•	•	•	•	•	•	
Ordinary employee representatives														
Bengt Ericsson	•	•	•	•	–	–	–	–	–	–	–	–	–	–
Kent Ericsson	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Patrik Svensson	•	•	•	•	•	•	•	•	•	•	•	•	•	
Deputy employee representatives														
Lars Bergman			•	•	•	•	•		•	•	•			•
David Karlsson	–	–	–	•	•			•		•	•			•
Kim Thomsen	–	–	–	–	–	–	–	•	•	•	•	•	•	•

1) Constitutional meeting

• Present – Was not a member of the Board during the marked period of time

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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. The members of the Board do not have a retirement age and there is no time limit set on membership on the Board. At the 2008 AGM the following persons were elected as members of the Board of Directors:

RE-ELECTION

Göran Grosskopf	Karl Axel Granlund
Mats Paulsson	Svante Paulsson
Annette Brodin Rampe	Lars Sköld

Göran Grosskopf was appointed Chairman of the Board by the AGM. At the 2008 AGM, the following employee representatives were appointed by the employee unions: Patrik Svensson, Kent Ericsson (members), Lars Bergman and David Karlsson (deputies). Kim Thomson (member) was appointed afterwards.

The Board of Directors held 15 meetings in 2008, of which five were ordinary meetings of the Board (including the constitutional meeting), five meetings of the Board were held by telephone and five were held per capsulam.

Members of the executive 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 Board's work follows the work program adopted by the Board of Directors at the constitutional meeting. The Board evaluates its work on an annual basis.

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 group management. They are also independent in relation to the company's major owners. Mats Paulsson and Svante Paulsson are regarded as dependent in relation to the company and the group management.

THE AUDIT COMMITTEE

MEMBERS IN 2008

Göran Grosskopf, Chairman, Karl-Axel Granlund, Lars Sköld, Svante Paulsson and Annette Brodin Rampe.

Peab's audit committee consists of all the members of the Board of Directors appointed by the AGM except Mats Paulsson.

The audit committee prepares the work of the Board of Directors by ensuring the quality of company financial reports, establishing guidelines for which other services besides auditing the company may procure from the company auditor, maintaining regular contact with the company auditor regarding the scope, focus and view of company risks, evaluating the auditing work and informing the nomination committee of the evaluation and assisting the nomination committee in producing proposals for auditors and remuneration for auditing work. The audit committee met twice in 2008. 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 2008

Göran Grosskopf, Chairman, Karl-Axel Granlund and Mats Paulsson

The finance committee handles and makes decisions on financial matters in accordance with the Finance Policy established by the Board of Directors. Executive management representatives attend and submit reports to the finance committee meetings. The finance committee met 6 times during 2008. At one meeting one member did not attend, otherwise all members of the committee participated every time. The finance committee regularly reports to the Board of Directors.

THE REMUNERATION COMMITTEE

MEMBERS IN 2008

Göran Grosskopf, Chairman, Karl-Axel Granlund and Mats Paulsson

The remuneration committee prepares guidelines and the framework for Group executives regarding salaries and other terms of employment. 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 2008 Annual General Meeting approved the Remuneration Policy for Executive Management. The remuneration policy is available on Peab's website, www.peab.se. Information about salaries and other remuneration to the CEO and members of executive management can be found in note 8 in the Annual Report, page 60.

INCENTIVE PROGRAM

Peab has no outstanding share or share-related incentive programs for the Board of Directors or group management.

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AUDITORS

Under Peab's articles of association one or two auditors with a similar number of deputies are elected by the AGM for a period of four years. At the AGM in 2007, the authorised public accountant Alf Svensson, KPMG, was appointed company auditor and authorised 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 auditing and tax consultancy and certain analyses in connection with acquisitions and divestments over the last three years.

EXECUTIVE MANAGEMENT

The CEO leads the company according to 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 communication. The management forum consists of executive management and the management group.

Executive management is comprised of the CEO and the deputy CEOs of Peab AB. Meetings are held once a month to discuss strategy and developments to improve profitability. The management group consists of executive management, operational managers, the operational finance manager and Peab's lawyer. Managers in the support functions are called in as needed. Meetings are held once a month and address issues concerning structure and coordination.

BUSINESS GOVERNANCE

Peab's organisation is characterised by its clearly decentralisation production focus and delegation of authority and responsibility in order to achieve efficient management and control in each business area. The support functions support the activities of all Peab Group companies.

ETHICAL GUIDELINES

Peab has for years founded its ethical work on Peab's core values; Down-to-Earth, Developing, Personal and Reliable. These core values form the basis of "Peab's Ethical Guidelines", established by the executive management. We work to constantly to spread and establish Peab's Ethical Guidelines throughout the organisation.

THE BOARD OF DIRECTORS' REPORT ON INTERNAL AUDITING AND RISK MANANGEMENT REGARDING FINANCIAL REPORTING

Peab's Board of Directors is responsible for ensuring that there are efficient procedures for the management and control of the Group regarding financial reporting. The CEO is responsible for ensuring that internal control is organised and follows the guidelines laid down by the Board of Directors. There is a clear set of rules in the Group for the delegation of responsibility and authority which follows the Group's operative structure. Financial management and control is performed by the support function Group Accounting/Finance together with the support function Operative accounting.

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

- control environment
- risk assessment
- information and communication
- control structure

Executive management with the support of Group functions Operative accounting and Group Accounting/Finance are responsible for ensuring that all business units in the Group follow the policy. The CEO is responsible for ensuring that financial reporting is presented 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 and determined that the existing control structure together with the scope of the Group's operations do not motivate establishment of an internal auditing department.

BOARD OF DIRECTORS

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 Appo Services AG, Birgma Interntional SA and Svox AG. Former professor of tax law and working chairman of the board of Tetra Laval AB.

Holding: 460,000 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 board of CTT Systems AB.

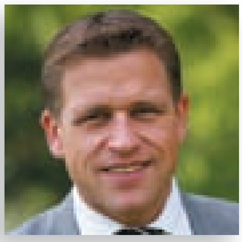
Holding: 18,050,875 B shares.

Mats Paulsson

Born 1944. Appointed 1992

CEO of Peab AB. Member of the boards of Skistar AB. Formerly, various positions within Peab starting in 1959.

Holding: 9,754,910 A shares, 34,398,610 B shares.



Svante Paulsson

Born 1972. Appointed 2003

CEO of Backahill AB. Member of the boards of Fabege AB, Brinova Fastigheter AB, Platzer Fastigheter, AB Cernelle, Rögle BK and Ängelholms Näringsliv AB.

Holding: 1,720,908 A shares, 2,393,580 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 Bingocluster AB. Formerly, various positions in E.ON Sverige AB, Exxon Chemical Inc and CEO of Senea AB.

Holding: 27,000 B shares.

Lars Sköld

Born 1950. Appointed 2007

CEO of STC Interfinans AB. Chairman of the boards of Ewerman

AB, Allfrukt in Stockholm AB, Satotukku Oy. Member of the board of Åkers AB and of various boards within the STC Interfinans group.

Holding: 7,750 B shares.

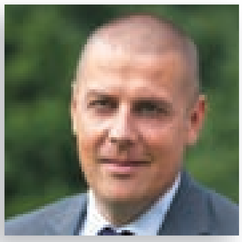
Kent Ericsson

Born 1949. Appointed 1998

Project Manager Construction.

Employee representative

Holding: 11,900 B shares, 1,800 convertibles.



Patrik Svensson

Born 1969. Appointed 2007

Foreman Construction.

Employee representative

Holding: 1,800 convertibles.

Kim Thomsen

Born 1965. Appointed 2008.

Carpenter Construction.

Employee representative

Holding: None

Lars Bergman

Born 1951. Appointed 2008.

Construction Worker

Employee representative (deputy)

Holding: None

David Karlsson

Born 1968. Appointed 2008.

Contract Engineer Peab Sverige

Employee representative (deputy)

Holding: 1,000 convertibles.

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 28 February 2009. 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 8, Convertible promissory notes.

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EXECUTIVE MANAGEMENT

Mats Paulsson
CEO Peab AB
Born 1944.
Employed since 1959.
Holding: 9,754,910 A shares, 34,398,610 B shares.

Mats Leifland
Deputy CEO Peab AB
Finance and IR
Born 1957.
Employed since 1995.
Holding: 719,200 B shares, 1,700 convertibles.

Anders Elfner
Deputy CEO Peab AB
Business and business development
Born 1955.
Employed since 2003.
Holding: 900 B shares, 1,800 convertibles.

Jan Johansson
Deputy CEO Peab AB
Production and production development
Born 1959.
Employed since 1986.
Holding: 610,700 B shares, 1,800 convertibles.

Mats Johansson
Deputy CEO Peab AB
Strategy and business development
Born 1950.
Employed since 2005.
Holding: 380,100 B shares, 1,800 convertibles.

Jesper Göransson
Deputy CEO Peab AB
Group Accounting/Finance
Born 1971.
Employed since 1996.
Holding: 518,400 B shares, 1,800 convertibles.

Senior Advisor

Göte Brännvall
Senior Advisor Peab AB
Production and production development
Born 1946.
Employed since 1970.
Holding: 769,587 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 communication. The management forum is comprised of executive management and the management group.

Executive management
Executive management is made up of the CEO and the deputy CEOs of Peab AB. Executive management meets once a month to discuss strategy and developments to improve profitability.

Management group
Consists of executive management, operational managers, the operational finance manager and Peab's lawyer. Other departmental managers are called on as required. Meets once a month and deals with questions concerned with structure and coordination.

The reported holdings are those on 28 February 2009.
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 8, Convertible promissory notes.

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OPERATIONAL MANAGERS

Anders Svensson
Division South
Born 1951.
Employed since 1994.
Holding: 37,300 B shares, 1,800 convertibles.

Tore Hallersbo
Division West
Born 1955.
Employed since 2005.
Holding: 585,100 B shares, 1,800 convertibles.

Thomas Anderson
Division Housing
Born 1956
Employed since 1996.
Holding: 20,000 B shares, 1,800 convertibles.

Anders Arfvén
Division North East
Born 1962
Employed since 1985
Holding: 50,400 B shares, 1,700 convertibles

Jan-Olof Nordin
Division Stockholm Hus
Born 1958.
Employed since 1979.
Holding: 30,100 B shares, 1,800 convertibles.

Göran Almin
Division Project development
Born 1956.
Employed since 2004.
Holding: 32,200 B shares, 1,800 convertibles.

Tore Nilsson
Civil Engineering Division
Born 1950.
Employed since 1986.
Holding: 102,965 B shares, 1,800 convertibles.

Mats O Paulsson
Industry
Born 1958.
Employed since 1999
Holding: 577,200 B shares, 200 convertibles.

Antti Peltoniemi
Peab Seicon Oy
Born 1956.
Employed since 2003.
Holding: 41,200 B shares, 1,700 convertibles.

Stein Eriksen
Peab AS
Born 1961.
Employed since 2001.
Holding: 1,800 convertibles.

The holdings reported were those on 28 February 2009. 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 8, Convertible promissory notes.

SUPPORT FUNCTIONS

Anders Bergeling
Business support
Born 1964.
Employed since 1998.
Holding: 2,000 B shares, 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: 525,000 B shares, 1,800 convertibles.

Jan Persson
Finance, Construction and Civil Engineering
Born 1957.
Employed since 1990.
Holding: 1,800 convertibles.

Karin Malmgren
Legal Affairs
Born 1960.
Employed since 1999.
Holding: 12,950 B shares, 1,700 convertibles.

Annika Spångberg
Information
Born 1957.
Employed since 2000.
Holding: 10,500 B shares, 1,800 convertibles.

Stefan Björck
Purchasing & Logistics
Born 1954.
Employed since 2007.
Holding: 700 B shares, 1,800 convertibles.

Per Flink
Security
Born 1945.
Employed since 2004.
Holding: 30,100 B shares, 1,800 convertibles

Rustan Larsson
Work environment
Born 1949.
Employed since 1992.
Holding: 1,800 convertibles.

Anders Hylén
Housing Development
Born 1963.
Employed since 1990.
Holding: 2,900 B shares, 1,800 convertibles.

Göran Westerfors
Environment
Born 1955.
Employed since 1998.
Holding: 1,800 convertibles.

Niclas Winkvist
Finance, Industry
Born 1966.
Employed since 1995.
Holding 280,000 B shares, 200 convertibles.

The holdings reported were those on 28 February 2009. 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 8, Convertible promissory notes.

GROUP

MSEK	2008 1)	2007 2)	2006 1), 2)	2005 3)	2004 3)
Income statement items					
Net sales	34,132	31,977	26,132	25,501	22,039
Operating profit	1,349	1,261	722	747	577
Pre-tax profit	1,014	1,099	932	824	521
Profit for the year from continuing operations	1,093	774	708	–	–
Profit for the year	1,093	811	1,048	855	389
Balance sheet items					
Fixed assets	8,192	2,448	4,620	3,999	3,535
Current assets	17,500	12,904	11,893	9,743	7,951
Total assets	**25,692**	**15,352**	**16,513**	**13,742**	**11,486**
Shareholders' equity	6,370	3,600	3,277	3,348	2,653
Minority interests	92	6	1	–	–
Long-term liabilities	5,897	912	1,640	2,304	1,129
Current liabilities	13,333	10,834	11,595	8,090	7,704
Total shareholders' equity and liabilities	**25,692**	**15,352**	**16,513**	**13,742**	**11,486**
Key ratios					
Operating margin, percent	4.0	3.9	2.8	2.9	2.6
Profit margin, percent	4.5	4.4	4.0	3.7	3.0
Return on equity, percent	21.9	23.6	31.6	28.7	15.4
Capital employed	13,277	4,674	5,911	6,119	5,014
Return on capital employed, percent	17.3	26.6	17.2	17.1	13.4
Equity/assets ratio, percent	25.2	23.5	19.9	24.4	23.1
Net assets (+) / Net debt (-)	–4,042	587	–1,534	–2,110	–1,666
Debt/equity ratio, multiple	1.1	0.3	0.8	0.8	0.9
Interest coverage ratio, multiple	5.9	12.7	10.4	8.5	5.2
Capital expenditures					
Goodwill	1,446	14	177	19	72
Buildings and land	969	139	225	100	-38
Machinery and equipment	2,827	379	725	502	350
Shares and participations	–222	133	723	47	20
Project and development properties	914	670	246	185	499
Orders					
Orders received	32,269	37,529	28,711	24,227	21,559
Order backlog	24,233	26,299	20,642	17,722	15,899
Personnel					
Average number of employees	11,945	11,480	10,740	11,317	10,907
Data per share 4)					
Earnings, SEK	6.56	4.92	6.18	5.03	2.28
after completed subscription and conversion	6.45	4.77	5.89	4.92	2.28
Cash flow, SEK	–7.59	8.70	14.55	3.17	1.81
after completed subscription and conversion	–7.20	8.41	13.75	3.06	1.81
Equity, SEK	22.86	21.32	20.51	19.67	15.42
after completed subscription and conversion	24.13	20.27	22.00	18.48	15.42
Share price at year-end, SEK	21.60	66.75	57.35	51.00	32.50
Ordinary dividend, SEK 5)	2.25	2.25	1.75	1.50	1.25
Extra dividend, SEK	–	–	3.75	–	–
Number of shares at year-end, millions	278.7	168.8	159.8	170.2	170.0
after completed subscription and conversion	287.5	177.8	170.8	181.2	170.0
Average number of outstanding shares, millions	166.6	165.0	169.2	170.2	169.8
after completed subscription and conversion	175.5	171.3	180.2	175.8	169.8

1) All balance sheets items include Peab Industri.
2) In the income statements for 2006 and 2007, Peab Industri's result are reported separately from continuting operations.
3) All figures include Peab Industri.
4) Calculated on adjusted number of shares after the 2:1 split for the years 2004-2006.
5) For 2008, the Board of Director's proposal to the AGM.

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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 fl ow from current operations and cash fl ow 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 fi nancial expenses as a percentage of average capital employed.

Return on capital employed
Profit before tax items plus fi nancial 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 fi xed 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 fi nance 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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