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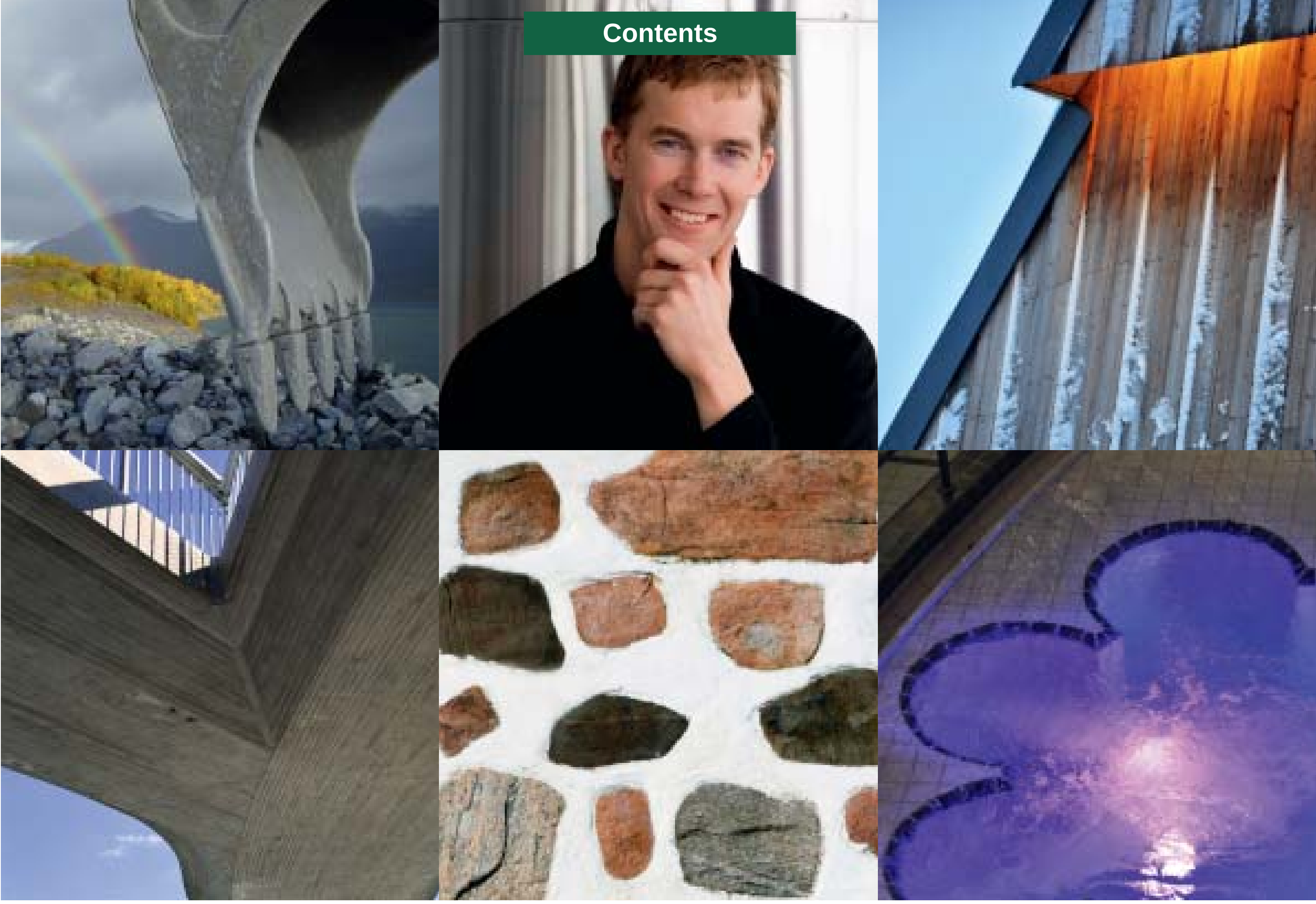

ANNUAL REPORT 2009.

PEAB

WELCOME TO THE ANNUAL GENERAL MEETING OF PEAB.

TIME AND LOCATION

The Annual General Meeting of Peab AB will be held at 4 p.m. on Tuesday 11 May 2010, Grevieparken in Grevie, Sweden.

NOTIFICATION

Notification of participation in the Annual General Meeting must be submitted at the latest by 2 p.m. on Wednesday 5 May 2010. Notification may be submitted by telephone to +46 431-893 50, by mail to Peab AB, Annual General Meeting, SE-260 92 Förslöv, Sweden, or via the company's website at www.peab.com. To participate in the Annual General Meeting shareholders must be registered in the share register kept by Euroclear Sweden AB by Wednesday 5 May 2010 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 Annual General Meeting an ordinary dividend of SEK 2.50 per share for 2009. The proposed record day is Monday 17 May 2010. If the Annual General Meeting approves the proposal submitted, dividends will be distributed from Euroclear Sweden AB on Thursday 20 May 2010.

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2009 IN SUMMARY.

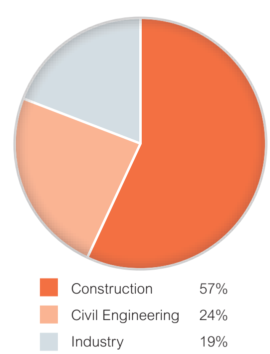
BUSINESS SUMMARY

- Net sales increased by 3 percent to SEK 35,140 million (34,132). Compared with pro forma including Peab Industri net sales fell by 12 percent
- Operating profit amounted to SEK 1,601 million (1,349). Operating profit pro forma including Peab Industri for the comparable year amounted to SEK 2,202 million
- Order backlog for Construction and Civil Engineering increased to SEK 24,487 million (24,233)
- Stable order inflow of SEK 30.4 billion (32.3) of which the new national arena in Solna is SEK 2.2 billion and is the largest single order Peab has ever received
- Acquisition of project company Annehem Fastigheter AB
- Focus on rentals – Peab, Fabege and Brinova form a new real estate company, Tornet AB

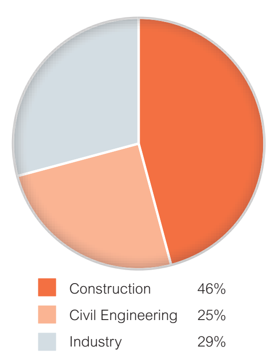
Financial summary	**Jan-Dec 2009**	Jan-Dec 2008	Pro forma[1] Jan-Dec 2008
Net sales, MSEK	35,140	34,132	39,762
Operating profit, MSEK	1,601	1,349	2,202
Operating margin, %	4.6	4.0	5.5
Pre-tax profit, MSEK	1,647	1,014	1,712
Earnings per share before dilution, SEK	4.59	6.56	6.10
Dividend per share, SEK[2]	2.50	2.25	
Return on equity, %	18.7	21.9	28.6
Equity/assets ratio, %	29.3	25.2	25.2
Net debt, MSEK	4,469	4,042	

1) Including Peab Industri
2) For 2009, Board of Directors` proposal

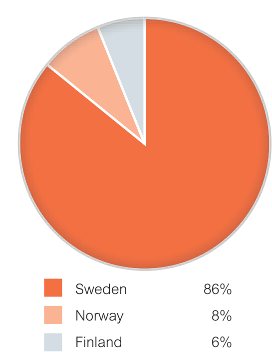
Net sales 2009 per business area



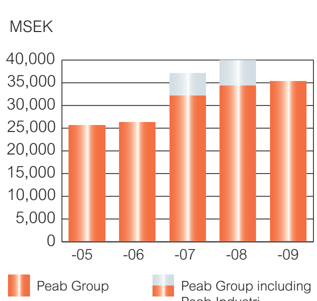
Operating profit 2009 per business area



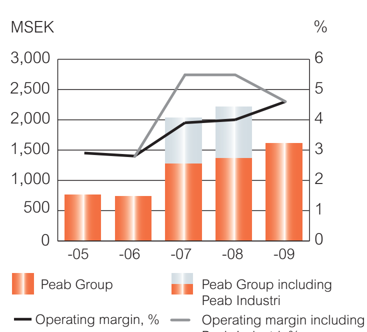
Net sales 2009 per geographic area



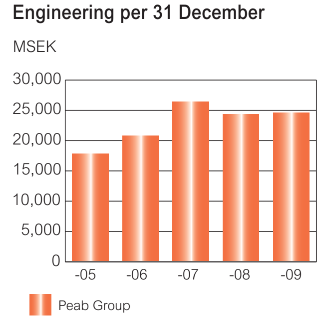
Net sales



Operating profit and margin



Order backlog Construction and Civil Engineering per 31 December



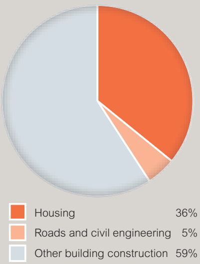
PEAB AT A GLANCE.

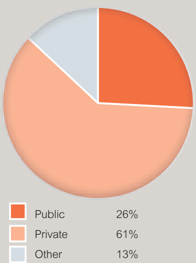
Peab is a construction and civil engineering company that puts total quality in every step of the construction process first. Through innovation combined with solid professional skills we make the customer's interests our own and thereby build for the future.

Construction

Business area Construction performs contract work for external customers and for our own housing developments. Operations that comprise everything from housing to commercial premises are run in five geographic divisions in Sweden, one division in Norway and one in Finland.

The number of employees on 31 December 2009 was 7,297 (8,390).

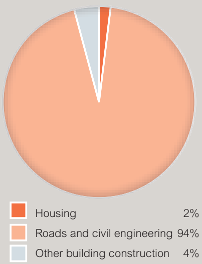


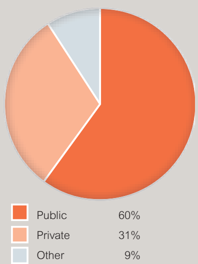


Civil Engineering

Business area Civil Engineering is active on the local civil engineering market building infrastructure projects such as bridges and roads. We are also responsible for the management and maintenance of streets and roads for public and private customers. Operations are run in one Nordic division.

The number of employees on 31 December 2009 was 2,978 (2,974).

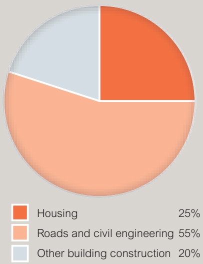


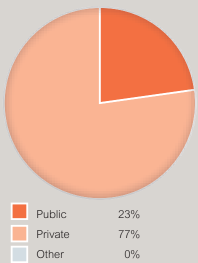


Industry

Our industrial operations are run in business area Industry, which is divided into two divisions, Industry and Construction systems. These divisions consist of a great many subsidiaries with well known brands in Sweden, Norway and Finland.

The number of employees on 31 December 2009 was 2,537 (2,676).

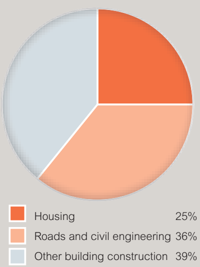


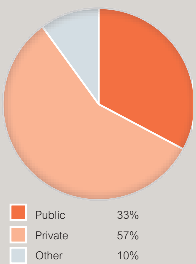


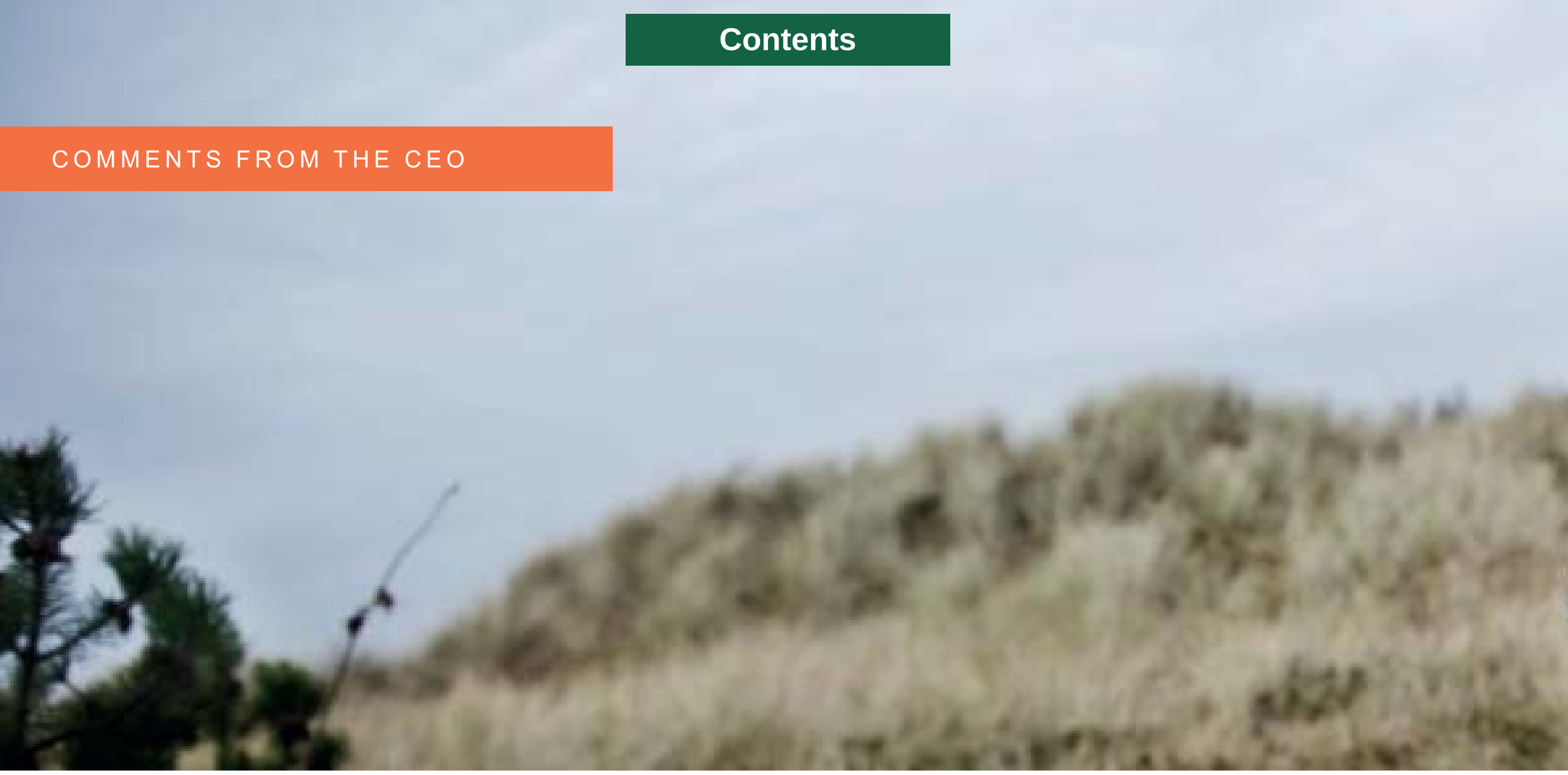
Group

The Peab Group consists of construction and civil engineering operations in Sweden and selected markets in Norway and Finland.

we coordinate our resources well which makes us a powerful Nordic construction Group.







WORKING LONG-RANGE CREATES ADDED VALUE.

The financial crisis and a weak Nordic construction market left their mark on 2009. Nonetheless Peab developed rather well and many of the concerns we had at the beginning of the year fortunately never materialised. Although net sales and operating profit decreased compared to the record year of 2008 our ongoing production is still quite profitable. Production is and always will be the heart of our business and the better it functions the less sensitive we are to outside factors.

Sales of our own housing developments picked up at the end of the year and civil engineering was also on the rise, which means we enter 2010 with an order backlog on par with the start of 2009.

LISTEN TO OUR CUSTOMERS

Keeping production effective over time requires strong and clear leadership and skilled employees. Meeting our customers' demands and desires is our primary goal in our day-to-day work and there are no shortcuts. We strengthen our competitive capacity through **sensitivity, professional skill** and **trust**.

Our sensitivity is fine-tuned through regular dialogue with our customers. It's our responsibility to interpret what customers actually want and what they are prepared to pay for. This means we have to be on top of the latest trends and innovations. We offer our customers that which, in our judgement, is best for them every step of the way.

Our professional skills on all levels of the Group come from providing our employees with access to education and development. We want to continue to win market shares and we do this by being a learning organisation. Experience from previous projects is also an important source of knowledge that we and through us all our customers can benefit from. This is how improvements are made so that budgets and timetables can be kept without having to compromise the quality of the final product.

Trust between us and our customers is fundamental to the way Peab works. Mutual trust has been essential in developing our trust-based contracts. Through the years it has proven to be the project form our customers have appreciated the most. Working in a relationship of trust allows us to meet and preferably exceed our customers' expectations.

COMMUNITY BUILDING

Peab's role has gradually changed over the past few years. By growing and broadening our skills base we are now able to participate in developing society in a whole new way. This does not, however, mean that we waiver from our motto of being a local entrepreneur with big business resources.

Being a community builder means being able to see the big picture. Contract company Peab has the resources necessary to carry out pretty much any project from idea to finished construction. Entrepreneur Peab has the resources in the form of risk assessment, innovation and experience to be a part developing our community.

Taking a social responsibility, and thereby contributing to society, is a growing priority for Peab. Its physical form can be seen in all the schools, hospitals and sports facilities that we have built and are building. We are involved in many different road construction projects and we have other projects in progress in a number of municipalities.

Peab is also building communities through closer cooperation

Contents

with city and state buyers. Quite often the ideas and initiative for these partnership projects has come from Peab. This is why it's so important to give Peab's local personnel the liberty and resources to constructively participate in developing their own communities.

DIFFERENT FORMS OF HOUSING

Out of the turbulent times in 2009 emerged a growing interest in the construction of apartments for rent in Sweden. The historically low interest rate and pent-up need for housing contributed to this development. The housing shortage in most municipalities is so acute that it tends to hinder investments and other developments.

This is why it's so positive to see how many municipalities have decided to deal with this situation. Demand is always what steers us, which is why Peab has decided to take another step in developing housing for different phases of life. We are creating housing that suits entire age segments – from student apartments to senior housing.

What all these homes have in common is the customer's demands on quality and comfort that we have to live up to.

There is a growing demand for targeted housing, which is why Peab has produced, for instance, a concept for senior housing alternatively assisted living. The design of the concept takes individual needs for social contact and safety into consideration. Experience shows that people living in these homes require less care than otherwise.

Peab's senior living offers safety, availability and a well functioning inner environment at a reasonable cost. Low energy consumption, energy smart solutions and modern environmental consideration is standard and the apartments are developed together with the people who are going to live in them.

FOCUS ON CONTINUOUS IMPROVEMENT

In my role as President I will spend more time on Peab's customers and matters of strategic importance for the Group. Naturally it's also imperative that our operations function well. As I said our daily production is the heart of our business and we are constantly working on keeping it modern and efficient. We stepped up to meet the future by beginning to work in a new organisation in 2009 and this in turn has given Jan Johansson, as Vice-President, together with a new executive management a responsibility for running the company.

We have also created an executive management advisory board that will support executive management by focusing on our assets and obligations to make sure they are handled in the best possible way. The advisory board will also be on the look out for opportunities such as acquisitions. Peab's fundamental values and principles remain the same but with the new organisation we will be able to take Peab to another level.

LONG-TERM PERSPECTIVE

Peab is a construction company that builds on trust. Peab also has a long-term perspective, which is prerequisite for building on trust. Our relationships with customers are for the long haul and we are convinced that this creates added value for them and us. We have the same long-term perspective on our employees. Our goal is for our employees to want to remain and develop at Peab. In order for this to happen our employees need to enjoy working at Peab and feel safe. We also want them to know there are good opportunities to advance in the company. This is the basis for moving ahead and creating a good platform for the coming decade.

Mats Paulsson
President of Peab
Förslöv April 2010

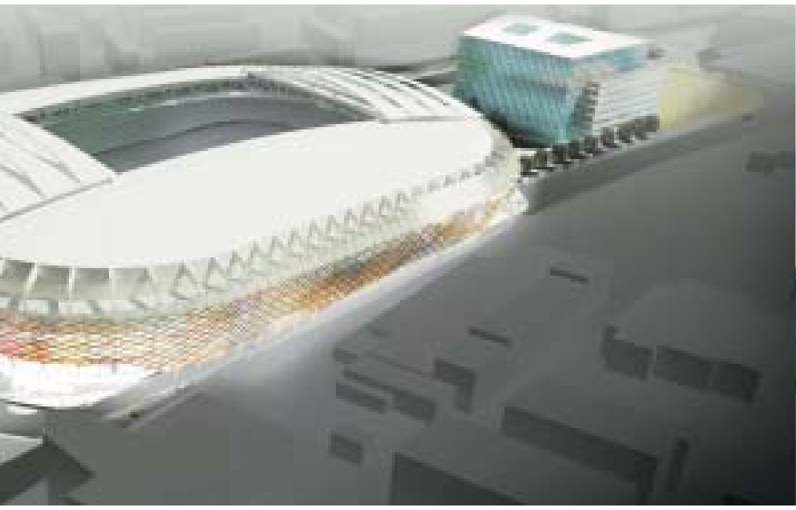
SELECTED AREAS OF EXPERTISE

KNOWLEDGE THAT GENERATES GROWTH.

Peab is a construction and civil engineering company but we are also a knowledge company that prepares for future developments in society as well. This is why we early on created the right conditions to build and develop hospitals, arenas and infrastructure. Thanks to our effective method of sharing our acquired knowledge to engaged and experienced co-workers throughout our organization we have been entrusted to use this expertise in projects all over the Nordic region. With each project we gain experience and our customers benefit from this.

HOSPITAL

Back in 1999 Peab built Peab Sunderby hospital between Boden and Luleå. It was an enormous project with high demands on both our ability to plan and coordinate our resources. Constructing Sunderby to be one of the most modern hospitals in Europe was a huge challenge considering the extremely stringent demands on function and quality healthcare makes. Among other things, we learned how important it is to involve medical personnel and patients in planning and design. We have been very successful in spreading all the experience we gained throughout our organisation. Since then we have been involved in building and renovating hospitals in Malmö, Danderyd, Trelleborg, Karlskrona and Huskvarna to mention a few. Currently we are working on three major projects: Sygehotellet at the Radium Hospital in Oslo, a new wing for pediatrics, women's healthcare and oncology at the University of Norrland Hospital in Umeå and a new hospital wing in Seinäjoki, Finland.



SPORTS ARENAS

Soon any city with self esteem will have a new sports arena, which isn't so strange since modern arenas can be used for sports, events, concerts and fairs. In other words, they are often a vitamin injection that lifts the whole region. Through our local engagement and our good relations with neighbourhood sport clubs we became an early part of this development. As we were entrusted to construct more and more arenas, our knowledge and ability to do it very cost-effectively without compromising quality grew. The fact is that we have participated in many of the arenas built in recent years in Sweden. Naturally the crown jewel will be the new national arena, Swedbank Arena, in Solna.

HOUSING

We were forerunners in the debate on housing prices. Although we believed many players could contribute to lowering costs, we took the initiative to begin rationalising and streamlining our part. Through the years we have constructed a great many places to live that have incorporated smart innovations and new mindsets to make production costs as low as possible. We have done everything from changing production procedures, reducing material consumption and improving logistics to setting up a completely new factory for the industrial construction of apartment buildings. A good example is Porslinsfabriken in Gothenburg where we tried new ideas in our marketing as well. One of them was setting up sales of the apartments in the biggest shopping mall Nordstan in central Gothenburg.

BRIGHTER MARKET PROSPECTS.

Financial developments were negative in 2009 throughout the Nordic region. Investments in housing dropped and even building construction was hit. The situation for civil engineering was not as clear-cut because of differences in the investments made in infrastructure by the Nordic countries. According to the Swedish Construction Federation 2010 looks brighter even though it's more a question of stabilisation than positive growth.

SWEDEN

Total construction investments on the Swedish market decreased by 6 percent in 2009. Recovery is expected to begin in 2010 driven by civil engineering investments, particularly public infrastructure projects and stabilisation of housing production. According to the latest forecast growth will be 5 percent in 2010.

HOUSING

In 2009 the bottom fell out of housing production in Sweden. New production fell by 38 percent during the year. However, the drop was steepest in the spring and during the second half of the year the situation began to improve. As a result of Sveriges Riksbank's lowered interest rates in combination with a growing faith in the economy more households dared to invest in their homes.

According to a forecast by the Swedish Construction Federation the number of new housing starts can increase to 21,000 at the same time investment volume will most likely fall. This is because investment volume is measured as an annual average. In total housing investments shrunk by 21 percent during 2009 and in 2010 they are expected to increase by 2 percent.

PREMISES

Developments in premises were sluggish despite the lower interest rates. Investments in property shrunk by 4 percent. This is mostly because the credit market has become increasingly restrictive, making it hard to finance new projects.

However, the trend in public premises, which appears to continue into 2010, was somewhat better due to investments in construction in schools and healthcare. In total investments in premises are expected to increase by 1 percent in 2010.

CIVIL ENGINEERING

The public sector's investments in civil engineering increased significantly during the year and it seems this growth will persist in 2010. The projects the government has already initiated guarantee a continued good market.

Certain segments of the private civil engineering sector have also done well during the year, driven primarily by energy related investments such as the construction of wind generators and combined power and heating plants. In total the civil engineering market increased by 13 percent in 2009 and is expected to rise by 11 percent in 2010.

NORWAY

Norway suffered less from the financial crisis than many other countries. One reason is the government's expansive monetary and fiscal policies with aggressive interest rate reductions. Since household debt levels are high this has a real effect. Total construction investments, which decreased by 15 percent in 2009, are expected to shrink by 2 percent in 2010. This is primarily due to a continued weak housing market.

Housing investments dropped by 24 percent in 2009 but are expected to grow by 5 percent in 2010. One reason why a greater increase is not expected is that credit terms have become much more stringent. Many financiers now demand that at least 50 percent of the apartments are sold before construction can begin, as opposed to 10-15 percent previously.

Investments in premises decreased by 19 percent in 2009. This is in part due to the over production that took place in 2004-2008, particularly regarding commercial and office space. For this reason the decline is expected to continue by 9 percent in 2010.

The civil engineering market has benefited from the government's stimulus package including infrastructure investments in roads and railways. The market rose by 7 percent in 2009 and is expected to increase by 2 percent in 2010.

FINLAND

In 2009 the total construction investments in Finland decreased by 15 percent.

Investments in the housing sector fell by 12 percent in 2009 in Finland. The number of apartment start-ups has declined since 2006, which has led government supported housing construction to grow during the past year. The housing market is expected to recover in 2010 due to greater confidence in the economy by households. However, the increase in housing investments is only expected to reach 2 percent.

Investments in premises fell drastically in Finland and they make up a significant part of the total investments in Finnish construction. It decreased by 22 percent in 2009 and this downward trend is expected to continue by 10 percent in 2010. It is, however, being countered by growing investments in public premises.

The civil engineering market is sluggish with shrinking investments, a trend that is expected to persist in 2010. Finland has not made any government investments in infrastructure.

THE CONSTRUCTION MARKET IN 2010

Developments in the construction market in 2010 are difficult to forecast. Even if the underlying factors and a number of indicators suggest that demand is on the rise, there are just as many factors indicating the opposite.

There is a housing shortage and with a new, numerous generation about to enter the housing market, demand ought to grow in time. This scenario is backed up by the fact that in recent years new homes in Sweden, Norway and Finland have not been produced at a rate that, theoretically, is necessary to meet the natural increase in demand that arises when older apartment buildings must be phased out and replaced with new ones.

THE COMPETITION

Peab is one of the three largest construction companies in the Nordic region. The major competitors on the Swedish market are Skanska, NCC, JM and Svevia (previously Vägverket Produktion). Skanska and NCC 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.

During the past few years the trend towards a more tangible international competition on the Nordic market has grown. In 2009, when many of the domestic construction companies trimmed down their operations, a number of foreign companies also concentrated on their home markets. Nonetheless, there is good reason to believe international competition is here to stay and will increase as time passes. For instance, infrastructure, where many of the big international construction companies are trying to take advantage of the growth there, particularly on the Swedish market. One example is the infrastructure project Norra länken in Stockholm which was won exclusively by foreign companies, albeit in collaboration with Swedish players.

Peab competes with a number of small and medium-sized companies 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.

In Norway and Finland our strongest competitors are Skanska and NCC. In Finland we also compete with Lemminkäinen and YIT and in Norway Veidekke and AF Group.

(Sources for this chapter: Swedish Construction Federation in cooperation with Byggenæringens Landsforening in Norway and Byggnadsindustrin RT Finland.)

Outlook for the business cycle in the construction market [1)]

Sweden	Investments 2009, BSEK	Change 2009, %	Forecast 2010, %
Housing	77.9	–21	2
Premises	86.1	–4	1
Civil engineering	81.0	13	11
Total construction investments	**245.0**	**–6**	**5**
Number of housing starts (thousands)		17	21

Norway	Investments 2009, BNOK	Change 2009, %	Forecast 2010, %
Housing	36.6	–24	5
Premises	69.3	–19	–9
Civil engineering	39.1	7	2
Total construction investments	**145.0**	**–15**	**–2**
Number of housing starts (thousands)		18	22

Finland	Investments 2009, BEUR	Change 2009, %	Forecast 2010, %
Housing	8.7	–12	2
Premises	8.4	–22	–10
Civil engineering	3.7	–2	0
Total construction investments	**20.8**	**–15**	**–4**
Number of housing starts (thousands)		20	23

1) Investments 2009 and Change 2009 % for Sweden consist of actual figures while all other figures are forecasts.

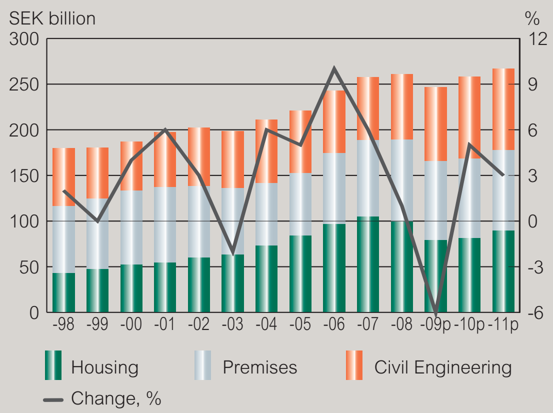
LONG RANGE TREND

During the past ten years housing investments have increased but despite this production has not reached the level theoretically necessary to replace older, unfit apartment buildings. Although housing construction dropped drastically at the end of the decennium it will certainly continue to grow in the long run.

This trend is supported by the fact that a new, numerous generation is about to enter the housing market and both immigration and births are on the rise. In just the last ten years, according Statistics Sweden, Sweden's population has increased by 450,000 inhabitants, which can be compared with barely 300,000 in the years 1990-2000.

Construction investments in Sweden 1998-2011

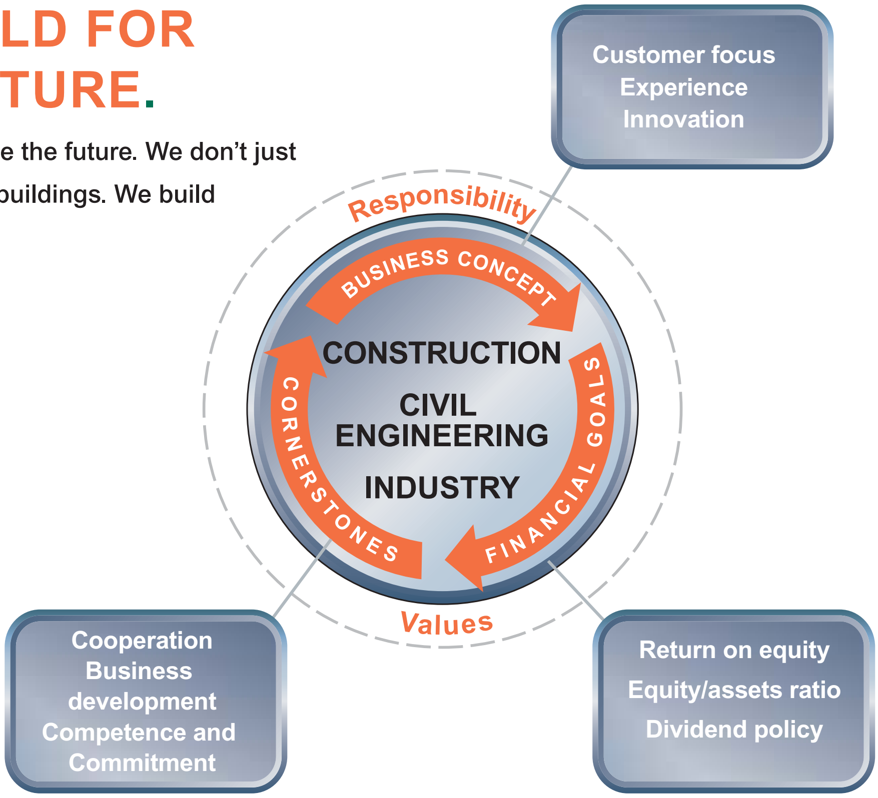
SEK billion prices in 2008



BUSINESS MODEL

WE BUILD FOR THE FUTURE.

Peab helps shape the future. We don't just build roads and buildings. We build communities.



Being a community builder means we have the range and competence to take on large projects and see them through. It also means we contribute to positive developments in society in our own way like building homes a normal wage earner can afford or starting schools that help youths get a job or developing a city district that vitalises a whole community.

We build houses, communities and our own company. This is what we mean when we say we build for the future.

A CONCRETE BUSINESS MODEL

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 cornerstones 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 interests our own and thereby build for the future."

Total quality

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. Our goal is to be pioneers, in planning and production, together with our customers.

Exceeding customers' expectations

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.

Customer relations

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 ethics and sustainability, which is why we have always prioritised environmental consideration and enduring quality.

Apartment hotel Tornet in Linköping.
Constructed January 2007 to June 2009.

FINANCIAL GOALS FOR A STABLE BUSINESS.

The overriding objective of Peab's business is to create results that in part generate funds to use in the development of our cornerstones and in part deliver a return to our owners. This makes it possible to continually improve our business, which benefits all Peab's interested parties.

FINANCIAL GOALS

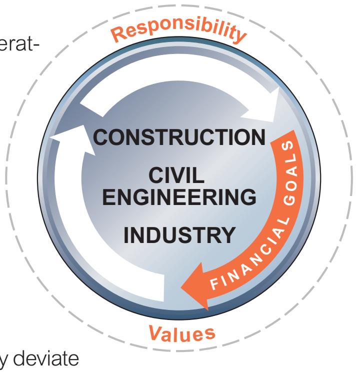
Peab's management steers operations based on the Board's guidelines with three financial goals - return on equity, the equity/assets ratio and dividends. The current financial goals were adopted in the spring of 2007 and are valid for the entire Group. The goals are clear and simplify communication with financial markets. 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.

OPERATIVE GOALS

Peab consists of a number of different operations with different conditions which therefore have internal goals that fit each individual business. These goals are regularly followed up through reports in the projects and profit centres. Operative goals are primarily focused on three areas:

PROFITABILITY

This is measured through the operating margin, price-setting and in particular overhead as well as the return on capital employed in order to ensure optimal use of the capital tied up in facilities and project development.



CASH FLOW AND LIQUIDITY

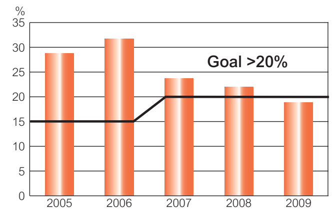
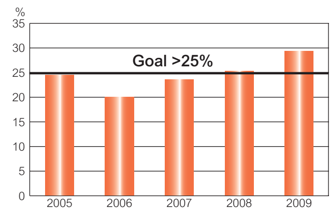
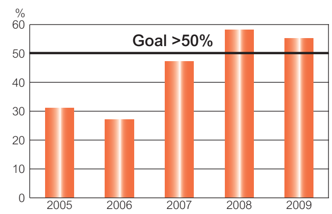
Cash flow before financing must always be positive. Even if this may deviate for a particular year, the tied up working capital and investment levels must, over time, match the cash flow generated by operative units. The Group's liquid funds, including unutilised credit facilities, amounted to SEK 6.7 billion per 31 December 2009.

TIED UP CAPITAL

When there is a downturn in the economy we keep investments on a maintenance level that does not have a negative effect on operations. This allows us to tie up less capital and ensure that there are funds to start new projects, which can initially tie up capital.

Each division has a framework for tying up capital. Two investment groups working on Group level assess the divisions' suggestions for investments in terms of both capacity and the projects. This gives the divisions entrepreneurial liberty to act while the Group's capital is used optimally.

FINANCIAL GOALS

Goal	Comments	
Return on equity will be a minimum of 20 percent. The goal is set to create an effective business and a rational capital structure that limits the owners' contributed capital and thereby the return requirement.	In recent years returns on equity have been higher than our goal. However, in 2009 we did not meet this goal due to lower profits as a result of the smaller volumes that came with the economic downturn, and as a consequence of the high equity/assets ratio during the year.	Return on equity 
Equity/assets ratio will be a minimum of 25 percent. The equity/assets ratio regulates the relationship between equity and debt. The goal, which is set to balance 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.	In recent years the equity/assets ratio has been near the goal. In 2008-2009 it rose as a result of the new share issue connected to the acquisition of Peab Industri along with stable earnings that increased equity.	Equity/assets ratio 
Dividends will be a minimum of 50 percent of profit after tax. The goal is set to ensure the owners' return on their contributed capital as well as meet the company's need for funds to develop operations.	A dividend of SEK 2.5 per share is proposed for 2009. Calculated as a share of consolidated booked profit after tax the proposed dividend is 55 percent. The proposed dividend corresponds to a direct return of 5.4 percent based on Peab's final market value on 31 December 2009.	Dividends [1] 

1) Board's proposal for 2009 to the Annual General Meeting

SHARED VALUES.

Our business model describes what we do to create profitability and growth. It is built on responsible development and our shared values that are in turn based on our four core values: Down-to-Earth, Developing, Personal and Reliable.

In addition to these core values our business is steered by a number of policy documents within quality, the working environment, the environment and ethics.

OUR CORE VALUES

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

Developing
We will be innovative, flexible and strive for continuous improvement.

Personal
Through an honest and trustful dialogue with our customers and partners we will create and maintain long-term, good relationships.

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

OUR CORNERSTONES.

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

COOPERATION

With a Nordic perspective and well developed cooperation between our operations we build the foundation for continued development of our strong concept, effective financing, coordinated purchasing and optimal logistic solutions.

By using our own resources we streamline our business and sharpen our competitive capacity.

BUSINESS DEVELOPMENT

Our new structure makes it possible to develop our purchasing organisation, our working methods and our production process. Through greater coordination we can further develop a more industrial construction and create joint certified processes. This makes us more efficient without compromising quality.

COMPETENCE AND COMMITMENT

Our personnel is our most important resource. At the same time a new generation is making different demands on empowerment and working conditions. This is why we work actively and strategically to attract personnel as well as keep and develop our employees. Our goal is to be the best workplace in the industry.

Contents

COOPERATION IN A NORDIC PEAB.

The Peab Group consists of several different companies and units. This requires synchronisation and having the strategic resources we need throughout the value chain.

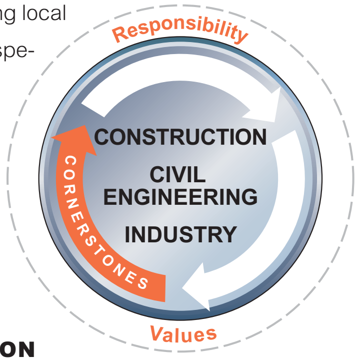
STRATEGIC INDUSTRIAL RESOURCES

We have both local entrepreneur driven units and benefit from the Group's large-scale advantages. This strengthens our competitive edge and at the same time gives us control over our income and expenses. Through the integration of Peab Industri we can now offer cost-effective total solutions across the Nordic region. This also ensures access to production resources no matter how the market develops.

Peab's industrial companies also sell their products and services to the entire Nordic construction market. This means they have to continually develop their offer so that they meet the market's demands on prices, service levels and competence. This creates a natural, continuous rationalisation of individual units.

SAFEGUARDING COMPETENCE

We are working on progressively developing a process mindset in order to take advantage of the entire organisation's collective competence. By creating common concepts we can build a knowledge base that can easily be used in all our units. To safeguard this long range competence development we work with our own personnel wherever possible. This allows us to systematically garner local ideas, retain expertise in the company and make sure they come to the benefit of the entire organisation. In our new organisation we have implemented support functions on Group level tasked with assisting local operations with concepts and specialist consultation in a number of areas. This allows us to create uniform cost-effective systems at the same time we maintain the vigour in our local entrepreneur spirit.



FLEXIBLE ORGANISATION

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

WORKING CLOSE TOGETHER WITH OUR CUSTOMERS

Peab is also eager to increase cooperation with our customers. Through the years Peab has developed trust-based contracts, a form of partnership our customers increasingly appreciate. This entails that Peab, the architects, consultants and subcontractors sit down together with the customer at an early stage to create the best prerequisites for a successful project. This means that we can inject our expertise into the project from day one, leading to shorter building time, effective handling of additional work and above all, a lower total price and higher quality. In trust-based contracts we work with open accounting and in close, unprestigious cooperation with our customer.

In addition to trust-based contracts we also work with Partnering, a form of partnership that is common on the European market.

LARGER PROJECTS

By coordinating our resources more efficiently and becoming more effective we can take on larger and more complicated projects. Two current examples of this are Waterfront in Stockholm and Arenastaden in Solna.

STOCKHOLM WATERFRONT

Through Stockholm Waterfront the city will get a new, badly needed congress hall, a four star hotel and a 23,300 square metre, eleven stories high office building with a view of Riddarfjärden. The value of the contract is SEK 1.4 billion, which is one the largest individual projects Peab has ever had. It also makes it one of biggest projects Stockholm has had in a long time.

The congress hall can be used for everything from exhibitions and concerts to annual general meetings, international congresses and conferences. The hotel will offer a fantastic view of Riddarfjärden and Stockholm's City Hall.

Stockholm Waterfront is being constructed in the middle of the city next to a major thoroughfare, which puts immense demands on logistics. Peab has hired special logistic experts for the sole purpose of handling transportation to and from the building site.

In addition, the building will be furnished with completely new, state-of-the-art energy saving solutions, including extracting heat from Klara Lake to use in the buildings.

ARENASTADEN

The area next to Solna station is going to be developed into a modern, attractive and effective regional meeting place. The crowning jewel will be Swedbank Arena which will seat 55,000 visitors. The arena meets UEFA and FIFA standards for international matches but it can also be used for concerts and events. In addition to the playing field and stands it contains a hotel and several restaurants.

A whole new city district called Arenastaden will be formed around Swedbank Arena. The design of the district will create the basis for an attractive city, now and in the future.

Next door is Råsta Lake one of Solna's most popular recreation areas. The lake is a vital breeding place for birds and the importance of the water environment and beaches there puts high demands on reducing environmental impact.

Solna City, the Swedish Football Association, Jernhuset, Fabege and Peab will develop the area together. The entire city district will comprise 150,000 square metres office space, 2,000 homes and hotels.

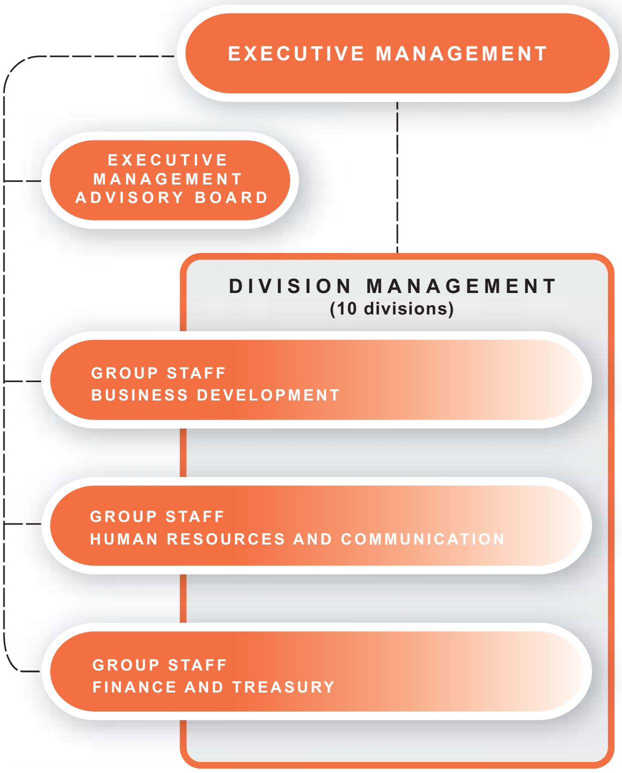
BUSINESS DEVELOPMENT MAKES US MORE EFFECTIVE.

We continuously work on developing our processes which is fundamental to our ability to compete with priceworthy, high quality solutions. Our new organisation will move us up the ladder of this development.

INCREASING BENEFITS FROM SYNERGIES

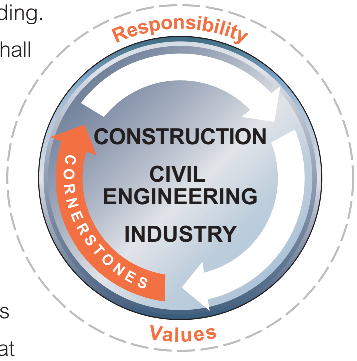
By coordinating our divisions on a Nordic level we can take advantage of our size and because we have pulled our resources together into three Group staff teams we can infuse our entire organisation with our specialist competence and begin working on conceptualising our work processes.

Our Nordic organisation has also made it possible to better identify synergies and advantageous cooperation between our various units. This is a continual process.



INDUSTRIAL PROCESSES

We have worked determinedly for some time to rationalise and industrialise the construction process in order to lower construction costs. Among other things, we have developed a common construction system (PGS) based on a flexible system of building components that are manufactured and then mounted together into a complete apartment building. We have launched a plant in Valhall Park in Ängelholm and the first buildings were erected in 2009.



With Division Construction Systems our new organisation has taken a further step in the development of our systems for industrial construction so that they can be integrated into our other operations in the future.

JOINT PURCHASING

Logistics is an important part of more effective construction. We are constantly working to reduce the number of material suppliers and subcontractors while we strengthen cooperation with our existing ones. Lifting up logistics to a Nordic level where we have pooled our resources has moved the process forward.

We continue to develop our national computerised purchase and call-off system PIA so that it functions for the Nordic market. We have also started a process to monitor local purchasing adherence to our collective purchasing contracts.

Over the years we have developed a supply strategy to further improve our purchasing and make it more cost-effective. By developing relationships with Nordic suppliers and signing long-term contracts we can build with high quality, locally produced building material at a good price. In cases where we cannot find domestic cost-effective alternatives, our purchasing organisation works with international, quality-assured suppliers.

CONTINUOUS RATIONALISATION

Parallel with the overriding strategic work to create synergies our entire organisation undergoes constant rationalisation. We continuously review our overhead and look for ways to streamline every part of our organisation in a structured and methodic manner.

CERTIFIED PROCESSES

By developing uniform procedures in the Nordic region regarding work processes, quality and environmental impact we ensure that we always function as efficiently and use as few resources as possible. A system of well defined procedures also opens up opportunities to be certified according to ISO 14001 and ISO 9001, which further enhances our quality.

EXPERTISE AND COMMITMENT MAKES US THE BEST WORK-PLACE IN THE INDUSTRY.

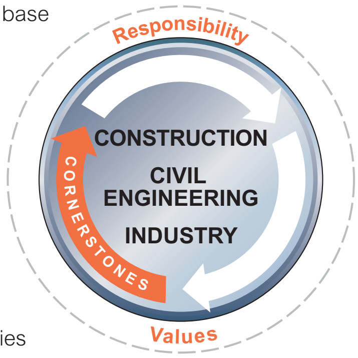
Peab believes co-workers are a strategic component and a vital factor in our success. Being the knowledge company we are, we consider our personnel the most important resource we have and an essential part of our competence and skill as builders. Therefore we invest heavily in attracting, developing and retaining our personnel. Quite simply, we intend to be the best workplace in the industry.

Thanks to the fact that we work largely with our own employees we can develop and build on our collective experience and make sure that we have the necessary resources for an expanding market.

At the same time we face a huge challenge since many of our personnel will soon retire and must be replaced with new recruits. This in a time when there is a shortage of trained labour and growing demand. Therefore we work systematically to educate and attract new co-workers. Tomorrow's employees have somewhat different priorities regarding how a job is organised and what it contains, which means we have to develop our operations if we want to continue to be attractive employers.

EXTENSIVE EMPLOYEE QUESTIONNAIRE

In Peab we work systematically to find out if our personnel feel job satisfaction and enjoy their work. We regularly send out an extensive personnel questionnaire, the Handshake, where we chart things like how our employees view leadership, commitment, competence, customer focus, Peab as an employer as well as health and the working environment. Employees are in general very positive and the response level of the questionnaire is high, which validates the results. We base our work on further developing Peab as an employer at all levels on the results.



ADDED VALUE FOR EMPLOYEES

Through Peab Health and Leisure all co-workers are offered health promoting activities like a gym pass, education in health, family outings and other pursuits. The objective is to unite the company and reduce sick leave as well as make us more attractive employers. According to the Handshake, Peab Health and Leisure is a much appreciated program among our employees.

UNIQUE INVESTMENT IN SPREADING INFORMATION

In order to enjoy their job people need to feel involved and we believe good internal information is essential to this. In 2009 all Peab personnel received a personal login to our intranet the Plank and an e-mail address. This gives all our employees access to all information via Internet wherever they are and makes it possible to communicate within Peab in a whole new way, for example through interactive education. It also provides our employees with access to a number of functions, for example being able to report work time, order work clothes and communicate with their colleagues, locally and anywhere in the Group.

A GOOD MIXTURE IS GOOD FOR BUSINESS

We see ourselves as community builders and therefore it is important that our personnel reflect the world around us and the markets we are active in. For this reason we work systematically to create a good mixture of ages, gender and ethnicity. For instance, we encourage more women to take on leadership posi-

tions in production and strive to create the same prerequisites for women as well as men in day-to-day work.

Nonetheless, competence is the basis for all recruitment, which is why we actively motivate underrepresented groups to apply to construction related education.

The fact that we are a widely diverse workplace gives us market competence, which in turn is good for business.

GOOD OPPORTUNITES FOR DEVELOPMENT AND EDUCATION

In order to be happy at work it's important to develop, as a person and professionally. This is why Peab offers development discussions and education to all employees who are interested. According to the Handshake, 40 percent of our employees would like the chance to develop and train.

We invest heavily in leadership training and prioritise internal recruitment in order to retain competence within the Group and at the same time make us more attractive employers.

We 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. At the Peab Academy in Ängelholm we receive some 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.

FOCUS ON THE NEXT GENERATION

In order for Peab to have the personnel it needs in the future Peab encourages young people to start a career in the construction industry. One way is through the Peab School, a three-year high school education for craftsmen. The education is unique in that half of the places are saved for students who finished junior high school without being eligible for high school. They receive support throughout their education so that they become eligible during the course. Today there are Peab Schools in Ängelholm, Solna and Malmö and the first class graduated in 2009. Most of the students had an apprenticeship waiting for them directly after graduation.

Another project created to attract young people to the industry is the concept "Young and Promising". It includes, among other things, two scholarships of SEK 50,000 each. 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 also conducts an ongoing societal analysis to systematically study how students in construction related education perceive Peab. The results are used to strengthen our attractiveness as potential employers.

PEAB'S ACTIVITIES TO...

Attract co-workers
- The Peab School
- Young and Promising scholarships
- Employment Days
- Societal analyses

Develop co-workers
- Management preparation programs
- Leadership training
- Individual development plans

Retain co-workers
- Internal information
- Peab Health and Leisure
- The Handshake that measures employees' job satisfaction

Adventure Pool in Experium, Sälen.
Constructed February 2008 – January 2010.

Jan Johansson, Vice-President

"NEW CHALLENGES MET STANDING ON SOLID GROUND".

In the middle of the financial crisis and weak construction market we strengthened our positions and succeeded in generating a satisfactory profit considering the current situation.

Some of the reasons that we, despite a decline in demand, continued to receive orders are our close relations and frequent meetings with our customers, skilled and engaged co-workers and a wide range of products. We have a high degree of specialisation and a well developed combination of products and services. Another factor is our strong local presence and decentralised way of working, which means that we can quickly and flexibly adjust and adapt to the current market conditions, centrally and locally. We have also reallocated resources between regions and divisions. During the year we saw demand was better in infrastructure and civil engineering and we reallocated our resources accordingly. By redistributing personnel we can, to a greater extent, also keep our co-workers even though the market has contracted. This is why the only adjustments we made to our working force were normal ones and we have managed to keep notices of redundancy to a minimum. This is strategically important to us since it allows us to retain our expertise. We feel well prepared for a lift in the economy when it comes thanks to these qualities, our financial capacity and especially our ability to come out of a bad business cycle stronger than going in.

NEW NORDIC CHALLENGES REQUIRE SYNCHRONISATION

The Nordic construction industry is facing enormous challenges in the coming years. One of the largest is making sure we have access to competent personnel. In the next few years a lot of construction workers will retire. They have to be replaced and at the same we expect demand to grow, which makes new recruitment a must. This also means that we need to attract a new generation, with somewhat different priorities and values, to the construction industry. Another challenge is the increasing competition from foreign companies that want to get a foothold in the Nordic region.

We have taken a number of strategic measures and we are well prepared. At the end of 2008 we bought Peab Industri, which is now a successfully integrated part of Peab. This has given us the breadth and flexibility needed as well as control over our entire value chain. We have also changed our organisation in order to better take advantage of our expertise and increase our market presence.

A NEW ORGANISATION FOR A NORDIC MARKET

With our new organisation in the form of ten divisions Peab is now a thoroughly Nordic organisation. This gives us the muscle to grow on a larger market and take advantage of additional synergy effects. However, a broader perspective will not detract us from the strength that lies in personal engagement. We have, quite simply, optimised the combination of local entrepreneurship with the Group's overview, power and competence.

Business area Construction covers the Group's resources connected to construction related services in the Nordic region and is run in five divisions in Sweden, one in Norway and one in Finland. Business area Civil Engineering consists of civil engineering related operations and is run in a single Nordic division. Business area Industry is run in two divisions, Industry and Construction Systems, and both work on the Nordic construction and civil engineering markets.

The organisation also contains Group staff teams that function as support for every division.

NEW MANAGEMENT STRUCTURE

The new executive management gives us a comprehensive approach to our business, which is stimulating and valuable. Executive management consists of Mats Paulsson who will continue to have primary responsibility for strategic matters, I myself will focus on cooperation and coordination in the Group, Tore Hallersbo who is responsible for business development, Mats Johansson who is responsible for strategic HR and communication matters, as well as Jesper Göransson who is responsible for finance and treasury. We have also created an executive management advisory board that will support executive management by focusing on our assets and obligations to make sure they are handled in the best possible way. The advisory board will also be on the look out for opportunities such as acquisitions.

Our operative system is run by the Group management that consists of executive management and our ten division managers.

SOME IMPORTANT CHALLENGES

With our new Nordic organisation we are ready to face the challenges waiting for us. One of our priorities is making sure we have access to competent personnel, now and in the future. We will also continue to develop our industrial concepts and processes in order to be even more effective while improving quality. This will in turn increase productivity and our competitive capacity.

We will continue to develop our vision and strategies in 2010 and link them to our business plan. Our goal is to continue to develop Peab to handle a world in constant change. Considering the uncertain economy it feels good to know that Peab has traditionally always done well when times are tough.

With our new organisation we are now ready to firmly establish Peab in the Nordic region and take on the challenges ahead of us no matter how demand develops. In other words, we are going to take Peab's business to another level standing firmly on solid ground.

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	2009	2008	2009	2008	2009	2008
Construction	22,355	26,493	814	1,075	3.6%	4.1%
Civil Engineering	9,339	9,132	446	434	4.8%	4.8%
Industry	7,581	8,581	514	855	6.8%	10.0%
Group functions	180	101	–173	–160		
Eliminations	–4,315	–4,545		–2		
Total	**35,140**	**39,762**	**1,601**	**2,202**	**4.6%**	**5.5%**
Total excluding Industri		**34,132**		**1,349**		**4.0%**

CONSTRUCTION.

EVERYTHING IS IN PLACE TO MEET FUTURE NEEDS

With our new Nordic construction organisation we have created the resources necessary to work with systematic processes and the industrialisation of our entire market. This puts us in a good position, especially since there is a growing need for cheaper housing that comes from a new generation entering the housing market.

From left: Stein Eriksen, Division Manager Norway, Anders Svensson, Division Manager South, Petri Suuperko, Division Manager Finland, Anders Arfvén, Division Manager Northeast, Tomas Anderson, Division Manager Housing, Jan-Olof Nordin, Division Manager Stockholm Hus and Sven Kerstis, Division Manager West.

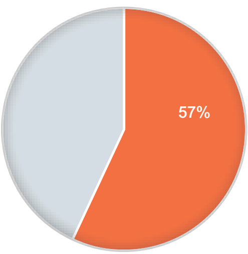
BUSINESS AREA CONSTRUCTION

Business area Construction performs contract work for external customers and our own housing development projects. We handle everything from housing to commercial property and our business is run with a high level of know-how and engagement in five divisions in Sweden, one in Norway and one in Finland.

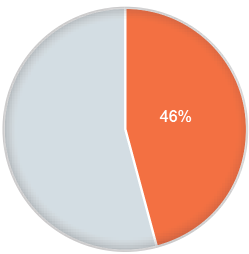
We produce housing, public and commercial premises and buildings. Public premises include hospital buildings and arenas while commercial property can be shopping malls, offices or factories.

Our customers include private property owners, municipalities and companies. Operations in Construction also include construction related services such as construction maintenance and repairs. Our Swedish business is nationwide. Our Norwegian business is in Oslo, Tromsö and Drammen and our Finnish business is in Helsinki, Tammerfors, Tavastehus, Åbo, Vasa, Seinäjoki, Rovaniemi and Uleåborg. In the spring of 2010 we will start up in Jyväskylä as well.

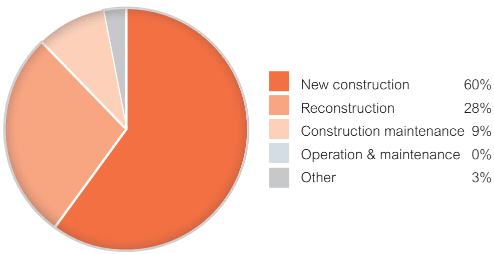
Share of net sales 2009



Share of operating profit 2009



Net sales per type of operations



A CHALLENGING YEAR.

In 2009 the financial crisis accelerated the downward spiral of the business cycle that started in the middle of 2008. The dramatic downturn on the construction market was a huge challenge. Despite the weak economy we succeeded in keeping our order backlog on an even keel.

DIVISIONS IN SWEDEN

LOWER HOUSING VOLUMES AND GREATER EFFICIENCY

The year 2009 was tumultuous and challenging on the Swedish construction market. After a drastic slowdown in housing during the first half of the year orders began flowing in again towards the end of it.

We continued to work according to the same strategy and demands we have always had in our own housing developments. However, the financial crisis and bad economy affected sales which led to fewer own housing developments. At the same time we continued to produce housing by focusing on construction of apartments for rent and this meant we could retain important competence in housing production.

One of the larger projects that characterised 2009 is the new national arena in Stockholm. It will be the heart of Arenastaden, a completely new city district that will be erected in Solna. The area is owned by Peab together with Fabege, Jernhuset and Solna City. Planning was completed during the year and Arenastaden will contain shopping malls, hotels and offices. Peab has been entrusted to build Vattenfall's new headquarters there. Certain sections of another project Waterfront, a hotel, conference and office project in the centre of Stockholm with a view over Riddarfjärden, were completed and turned over to the property owner at the end of the year. SCA was one of the companies that moved into Waterfront in the beginning of 2010. The rest of the project will be completed in 2010.

A prioritised area in 2009 was further rationalisations of our construction processes and being able to build affordable housing. During the year we built the first 220 apartments based on PGS (Peab General System). PGS is a complete industrial construction system for apartment buildings that produces high quality structures at much lower costs.

The new organisation that we began to implement at the end of 2009 also entailed further rationalisations.

Product area Construction maintenance exists in a few places in Norway but not at all in Finland. We began a synchronising project during the year to develop operations in Norway based on our Nordic customers. We will begin initially in Finland by analysing the market in 2010.

THE MARKET

The year 2009 started slow but finished very positively thanks to the fact that the credit market became less restrictive while interest rates were favourable. The positive trend will most likely continue in 2010. However, interest rate developments can affect demand.

NEEDS ASSESSMENT	PLANNING PROCESS	PROJECT PLAN	IMPLEMENTATION	OPERATION AND MAINTENANCE
We see a need and launch an assessment, either in cooperation with a customer or on our own.	We create prerequisites for the project, both physical and financial.	We plan projects, first in general and then in detail. We apply for building permits, draw up zoning plans and prepare cost estimates.	We build the project and hand it over to our customer. Our own projects are managed and sold when the market is ripe.	We run, maintain, renovate property and premises as well as build extensions.

During the second half of the year demand for construction of apartments for rent has grown. Tenant-owner apartment buildings are also more in demand while, largely due to uncertainty among consumers regarding the future cost of capital, the more capital intense single home market is still slow. Continued uncertainty can further delay an increase in demand.

In 2009 Peab started up a number of projects concerning apartments for rent. We have a strong position on the Swedish housing market. This is in part because of our strategic investment in cost-effective production and priceworthy housing, which means our homes are often the first choice of youths leaving home for the first time.

Development has been stable during the year in construction maintenance. There was a dip in the beginning of 2009 but recovery came relatively quickly and volumes rose slightly for the whole year. Generally speaking the market has been good despite the increase in price competition. We have worked on, and succeeded in, signing several new national contracts and this has kept volumes stable. Instead of losing to the slowdown in demand we have won new projects.

DIVISION NORWAY

During 2009 we adjusted operations to the new Nordic organisation. One change is the new management system developed during the year, which is based on Peab's operational management system. Through it we have created better conditions for an integrated work method and increased synergies. The new management system will be implemented in the first half of 2010.

We began to make changes in Peab Norway's structure to increase focus on the market and customers at the end of 2008. The new structure was completely implemented during 2009.

Several new projects were built in 2009, among them a large office building in Oslo for Enter Eiendom, an office building at Shous Plass for KLP Eiendom as well as a patient hotel at Norway's most prominent clinic for cancer treatment, the Radium Hospital.

In northern Norway Peab erected so called multiuse halls in Setermoen for the Norwegian Army.

Peab Norway has a limited range of products in the product area Construction maintenance but we started the process of expanding these operations in 2010.

THE MARKET

The first half of 2009 was difficult and the market for newly produced homes stood completely still. As a consequence almost no new projects were started up.

Sales of newly produced homes took off slightly last autumn and we are carefully optimistic as we enter 2010.

There was a sharp decline in premises and offices in 2009 and no change is expected in 2010.

The year has been characterised by tough competition on the market, which in turn has led to pressed prices and lower margins. The Norwegian market is dominated by the construction companies Veidekke and Skanska. The market is otherwise relatively evenly divided and there are around 100 companies with net sales of more than NOK 100 million. Peab is probably the eighth largest construction company in Norway.

DIVISION FINLAND

In 2009 Peab Seicon Oy changed names to Peab Oy and Petri Suuperko was appointed CEO. We have begun to adapt the company to the new Nordic structure and will continue more intensely in 2010.

One of the larger projects that began during the year was the construction of a hospital wing in Seinäjoki worth around EUR 23 million.

We started up our own housing developments and a number of projects were launched in the autumn. Operations stood still during the first half of the year due to the market situation.

The product area Construction maintenance is not in operation in Finland at this time. We have however, taken the initiative to start up renovations. This is a growing market in Finland that is expected to be strategically important and we will also establish Construction maintenance in Finland, in line with our Nordic organisation.

Several office buildings in Helsinki were completed in February. They are the first buildings in Finland to be environmentally certified according to Lead, which means they have met stringent requirements for low energy consumption and environmental impact.

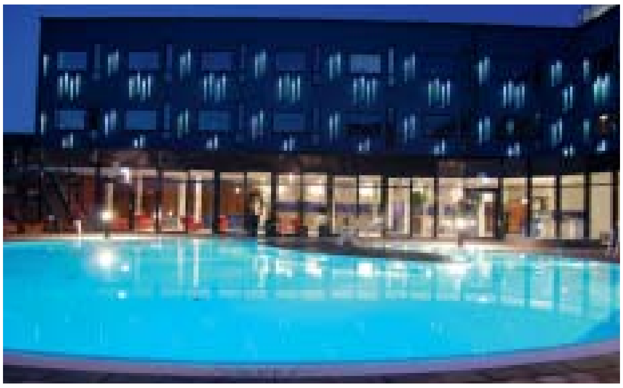
THE MARKET

As with the rest of the Nordic region Peab's operations in Finland have been slow during the first half of 2009. However, order backlog increased during the final two quarters. There are many indications that the construction market is beginning to recover, particularly around Helsinki and in the region around Seinäjoki and Vasa where Peab is the market leader. Nonetheless there is still some uncertainty about future developments.

Peab Oy is currently one of the ten largest construction companies in Finland. Market structure is pretty splintered and is more like Norway than Sweden. The four largest players on the market are YIT, Lemminkäinen, Skanska and NCC.

IMPORTANT PROJECTS COMPLETED IN 2009.

- **Kosta Boda Art Hotel** where all the rooms have been designed by different glass designers.



- **Victoria Park** in Malmö is lifestyle housing built right next to the Limhamn chalk quarry in Malmö.
- **Lindhagen** in Kungsholmen in Stockholm. The old Skogaholm Factory has been transformed into an impressive building with modern and exciting architecture.
- **City Hall** in Stockholm which Peab renovated and extended.
- **Block Fruktkorgen** The building is classed as an historical building. The county council and City Museum participated in the project.
- **University Hospital MAS** in Malmö. Renovation and extension of the emergency room and infection clinic.

IMPORTANT PROJECTS IN PRODUCTION.

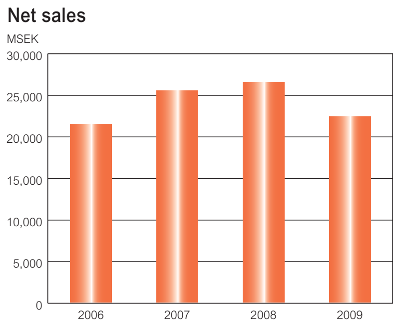
- **Småland Music and Theatre Hall** on the banks of Munk Lake in Jönköping.

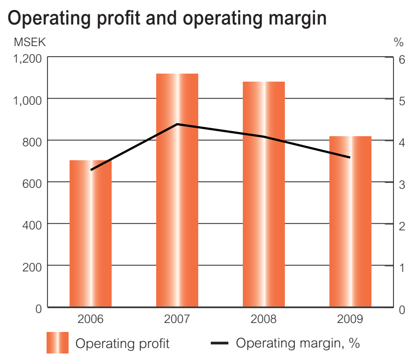
- **Arenastaden** in Solna containing the new national arena Swedbank Arena.
- **Stockholm Waterfront** with a congress hall, hotel and an eleven story office building.
- **Vattenfall Norden's** new offices in Solna.
- **Hotel** at the Kista Fair in Stockholm.
- **High School** in Upplands Väsby.
- New **detention centre** in Helsingborg.
- **Multi-story car park** at Fornebu in Oslo, Norway.
- **Hospital** in Seinäjoki, Finland.

IMPORTANT EVENTS IN 2009.

- Nets sales fell as a result of the weaker market by around 16 percent.
- Operating profit decreased as a result of lower volumes by some 24 percent.
- Despite the weak market order backlog is on par with the end of 2008.
- Focus on apartments for rent.
- A new Nordic organisation is implemented that creates synergies.
- Establishment of Construction maintenance initiated in Norway and Finland.

KEY RATIOS	2009	2008
Net sales, MSEK	22,355	26,493
Operating profit, MSEK	814	1,075
Operating margin, %	3.6	4.1
Order backlog on 31 December, MSEK	16,751	16,675
Number of employees	7,297	8,390





CIVIL ENGINEERING.

WE ARE WELL EQUIPPED TO TAKE ADVANTAGE OF OPPORTUNITIES

We have a strong local presence with strategic resources. In combination with our broad range, competence and flexible organisation we are well equipped to offer competitive solutions on a tough market.

Tore Nilsson,
Division Manager
Civil Engineering

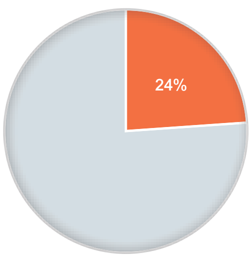
BUSINESS AREA CIVIL ENGINEERING

Business area Civil Engineering works on the local civil engineering market and with infrastructure projects, for example, bridges and roads. We also handle the operation and maintenance of roads and highways for both public and private customers. Our business is run in Sweden, Norway and Finland.

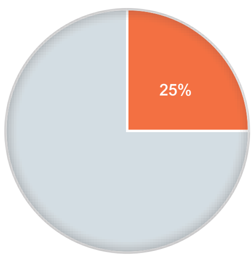
The business area Civil Engineering works on the local civil engineering market, with infrastructure and operation and maintenance. The local civil engineering market comprises land and drainage and water supply projects, construction for industry and development properties and more. Infrastructure includes road and railway projects as well as bridges and tunnels.

Operation and maintenance works primarily with road maintenance but also provides such municipal services as park management and street maintenance. The public sector is our main customer group and clients include national road and rail administrations and municipalities.

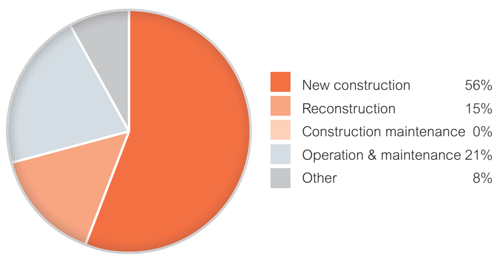
Share of net sales 2009



Share of operating profit 2009



Net sales per type of operations



ANOTHER GOOD YEAR.

Good order inflow continued in 2009. We successfully moved our resources from areas that were slowing down to areas where growth was still good.

GOOD MARGINS DESPITE TOUGHER PRICE PRESS

2009 was a successful year. As expected there was a downturn in our construction related operations but the market for infrastructure projects expanded. By moving our resources to this area we were able to take advantage of the business opportunities that arose. The high level of infrastructure projects is expected to remain unchanged and we continue to fill our order books.

Municipal operation and maintenance has remained stable in 2009. We are responsible for maintenance in a number of municipalities in Sweden and during the year we signed a new contract with the City of Stockholm that stretches over several years. There is risk that a long, drawn out recession and shrinking revenues from taxes can lead certain municipalities to cut funds for operation and maintenance. At the same time this market will continue to grow as more and more municipalities in Sweden choose to open this area of their operations to external players. Put in a longer perspective operation and maintenance is a stable market with long contracts, which creates a good business platform.

Volumes have fallen in local construction related civil engineering during the year and that has pressed prices even more. We have taken several steps to reinforce our competitive capacity in order to maintain our margins and volumes. This work will continue in 2010.

Peab's new organisation was implemented in 2009, which for business area Civil Engineering entailed integrating the civil engineering operations in Finland. We will intensify our Nordic collaboration during 2010. In Sweden we will strive to maintain our market position at the same time we are well prepared to grow in Norway and Finland.

Peab Energi is part of business area Civil Engineering in the new organisation. The company develops energy facilities and business concepts in the energy sector. Peab Energi is primarily active in wind power, district heating power plants and bio energy.

INCREASED INTERNATIONAL COMPETITION ON A STRONG INFRASTRUCTURE MARKET

Investments have been rolling out during the year, although some of the projects carried out were decided before the financial crisis. The situation for next year looks relatively good. We expect weaker demand from municipalities but at the same time government investments can generate positive effects. If unemployment rises municipal expenses grow while tax revenues shrink. However, the

NEEDS ASSESSMENT	PLANNING PROCESS	IMPLEMENTATION	OPERATION AND MAINTENANCE
We analyse a customer's needs and wishes.	We plan the project and create a framework and functions based on given conditions.	We lead the project and make sure we fulfil our customer's wishes.	We take care of highways, roads, ports and parks.

fee-based financed sections will not be affected as much.

There was more activity in industry towards the end of 2009, particularly base industries in forestry, paper, steel and mines in northern Sweden. They are beginning to plan for future expansion in an expected upturn in the economy and this could open up opportunities in construction for industry.

There is a lot going on in infrastructure and a number of projects are being carried out, but many projects are going to be procured in 2010. We therefore expect the infrastructure market to stay strong and constant next year as well. Norway is also making major investments in infrastructure and in 2010 we will work more aggressively within the framework of our new organisation to increase our market shares.

The Nordic market is also characterised by growing international competition. Civil engineering companies from countries like Germany compete for commissions here, first and foremost heavy infrastructure projects with high order values.

Peab can hold its own with the competition, particularly when it comes to road projects since these require both access to strategic resources and familiarity with the area. Peab's strategic resources and competence has made us an important supplier in Sweden to the National Road Administration.

In really big infrastructure projects, in certain cases we collaborate with international construction companies in joint venture frameworks. One example is the Norra Länken project in Stockholm where we together with Bilfinger Berger contribute our expertise and knowledge about the market.

PRIORITIES FOR THE BUSINESS AREA IN 2010

2010 will be an interesting year with a number of ongoing activities. We will primarily focus on:

- A more Nordic perspective.
- Taking advantage of the infrastructure projects on the market.
- Increasing productivity.

IMPORTANT PROJECTS COMPLETED IN 2009.

- **Wind Park Vänern** Karlstad. Foundations and cable to 10 wind power generators.

- **Golf course PGA of Sweden National** outside Malmö.
- **Botnia Railway.** Extension of the railway, final phase, Stöcke south of Umeå.
- **Lysaker station** Tracks and terminal Oslo.
- **Aitik mine** Industrial facility built in collaboration with Business area Construction.
- **Bio fuel terminal in Nykvarn.**

IMPORTANT EVENTS IN 2009.

- Net sales increased by slightly more than 2 percent as a result of good order flow in infrastructure projects.
- Operating profit increased by some 2 percent despite a slower construction market and tougher price press.
- Order backlog increased by slightly more than 2 percent.
- A new Nordic organisation that is a platform for intensified Nordic cooperation was implemented.
- Civil engineering operations in Finland were integrated in the business area Civil Engineering.

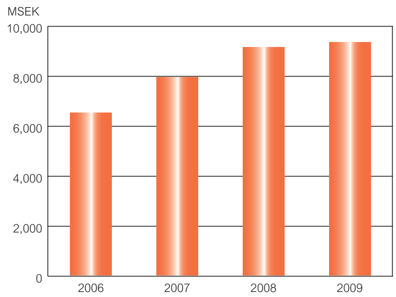
KEY RATIOS	2009	2008
Net sales, MSEK	9,339	9,132
Operating profit, MSEK	446	434
Operating margin, %	4.8	4.8
Order backlog on 31 December, MSEK	7,736	7,558
Number of employees	2,978	2,974

IMPORTANT PROJECTS IN 2010.

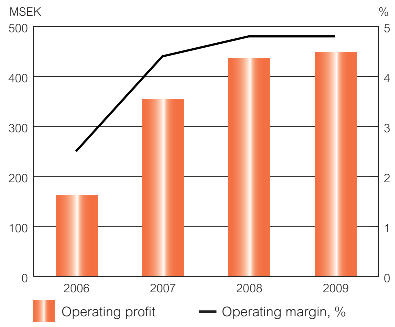
- **Malmö C** Depot modifications for the City tunnel, 2008 -2011.

- **Mjölby-Motala** Double line railway, 2008-2011.
- **Helsingborg Municipality** 6 year operation contract, start 2010.
- **Ports of Stockholm** Renovation and maintenance 5 +2 years.
- **Wind Park Stor-Rotliden** in Fredrika, 40 foundations, 2009-2010.
- **Norra Länken at Frescati** in Stockholm, Traffic direction/ tunnel, 2009-2014.
- **Highway E6** through Bohus County, stage Skee-Ejgst, 2009-2012.
- **Kolsås Railway** Oslo, tracks, 2009-2010.

Net sales



Operating profit and operating margin



INDUSTRY.

OUR BROAD RANGE IS A STRENGTH IN THE CURRENT MARKET

We have organised our operations into two divisions and broadened our perspective to include the entire Nordic region. We keep the strength of our local presence, our competent personnel, our strong brands and our strategically placed facilities and at the same time take advantage of better synergies and central support resources. This creates a stable foundation with good opportunities for long-term growth.

KG Karlsson (left)
Division Manager Industry
Tore Hallersbo (right)
Deputy CEO Peab AB and Divison Manager Construction Systems

BUSINESS AREA INDUSTRY

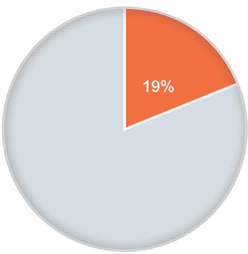
Peab's industrial business is run in Business area Industry which is divided into two divisions, Industry and Construction Systems, which in turn are comprised of many different subsidiaries and a number of well known brands in Sweden, Norway and Finland.

Division Industry is comprised of the companies and brands that primarily work on the Nordic civil engineering market. Business consists of foundation work, gravel and rock, ready-mixed concrete, manufacturing and laying asphalt and transportation and machine services.

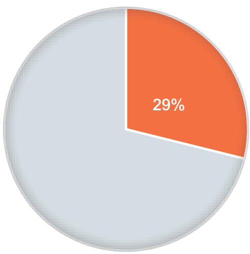
Division Construction Systems is comprised of the companies and brands that primarily work on the Nordic construction market. Business consists of constructions systems and construction related services such as cranes, machines and electricity.

Business area Industry's strategically placed resources and its produce range means we can safeguard Peab's industrial processes and meet the needs of our extensive external customer base. External sales in the business area's companies vary between 60 to 80 percent.

Share of net sales 2009



Share of operating profit 2009



BETTER THAN EXPECTED.

Profit in business area Industry in 2009 was better than expected considering the dramatic downturn in the market at the beginning of the year. Market conditions have been good in division Industry, which is concentrated on civil engineering while the market has been weaker for division Construction Systems, which is focused on building.

DIVISION INDUSTRY

GOOD CAPACITY UTILISATION IN THE CIVIL ENGINEERING SECTION

The division surpassed expectations for 2009. There was without a doubt a drop in private investments but all in all the decline was less than we feared it would be. Our order backlog was good when we entered 2009 and, in cooperation with business area Civil Engineering, we also won many new orders in infrastructure.

It was also a good year for gravel and rock, foundation work and asphalt laying. The exception was ready-made concrete, which is heavily tied to housing production. This section was hard hit and it affected division profits. There was more activity in ready-mixed concrete towards the end of the year when several big orders came in, primarily in the Stockholm area. We expect the high level of infrastructure projects to continue in 2010 but there will probably be a downturn in demand from municipal and private sectors.

The new organisation means that division Industry will now have a more solid Nordic perspective with centralised staff that work with all three countries. In 2010 focus will be on growing in Norway and Finland. We already have business in foundation work in Oslo and Trondheim and an asphalt plant was started in Trondheim in 2009.

We are already a well established player in ready-mixed concrete and supply most of our need for concrete gravel in Finland. We have also begun work developing operations in ballast.

The Swedish market continues to be prioritised and we are working to develop and rationalise operations. Because quarries are the basis of production this will be achieved over time. We have to find the right strategic sites and apply for permits, which can take anywhere from three to five years. The process also requires staying power, which Peab has.

During the year we have continued to work on greater efficiency, in part through energy optimising our concrete and asphalt plants. Productivity is another prioritised area where we are looking for better synergies between the different companies in the division.

Division Industry has a great many external customers. External customers make up more than half of ready-mixed concrete customers and 80 percent of foundation work, asphalt as well as gravel and rock customers are external. Some of our external customers are municipalities, national road administrations and smaller construction, civil engineering and asphalt companies.

STRONG POSITION ON A FLUCTUATING MARKET

In the past few years the asphalt market in Sweden has been consolidated and now consists of four nationwide players; NCC, Peab, Skanska and Svevia. The market for pavement mainte-

RAW MATERIAL	PREFAB	MACHINES	CIVIL ENGINEERING	MAINTENANCE
We produce and deliver raw material such as asphalt, gravel, rock and concrete.	We produce and deliver prefabricated units for concrete elements and entire concrete buildings.	We rent cranes, machines, work wagons, electricity stations and transport equipment for both construction and civil engineering projects.	We provide the machines, material and competence needed for civil engineering projects.	We handle the maintenance of road surfaces, streets and ports.

nance fluctuates over time but volumes are relatively constant. However, margins are affected by price variations on input goods such as bitumen and oil. The market for infrastructure projects is expected to grow, particularly in the middle of Sweden, Stockholm and West Sweden but price competition will also increase. This underlines the need to intensify cooperation within the Group and our own expertise.

The market for ready-mixed concrete currently consists of four nationwide players; Swerock (Peab), Färdig Betong, Betongindustri and Skanska. The shrinking housing market is expected to expand again, generating new volumes, and there is still a considerable need for new housing. Investments in infrastructure also lead to more concrete deliveries.

In Finland the market for ready-mixed concrete currently consists of a number of players and the largest are Luja, Lohja Rudus, Peab and Lemminkäinen.

The market for gravel and rock consists to a large extent of locally owned quarries. Swerock (Peab) is a nationwide supplier in Sweden. Volumes will probably rise due to infrastructure investments, even though there are regional differences.

Transportation and machines is a market with a great many regional players. Swerock (Peab) has a strong position today through a number of acquisitions such as Cliffton in southern and northern Sweden as well as Grävsam in western Sweden. Competitors are minor players and Skanska, BDX and some major transportation centrals. The market for transportation and machines is a characterised by large regional differences but is expected to contract somewhat in 2010.

The market for foundation work is spread out over housing, premises and civil engineering. Normally housing dominates with 50 percent of volumes but it has dropped drastically in 2009. Civil engineering, which is normally 20 percent of volumes, has sailed up and is expected to dominate in 2010 as well. Unfortunately this increase is not expected to completely compensate for the decline in housing.

DIVISION CONSTRUCTION SYSTEMS

A NEW COMPETITIVE ORGANISATION IN PLACE

Division Construction Systems was created in 2009 primarily from parts of Peab Industri. This required spending most of the year to form and build up the division and put together a shared division management team.

Focus in 2010 will be on coordinating operations in division Construction Systems in line with the overriding structure within the other business areas and divisions in Peab. Among other things we have integrated the industrial companies' construction related operations in Norway. Rental operations have been coordinated into a Nordic unit under the brand Lambertsson.

Division Construction Systems now consists of four, clearly defined units; Skandinaviska Byggelement, Lambertsson, Interoc (Tiling, facades and ceilings) and PGS (Industrial construction). Lambertsson has three Nordic divisions; Cranes, Machines and Electricity. NeTel, which, among other things, works with power grid infrastructure, is now a part of Lambertssons division Electricity.

All told this gives us better opportunities for synchronisation. It increases cost-efficiency and the entire business area can use the same support resources.

THE MARKET

The downturn in the economy meant lower volumes in construction, particularly housing construction. This led to a drop in net sales and profitability in the housing construction related sections of division Construction Systems. At the same time civil engineering related sections did rather well. Measures have been taken during the year to counteract the downturn and this has allowed us to balance our business. We cut down investments and delayed expansion, which was possible thanks to the high level of investments when the economy was good.

Machine operations have generally done well and prefab has maintained the same level of volumes, which in a shrinking market means we have actually won market shares. Development of PGS continued during the year with a number of pilot projects to make sure that the technology and product are up to specification. These tests were successful and in 2010 we will progressively scale up production.

Through the new Nordic organisation we are going to focus on greater synergies among the various companies and more growth in Norway and Finland while we further develop operations in Sweden.

Thanks to the decline in volumes competition became even tougher in 2009. However, the market is not the same for all the companies in the division. Generally speaking we have tackled the competition well thanks to our proximity to our customers and the market. Our strong financial position and quick decision-making process makes us very effective and this in turn has made it possible to handle the market situation and take advantage of the business opportunities that arose.

PRIORITIES FOR THE BUSINESS AREA IN 2010

2010 will be an interesting year with a number of ongoing activities. Above all we will focus on:

- Developing cooperation and coordination strategies
- More activity in Norway and Finland
- Greater productivity

WELL KNOWN LOCAL BRANDS WITH PEAB'S STRENGTH

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 and Norway.

Kranor AS rents cranes, elevators and mastclimbers in Norway.

Bärarelaget is a complete partner in mobile cranes, trucks and crane trucks.

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

Cliffton offers services within transportation and machines 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, climbing platforms and more in Finland.

Peab Grundläggning

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

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

Vasa Betong is a supplier of ready-mixed concrete in Finland.

Smefa works with foundation fortification, pile-driving, tonguing, drill plinths and more in Norway.

NSP works with foundation fortification, pile-driving, tonguing, drill plinths and more in Norway.

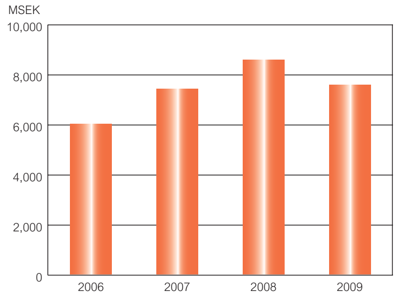
Performs land and pavement work in Sweden.

IMPORTANT EVENTS IN 2009.

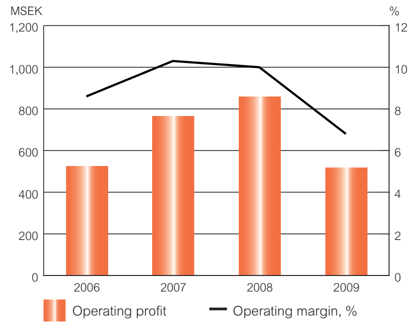
- Net sales fell by 12 percent as a result of a weaker construction market.
- Operating profit fell by some 40 percent as a result of lower volumes.
- The new Nordic organisation that creates synergies was implemented.
- New asphalt plant started in Trondheim.
- Development of ballast operations was launched in Finland.
- Larger investments in energy and environmental efficiency.

KEY RATIOS	2009	2008
Net sales, MSEK	7,581	8,581
Operating profit, MSEK	514	855
Operating margin, %	6.8	10.0
Number of employees	2,537	2,676

Net sales



Operating profit and operating margin



BOARD OF DIRECTORS' REPORT

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 2009 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 DURING 2008

From 15 December 2008 and until the end of February 2009 Peab progressively acquired 98.1 percent of the capital in Peab Industri AB. Peab Industri has been consolidated in 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 acqusition. Peab Industri is recorded in the pro forma income statement for 2008 as if it had been owned by Peab 100 percent. For further information, see note 2 Pro forma reporting.

NET SALES

Group net sales for 2009 increased by 3 percent to SEK 35,140 million (34,132). Of the year's net sales, SEK 4,705 million (5,306) was attributable to sales and production outside Sweden. Group net sales decreased by 12 percent compared with pro forma including Peab Industri of SEK 39,762 million the previous year and net sales adjusted for acquired and divested units decreased by 12 percent. The drop in net sales is primarily due to the weak economy and reduced housing production.

OPERATING PROFIT

Operating profit for 2009 amounted to SEK 1,601 million compared with SEK 1,349 million for the previous year. Included in operating profit is an income of SEK 10 million stemming from lower competition damages charge in the asphalt cartel case according to the Market Court's decision handed down on 28 May 2009. Pro forma including Peab Industri operating profit for the comparable year amounted to SEK 2,202 million. The drop is a result of the downturn in the economy with lower volumes and lower profits in housing production.

Depreciation for the year amounted to SEK 747 million compared with SEK 120 million for the previous year. Pro forma including Peab Industri depreciation for the comparable year amounted to SEK 664 million.

Profit from participation in associated companies and joint ventures accounted for SEK 18 million (-6) and other operating income amounted to SEK 90 million (25).

Net financial items amounted to SEK 46 million (-335), of which net interest expense amounted to SEK -173 million (-54). Pro forma including Peab Industri net financial items for the comparable year amounted to SEK -490 million, of which net interest expense amounted to SEK -200 million. Dividends from Brinova are included in net financial items of SEK 15 million (32). The effect of valuing financial instruments at fair value affected net financial items by SEK 229 million (-324), of which the income effect of valuing the Brinova holding at fair value amounted to SEK 218 million (-302). The shareholding is reported at market price on the balance sheet date.

Pre-tax profit amounted to SEK 1,647 million, compared with SEK 1,014 million for the previous year. Pro forma including Peab Industri pre-tax profit for the comparable year was SEK 1,712 million.

Tax for the year amounted to SEK -326 million (79), which is equivalent to a tax rate of 20 percent. The comparable year includes deferred tax income of SEK 507 million which was generated through the acquisition of companies with deferred prepaid tax together with formal tax issue decisions.

Profit for the year amounted to SEK 1,321 million (1,093). Profit pro forma including Peab Industri for the comparable year was SEK 1,724 million.

FINANCIAL POSITION

The equity/assets ratio on 31 December 2009 was 29.3 percent, compared with 25.2 percent at the previous year-end. The improvement is mainly explained by increased profit. Interest-bearing net debt amounted to SEK 4,469 million compared to SEK 4,042 million at the previous year-end. The average interest rate in the loan portfolio on 31 December 2009 amounted to 2.1 percent (4.6).

Group liquid funds, including non-utilised credit facilities, amounted to SEK 6,709 million at the end of the year, compared with SEK 6,165 million on 31 December 2008.

At the end of the year, Group contingent liabilities, excluding joint and several liability in trading and limited partnerships, amounted to SEK 1,999 million compared with SEK 1,885 million on 31 December 2008. Of contingent liabilities, obligations to tenant-owners' associations under construction amounted to SEK 1,624 million compared with SEK 1,507 million on 31 December 2008.

INVESTMENTS

During 2009, net investments in tangible and intangible fixed assets amounted to SEK 1,493 million (599), of which SEK 419 million were included in the acquisition of Annehem Fastigheter. In total SEK 518 million (914) was invested in project and development properties. Peab Industri is not included in the comparable year 2008.

CASH FLOW

Cash flow from current operations in 2009 has grossly improved compared with 2008, especially in the fourth quarter. In the previ-

E4 in Örkelljunga. Peab constructed 16.4 km of highway, 22 bridges, two major highway junctions and more.

ous year cash flow was charged with, among other things, the effects of a lower number of housing production starts and large VAT payments. In 2009 the number of housing production starts stabilised and, at the same time, we worked to reduce the level of capital tied up in operations.

Peab Industri is not included at all in the comparable year 2008. Cash flow from current operations before changes in working capital amounted to SEK 2,114 million compared with SEK 1,144 million in the previous year. Cash flow from changes in working capital amounted to SEK -546 million (-1,441). Investments in project and development properties amounting to SEK -371 million (-500) are included in the change in working capital.

Cash flow from investment activities amounted to SEK -883 million compared with SEK -967 million the previous year. Investments in Industry operations amounted to SEK -269 million. During 2008 corresponding investments were SEK -1,163 million, which are not included in the comparable item in cash flow. Included in investment activities are also investments of SEK -400 million (0) to develop apartment buildings with flats for rent.

Cash flow before financing amounted to SEK 685 million compared with SEK -1,264 million the previous year.

COMMENTS ON THE BUSINESS AREAS

CONSTRUCTION

The Construction business area comprises the Group's construction related services and is run in five divisions in Sweden, one division in Norway and one division in Finland.

Net sales for 2009 amounted to SEK 22,355 million, compared with SEK 26,493 million for the previous year, which corresponds to a decrease of 16 percent. Net sales adjusted for acquired units decreased by 16 percent. The reduction in net sales percentage wise is significantly larger in Norway and Finland than in Sweden. This is in part a result of previous, intentional reductions in order backlogs in Norway and Finland.

Operating profit for the year amounted to SEK 814 million, compared with SEK 1,075 million during the previous year. Operating margin sank to 3.6 percent compared with 4.1 percent for the previous year. The reduction in operating profit and operating margin is primarily due to lower housing production.

CIVIL ENGINEERING

The Civil Engineering business area consists of civil engineering related operations and is run in a single Nordic division.

Net sales for 2009 amounted to SEK 9,339 million compared with SEK 9,132 million for the previous year, which corresponds to an increase of 2 percent. Adjusted for acquired units net sales still increased by 2 percent. Operating profit for the year amounted to SEK 446 million compared with SEK 434 million for the previous year. Operating margin amounted to 4.8 percent and was unchanged compared with the previous year.

INDUSTRY

Starting in the third quarter of 2009 the Industry business area is run in two divisions, Industry and Construction systems. Both of them are focused on the Nordic construction and civil engineering markets.

Net sales for 2009 amounted to SEK 7,581 million compared with SEK 8,581 million the previous year, which corresponds to a decrease of 12 percent. Including adjustments for acquired and divested units nets sales fell by 11 percent.

Operating profit amounted to SEK 514 million compared with SEK 855 million the previous year. Operating margin sank to 6.8 percent compared with 10.0 percent for the previous year. The reduction in operating profit and operating margin is attributable to the deteriorated conditions on the market for private construction investments.

ORDERS RECEIVED AND ORDER BACKLOG CONSTRUCTION AND CIVIL ENGINEERING

Orders received for 2009 amounted to SEK 30,393 million compared to SEK 32,269 million for 2008. Included in orders received are the new projects in Solna, which are worth more than SEK 4 billion with the new national arena for football at the heart of the projects worth SEK 2.2 billion. This is the single largest order Peab has ever received. In December 2009 we received the commission to build the new Stockholm Arena in the Globe area. The value of the contract is around SEK 2 billion and the project will be reported as an order in the second quarter of 2010.

The order backlog still to be produced at the end of the year totalled SEK 24,487 million compared with SEK 24,233 million at

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	2009	2008	2009	2008	2009	2008
Construction	22,355	26,493	814	1,075	3.6%	4.1%
Civil Engineering	9,339	9,132	446	434	4.8%	4.8%
Industry	7,581	8,581	514	855	6.8%	10.0%
Group functions	180	101	–173	–160		
Eliminations	–4,315	–4,545		–2		
Total	**35,140**	**39,762**	**1,601**	**2,202**	**4.6%**	**5.5%**
Total excluding Industry		**34,132**		**1,349**		**4.0%**

previous year-end. Order backlog has shrunk a bit in the Swedish construction divisions and in division Norway while it has grown in division Finland and Civil Engineering.

Of the total order backlog, 29 percent (24) is expected to be produced after 2010. Construction projects accounted for 68 percent (69) of the order backlog. Swedish operations accounted for 89 percent (90) of the order backlog.

No orders received or order backlog is given for the business area Industry.

HOUSING PRODUCTION

Peab also works with its own housing development production, i.e. tenant-owner housing and single homes sold directly to the customer, as part of our contracting business. Our own housing developments do not include rentals production. New production of Peab's own housing developments made up 7 percent of net sales for 2009 compared with 10 percent for the year 2008 (including Peab Industri).

The number of sold homes in production at the end of the year was 2,832 compared with 3,612 at the previous year-end. In comparison with the previous year production start ups of our own housing developments were low but an improvement has occured from the second quarter of 2009. The portion of sold homes in production was 76 percent compared with 68 percent at the end of 2008. Since our housing production is focused on homes at reasonable prices we have not seen any reason to lower the prices of ongoing housing projects. The dramatically lower interest rates have led to better sales gradually during the year. The number of sold homes during the year was 1,082 compared with 1,282 in 2008.

We can see a clear shift in the trend from flats with tenancy rights to rentals and we work actively together with several municipalities to find solutions to the acute housing shortages in many parts of Sweden. Housing production for external customers is gathering speed after a weak second half of 2008. We have seen the demand for new rental properties increase and we are actively participating in developing new rental projects. We have invested SEK 400 million in the development of apartment buildings with flats for rent during the year. These projects are not included in our own housing development production reported above. Peab's long-term strategy is not to own and run completed real estate projects.

The total holding of project and development properties at the end of the year amounted to SEK 4,132 million compared with SEK 3,614 million per 31 December 2008. The number of repurchased homes on 31 December 2009 was 258 (181), of which 156 (173) are attributable to Finnish housing companies.

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 AB 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 -173 million (-160).

RESEARCH AND DEVELOPMENT

Peab has an ongoing R&D program in our day-to-day production, in part to be able to offer our customers improved products and services, and in part to boost Peab's competitiveness. One of the development projects that has been in progress a while is PGS (Peab General System). PGS develops and supplies a flexible system of pre-fab building components that are assembled to make up a complete apartment building. The first PGS concept buildings were constructed in 2009.

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

Peab's own housing development construction

	Jan-Dec 2009	Jan-Dec 2008	Jan-Dec 2007
Number of housing starts during the year	910	1,496	2,011
Number of homes sold during the year	1,082	1,282	2,035
Total number of homes under construction, at year-end	2,832	3,612	3,843
Share of sold homes under construction, at year- end	76%	68%	75%
Number of repurchased tenant-owner rights/shares in Finnish housing companies in the balance sheet, at year-end	258	181	104

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 uncertainty 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 in July 2007, Peab was ordered to pay total competition damage fines of SEK 85 million, which was charged to profit for the year in 2007. Peab appealed against the decision of the district court to the Swedish Market Court and arbitration was conducted in 2008. The Market Court decision in the asphalt cartel case was handed down on 28 May 2009 and it reduced the competitive damages charge Peab must pay by SEK 10 million to a total of SEK 75 million which was paid during the second quarter. The Market Court is the highest authority in this case and the judgement cannot be appealed.

SENSITIVITY ANALYSIS

Peab's operations are sensitive to changes in, among other things, volumes and margins. The sensitivity analysis below describes how pre-tax profit is affected by changes in some of the important Group variables.

SENSITIVITY ANALYSIS

MSEK	Calculation basis	Change	Pre-tax profit effect
Operative			
Volume (operating margin constant)	35,000	+/– 10%	+/– 161
Operating margin (volume constant)	4.6%	+/– 1%	+/– 350
Materials and subcontracts	17,440	+/– 1%	–/+ 174
Financial			
Net debt (rate of interest constant)	4,400	+/– 10%	+/– 9
Average effective int. rate [1] (net debt constant)	2.1%	+/– 1%	+/– 31
Holding of Brinova shares (book value)	393	+/– 10%	+/– 39

1) The calculation is based on the assumption that SEK 3,076 million of net debt has a fixed interest period shorter than one year and thereby affected more or less at once by a change in market interest rates.

ACQUISTIONS DURING THE YEAR

Peab AB made a public offer on 17 April 2009 to the shareholders of Annehem Fastigheter AB (publ) to transfer all shares in Annehem Fastigheter to Peab. Shareholders representing 99.6 percent of the votes and capital (including Peab's previous holding) had accepted the offer. Peab has called for a compulsory redemption of the remaining shares. The Annehem Fastigheter share was taken off NASDAQ OMX First North on 31 July 2009.

On 14 May 2009 Peab's Annual General Meeting gave the Board authorisation to, for the period until the next Annual General Meeting, transfer, at the most, all own shares the company holds at any particular time. Based on this authorisation Peab's Board decided to transfer 7,910,580 B shares to the shareholders in Annehem Fastigheter which have accepted the offer and as payment chosen to receive shares in Peab. The transfers were carried out 1 July 2009 and 1 September 2009.

Annehem Fastigheter develops projects and real estate in the Öresund Region. One of the ongoing projects that has drawn a great deal of attention is Point Hyllie, which is connected to the City Tunnel and Hyllie Station and will become a central hub in the new district of Malmö. Peab has seen the potential in Annehem Fastigheter's project portfolio and in its view, Annehem Fastigheter's development projects are good strategic fit for Peab's structure. Peab has both the know-how and financial strength to develop and drive the various projects forward. Along with the development projects Annehem Fastigheter has built up a portfolio of investment properties in Skåne. The properties are housing and commercial buildings mainly located in central Landskrona. In the beginning of 2010, the investment properties where transferred to the newly founded real estate company Tornet AB.

For further information on other acquisitions, see note 5.

CHANGES IN EXECUTIVE MANAGEMENT

The construction market has changed rapidly since the autumn of 2008. Peab has made adjustments in executive management in order to take the initiative in the new situation. Mats Paulsson, the President and CEO of Peab has appointed Jan Johansson as Vice President. This appointment will allow Mats Paulsson to focus more on overriding strategic matters, while Jan Johansson will be responsible for Peab's operations. Tore Hallersbo has been made Deputy CEO and a member of executive management responsible for Business Development. Tore has worked at Peab since 2005, is 55 years old and was previously Division Manager of Peab's construction division West.

Peab's executive management consists of the following members:

Mats Paulsson, President and CEO
Jan Johansson, Vice President
Mats Johansson, Human Resources and Communication
Jesper Göransson, CFO
Tore Hallersbo, Business Development

At the same time an executive management advisory board has been created aimed at raising the preparedness for future markets and increase focus on our current undertakings. Peab's executive management advisory board and its division of responsibility:

Mats Leifland, IR, investments and structural business
Niclas Winkvist, acquisitions and business support.

IMPORTANT EVENTS DURING THE YEAR

Anders Elfner has left his post as Deputy CEO in Peab. Anders Elfner, 54 years, joined Peab in 2003 when he was made a Deputy CEO.

Peab, Fabege and Brinova have founded a new real estate company, Tornet AB, which will own rental properties. The company will focus on developing and managing existing property as well as its own new rental production in municipalities with housing shortages primarily in the Stockholm-, Mälardalen-, Gothenburg- and Öresund Regions. Peab and Fabege each own 45 percent of Tornet AB while Brinova owns 10 percent.

In the beginning of 2010 Peab has transfered to Tornet AB 314 rentals and commercial premises with a total floor space of approximately 49,000 square metres and a market value of approximately SEK 440 million, which corresponds to its book value. Peab gained ownership of the property in 2009 when it acquired Annehem Fastigheter. The property is concentrated to the Skåne region, in particular Landskrona and Ystad. The existing loan financing of the property has been transferred to Tornet AB.

Peab's share in Tornet AB is recorded at approximately SEK 280 million. These transactions have not had any effect on Peab's profit.

ENVIRONMENT

In 2008 Peab established a vision, a strategy and four focused objectives for our future environmental work: energy efficient construction, conservation of resources in the use of materials, environmentally aware product choices and efficient transportation. An updated vision and strategy for the Group's environmental work and a clarification and extension of our environmental objectives is expected in the first half of 2010. When we set up our new organisation we appointed an Environmental Manager on Group level who will also be responsible for energy issues.

Peab works with our own operations management system (VLS) in which we have integrated environmental issues into our work processes. The system is based on the requirements in ISO 14001. During the year Division West in business area Construction was certified according to ISO 14001 and ISO 9001Environmental classification of buildings.

There are currently a number of systems to environmentally classify buildings. Peab has decided not to choose one over the other. Instead we have the ambition to master them all. Peab's own housing developments are designed today as low-energy houses. This means that their total energy consumption will only be 60-70 percent of the amount permitted by building norms for houses heated by district heating. Buildings heated with electricity are now constructed with even lower energy consumption. We only use green electricity in our production.

Peab signed a new contract for waste management in 2009 reducing our suppliers to two, which allows us to better steer and follow up waste management. The new process will be more cost-effective and contribute to resource conservation.

During the year Peab House Declaration changed names to Peab Building Declaration. It 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.

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. Peab analyses and documents risks and works preventively to minimise them. The environmental risks, requirements, preventive measures, follow up and documentation in a project are identified and steered with the help of a project plan and accompanying checklists.

ENVIRONMENTAL IMPACT

Peab runs operations required to have permits according to the Environmental Act in the Swedish subsidiaries Swerock, Skandinaviska Byggelement and Peab Asfalt. There are operations that require permits according to the Environmental Act in Finland. Swerock was ISO 14001 certified in 2000.

In Sweden 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 in Finland requiring a permit primarily work with ballast and manufacturing concrete. The operations required to have permits represent about two percent of Group net sales 2009. Renewal and supplementation of permits is continuous.

Swerock's concrete plants and Skandinaviska Byggelement's concrete product plants and Peab Asfalt's stationary and mobile units must submit reports. Operations that must submit reports represent about five percent of the Group's total net sales 2009.

PEAB´S PERSONNEL

Peab works systematically to improve the working environment and we have defined two prioritised areas for this work, strain injuries and workplace injuries. Our goal is that by the end of 2013 we will have halved the number of newly reported strain injuries and reduced workplace injuries from the current level of 9 to 7 per million man hours.

Peab's work environment managers have visited more than 200 workplaces during the year 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. To reduce strain injuries Peab has in cooperation with Previa held a course giving our employees more knowledge, a different behaviour pattern and a stronger sense of responsibility in order to minimise strain injuries and accidents.

Sick leave, in particular long-term absence due to illness, is shrinking. Peab works with a wide variety of rehabilitation measures in cooperation with Försäkringskassan (national insurance agency) and our occupational health service.

During the year we sent out the third edition of our personnel questionnaire, the Handshake. The inquiry is an extensive questionnaire with questions concerning how our employees view their working environment, leadership and Peab as an employer. The majority of our employees are positive, for instance all of 77 percent say that they would happily recommend others to work at Peab. The experienced importance of health and the working environment is up 11 percent from the previous questionnaire, primarily among craftsmen.

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 not only sports and working out but family activities and education on health as well.

The average number of Peab Group employees in 2009 was 13,633 compared with 11,945 in 2008. Including Peab Industri, the average number of employees in 2008 was 14,482.

PROFIT SHARING FOUNDATION

In 2007 Peab established a profit sharing foundation to replace previous systems for profit sharing. For further information on the profit sharing foundation, see note 8.

CONVERTIBLE PROMISSORY NOTES 2007/2012

On 16 May 2007, the AGM of Peab 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.

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 from December 2008 to February 2009. The increase in the number of shares and votes in Peab AB after the issue in kind 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 PEAB SHARE

At the end of the year Peab's share capital amounted to SEK 1,583,866,056, million divided among a total of 296,049,730 shares, resulting in a nominal value of SEK 5.35 per share.

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.

On 28 February 2010 there were 33,027 shareholders in Peab. Mats Paulsson and his companies represent the largest single shareholder with 14.9 percent of the capital and 22 percent of the votes. The joint ownership related to the company's founders Mats and Erik Paulsson amounted on 28 February 2010 to 32 percent of the capital and 66 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 2009 the foundation owns 4,785,108 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 14 May 2009 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 2009, Peab's holding of own shares amounted to 4,906,220 B shares, corresponding to 1.7 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 million 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 31 December 2009.

HOLDINGS OF OWN SHARES

At the beginning of 2009 Peab's own B share holding was 12,376,800 which corresponds to 4.3 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, Peab's Annual General Meeting on 14 May 2009 resolved to authorise the Board to, during the period until the next Annual General Meeting, acquire shares so that the company would have at most 10 percent of the total shares in Peab AB. During 2009, 440,000 B shares were repurchased for a total of SEK 11 million.

In connection with the acquisition of Annehem Fastigheter on July and September 2009 7,910,580 of Peab's own B shares worth SEK 252 million were sold. On 31 December 2009 the Group held 4,906,220 B shares to a nominal value of SEK 5.35 per share, corresponding to share capital of SEK 26 million, which makes up 1.7 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 99, report on Corporate governance.

REMUNERATION FOR SENIOR OFFICERS

The Board of Directors will propose leaving the remuneration policy unchanged at the AGM on 11 May 2010. For more information about the guidelines adopted for deciding salaries and other remuneration for the CEO and other senior officers, see note 8.

ANTICIPATED FUTURE DEVELOPMENT

The drastic decline in the construction market during the second half of 2008 has been followed by a persistent weak economy in 2009. After several years of strong growth the Swedish construction and civil engineering markets fell by 6 percent in 2009. According to Swedish Construction Federation, the growth will rise again in 2010 by 5 percent.

Drastically reduced credit rates have had a positive effect on sales in ongoing housing projects, especially in the second half of 2009. The government's investments in infrastructure are generating good growth in public civil engineering construction. The Budget Bill investments for the near future provide an additional SEK 5 billion annually during 2009-2010, which has led to a number of new projects. The Infrastructure Bill for 2010-2021 proposes significantly higher appropriations than in previous infrastructure plans. Private civil engineering investments are expected to continue to grow, particularly in power and energy plants. This is in part due to persistently high energy prices as well as investments in renewable energy sources.

A major need for new and refurbished public premises as well as extra federal funds to municipalities and county councils are expected to contribute to positive developments in the construction of public buildings. The economic slump has drastically reduced demand in private investments in buildings resulting in delay or shutdown of planned projects. Demand is expected to continue to be weak through 2010 according to Swedish Construction Federation. The same holds true for the market situation for new industrial facilities.

PARENT COMPANY

The activities of the parent company consist of Group management and common Group responsibilities. Operating profit 2009 amounted to SEK –57 million (–105).

PROPOSED APPROPRIATION OF PROFITS

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

Share premium reserve	2,308,208,948
Special reserve	55,000,000
Profit brought forward	1,876,978,771
Profit for the year	521,925,047
Total	**4,762,112,766**

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

296,049,730 shares at SEK 2.50 per share distributed to the shareholders	740,124,325
Carried forward [1]	4,021,988,441
Total	**4,762,112,766**

1) Of which to share premium reserve 2,308,208,948
Of which to special reserve 55,000,000

INCOME STATEMENT AND REPORT ON COMPREHENSIVE INCOME FOR THE GROUP

Income statement for the Group

MSEK	Note	2009	2008	Pro forma 2008
Net sales	2,3,4	35,140	34,132	39,762
Production costs		–31,529	–31,029	–35,477
Gross profit		**3,611**	**3,103**	**4,285**
Sales and administrative expenses		–2,118	–1,773	–2,104
Profit from participation in associated companies and joint ventures	17,18	18	–6	–4
Other operating income	6	90	25	25
Operating profit	2,4,7,8,9,10,37	**1,601**	**1,349**	**2,202**
Financial income		321	202	210
Financial expenses		–274	–534	–697
Profit from participation in joint ventures	18	–1	–3	–3
Net finance	2,11	**46**	**–335**	**–490**
Pre-tax profit		**1,647**	**1,014**	**1,712**
Tax	13	–326	79	12
Profit for the year		**1,321**	**1,093**	**1,724**
Profit for the year attributable to:				
Shareholders in parent company		1,315	1,093	1,724
Minority interest		6	0	0
Profit for the year		**1,321**	**1,093**	**1,724**
Profit per share	14			
before dilution, SEK		4.59	6.56	6.10
after dilution, SEK		4.58	6.45	6.05

Statements of comprehensive income for the Group

MSEK	Note	2009	2008
Profit for the year		**1,321**	**1,093**
Other comprehensive income			
Translation difference for the year when translating foreign operations		60	78
Profit/loss from exchange risk hedging in foreign operations		–51	–
Change for the year in fair value of cash flow hedges		283	–227
Changes in fair value of cash flow hedges recognised in this year's profit		3	–
Tax attributable to components in other comprehensive income	13	–50	58
Other comprehensive income for the year		**245**	**–91**
Total comprehensive income for the year		**1,566**	**1,002**
Total comprehensive income for the year attributable to:			
Shareholders in parent company		1,559	1,002
Minority interests		7	0
Total comprehensive income for the year		**1,566**	**1,002**

BALANCE SHEET FOR THE GROUP

MSEK	Note	2009	2008
Assets			
Intangible assets	15	2,281	2,112
Tangible assets	16	4,904	4,335
Participation in associated companies	17	–	0
Participation in joint ventures	18	668	326
Other securities held as fixed assets	21,35,36	536	302
Interest-bearing long-term receivables	20,35,36	387	453
Deferred tax recoverables	13	123	595
Other long-term assets	22,35	49	69
Total fixed assets		**8,948**	**8,192**
Project and development properties	23	4,132	3,614
Inventories	24	492	528
Accounts receivable	25,35,36	5,155	5,939
Interest-bearing current receivables	20,35,36	388	329
Tax assets		97	81
Recognised but not invoiced income	26	3,761	4,137
Prepaid expenses and accrued income		364	420
Other current receivables	22,35	483	461
Short-term holdings	35,36	904	1,007
Liquid funds	35,36	1,584	984
Total current assets		**17,360**	**17,500**
Total assets		**26,308**	**25,692**
Equity	28		
Share capital		1,584	1,557
Other contributed capital		2,576	2,470
Reserves		242	–1
Profit brought forward included profit for the year		3,264	2,344
Equity attributable to shareholders in parent company		**7,666**	**6,370**
Minority interest		**43**	**92**
Total equity		**7,709**	**6,462**
Liabilities			
Interest-bearing long-term liabilities	29,35,36	5,670	5,563
Other long-term liabilities	32,35	61	92
Provisions for pensions	30,35	20	16
Other provisions	31	258	226
Total long-term liabilities		**6,009**	**5,897**
Interest-bearing short-term liabilities	29,35,36	2,042	1,235
Accounts payable	35,36	3,069	4,044
Income tax liabilities		273	307
Invoiced income not yet recognised	33	3,945	3,685
Accrued expenses and deferred income		2,330	2,634
Other short-term liabilities	32,35	871	1,309
Provisions	31	60	119
Total short-term liabilities		**12,590**	**13,333**
Total liabilities		**18,599**	**19,230**
Total equity and liabilities		**26,308**	**25,692**

See note 39 for information concerning Group´s pledged assets and contingent liabilities.

REPORT ON CHANGES IN GROUP'S EQUITY

	Equity attributable to shareholders in parent company							
MSEK	Share capital	Other contributed capital	Translation reserve	Hedging reserve	Profit brought forward included profit for the year	**Total**	Minority interest	**Total equity**
Opening balance equity 2008-01-01	**933**	**679**	**92**	**–3**	**1,899**	**3,600**	**6**	**3,606**
Total comprehensive income for the year			73	–164	1,093	1,002		1,002
Dividends					–377	–377		–377
New share issue	623	1,763				2,386		2,386
Acquisition of own shares					–282	–282		–282
Sales 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
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 2008-12-31	**1,557**	**2,470**	**165**	**–167**	**2,345**	**6,370**	**92**	**6,462**
Opening balance equity 2009-01-01	**1,557**	**2,470**	**165**	**–167**	**2,345**	**6,370**	**92**	**6,462**
Total comprehensive income for the year			28	216	1,315	1,559	7	1,566
Dividends					–637	–637		–637
New share issue	27	106				133		133
Acquisition of own shares					–11	–11		–11
Sales of own shares					252	252		252
Acquisition of minority interest							–56	–56
Closing balance equity 2009-12-31	**1,584**	**2,576**	**193**	**49**	**3,264**	**7,666**	**43**	**7,709**

CASH FLOW STATEMENT FOR THE GROUP

MSEK	Note	2009	2008
Current operations	43		
Pre-tax profit		1,647	1,014
Adjustments for non-cash items		528	170
Income tax paid		–61	–40
Cash flow from current operations before working capital changes		**2,114**	**1,144**
Cash flow from changes in working capital			
Increase (-) /Decrease (+) project and development properties		–371	–500
Increase (-) /Decrease (+) inventories		–140	–46
Increase (-) /Decrease (+) current receivables		1,401	–544
Increase (+) /Decrease (-) current liabilities		–1,436	–351
Cash flow from changes in working capital		**–546**	**–1,441**
Cash flow from current operations		**1,568**	**–297**
Investment operations			
Acquistion of subsidiaries, net effect on liquid funds		62	–452
Sale of subsidiaries, net effect on liquid funds		–16	12
Acquistion of intangible fixed assets		–24	–45
Acquistion of tangible fixed assets		–888	–227
Sale of tangible fixed assets		108	18
Acquistion of financial assets		–156	–350
Sale of financial assets		31	77
Cash flow from investment operations		**–883**	**–967**
Cash flow before financing		**685**	**–1,264**
Financing operations			
Repurchases of own shares		–11	–282
Borrowings		444	2,678
Dividend distributed to the shareholders of the parent company		–637	–377
Cash flow from financing operations		**–204**	**2,019**
Cash flow for the year		**481**	**755**
Cash at the beginning of the year		1,991	1,212
Exchange rate differences in cash		16	24
Cash at year-end		**2,488**	**1,991**

INCOME STATEMENT FOR THE PARENT COMPANY

MSEK	Note	2009	2008
Net sales	3	96	53
Administrative expenses	8,9	–153	–158
Operating profit		**–57**	**–105**
Profit from financial investments	11		
Profit from participations in Group companies		365	271
Profit from securities and receivables accounted for as fixed assets		273	–269
Other interest income and similar profit items		10	24
Interest expenses and similar loss items		–242	–229
Profit after financial items		**349**	**–308**
Appropriations	12	160	–159
Pre-tax profit		**509**	**–467**
Tax	13	13	120
Profit for the year		**522**	**–347**

BALANCESHEET FOR THE PARENT COMPANY

MSEK	Note	2009	2008
Assets			
Fixed assets			
Tangible assets			
Machinery and equipment	16	2	3
Total tangible assets		**2**	**3**
Financial assets			
Participations in Group companies	41	11,634	11,276
Receivables from Group companies	19,35	1,546	655
Other securities held as fixed assets	21,35	430	227
Interest-bearing long-term receivables	20,35	–	59
Other long-term receivables	22,35	1	1
Total financial assets		**13,611**	**12,218**
Total fixed assets		**13,613**	**12,221**
Current assets			
Short-term receivables			
Accounts receivable	25,35	0	–
Receivables from Group companies	19,35	59	29
Interest-bearing short-term receivables	20,35	284	306
Other short-term receivables	22,35	–	40
Prepaid expenses and accrued income	27	8	6
Total short-term receivables		**351**	**381**
Liquid funds	35	11	2
Total current assets		**362**	**383**
Total assets		**13,975**	**12,604**
Equity and liabilities	28		
Equity			
Restricted equity			
Share capital		1,584	1,557
Statutory reserve		300	300
Non-restricted equity			
Share premium reserve		2,308	2,202
Special reserve		55	55
Profit brought forward		1,877	2,575
Profit for the year		522	–347
Total equity		**6,646**	**6,342**
Untaxed reserves	42	**0**	**160**
Long-term liabilities			
Liabilities to Group companies	35	6,567	5,180
Convertible promissory note	35,36	573	566
Deferred tax liabilities	13	7	9
Total long-term liabilities		**7,147**	**5,755**
Short-term liabilities			
Accounts payable	35	7	24
Liabilities to Group companies	35	5	3
Tax liabilities		136	132
Other short-term liabilities	32,35	6	144
Accrued expenses and deferred income	34	28	44
Total short-term liabilities		**182**	**347**
Total equity and liabilities		**13,975**	**12,604**
Pledged assets and contingent liabilities for parent company			
Pledged assets		–	–
Contingent liabilities	39	13,626	11,972

REPORT ON CHANGES IN THE PARENT COMPANY'S 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 equity
Opening balance equity 2008-01-01	**933**	**300**	**436**	**55**	**1,431**	**1,132**	**4,287**
Profit for the year						–347	-347
Allocation of profits					1,132	–1,132	0
Group contribution received					916		916
Tax attributable to Group contribution					–257		–257
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
Sales of own shares					12		12
Closing balance equity 2008-12-31	**1,557**	**300**	**2,202**	**55**	**2,575**	**–347**	**6,342**
Opening balance equity 2009-01-01	**1,557**	**300**	**2,202**	**55**	**2,575**	**–347**	**6,342**
Profit for the year						522	522
Allocation of profits					–347	347	0
Group contribution received					61		61
Tax attributable to Group contribution					–16		–16
Cash dividend					–637		–637
New share issue	27		106				133
Acquisition of own shares					–11		–11
Sales of own shares					252		252
Closing balance equity 2009-12-31	**1,584**	**300**	**2,308**	**55**	**1,877**	**522**	**6,646**

CASH FLOW STATEMENT FOR THE PARENT COMPANY

MSEK	Note	2009	2008
Current operations	42		
Pre-tax profit		349	–308
Adjustments for non-cash items		–576	59
Income tax paid		–1	–4
Cash flow from current operations before working capital changes		**–228**	**–253**
Cash flow from changes in working capital			
Increase (-) /Decrease (+) current receivables		8	127
Increase (+) /Decrease (-) current liabilities		–169	129
Cash flow from changes in working capital		**–161**	**256**
Cash flow from current operations		**–389**	**3**
Investment operations			
Acquistion of tangible fixed assets		0	0
Acquistion of financial assets		–67	–987
Sale of financial assets		380	2
Cash flow from investment operations		**313**	**–985**
Cash flow before financing		**–76**	**–982**
Financing operations			
Repurchase of own shares		–11	–282
Borrowings		733	1,639
Dividend distributed		–637	–377
Cash flow from financing operations		**85**	**980**
Cash flow for the year		**9**	**–2**
Cash at the beginning of the year		2	4
Cash at year-end		**11**	**2**

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Commercial Centre Kungsholmen in Stockholm.
Constructed 2007-2009.

NOTES.

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 1.2 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 of by the board and CEO for publication on 29 March 2010. 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 11 May 2010.

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 profit and loss 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 44.

Changed accounting principles

Presentation of the financial reports

From 1 January 2009 the Group applies the amended IAS 1 Presentation of financial reports. The amendment requires that income and costs previously recognised directly in equity are now reported in other comprehensive income, which the company presents in a separate income and loss report entitled Statement on comprehensive income, which is presented directly after the income statement. Comparable periods have been changed throughout the annual accounts to harmonise with the new presentation. Since these changes only affect the presentation no amounts have been revised, neither earnings per share nor other items in the financial reports.

Information concerning segments

From 1 January 2009 the Group applies the new IFRS 8 Operating Segments, which replaces IAS 14 Segment presentation. IFRS 8 introduces a management perspective on the division and presentation of segments. The new principles are described in a separate paragraph below among accounting principles. The standard has been applied in accordance with transition provisions by adapting the information for the comparable year to the requirements in IFRS 8.

Application of IFRS 8 has not had an effect on Group segment division since the segments identified according to IAS 14 corresponded to those monitored by executive management. The company will continue to apply the same accounting principles in operating segments as those in consolidated accounting, i.e. IFRS. As a result no reported amounts have been changed compared with previously reported amounts.

Information concerning financial instruments

Amendments in IFRS 7 Financial instruments: Disclosures have been applied since 1 January 2009 and affect the company's financial reporting from the annual report for 2009. The changes primarily entail new disclosure requirements regarding financial instruments valued at fair value in the balance sheet. The instruments are classed into three levels depending on the quality of the inputs in the valuation. The division into levels decides how and which information must be given for each instrument; where level 3 with the lowest quality of inputs is regulated by higher information demands than the other two levels. In addition, the amendment of IFRS 7 provides for certain changes regarding disclosures concerning liquidity risks.

According to the transition provisions in IFRS 7 it is not necessary to present comparable information for the disclosures required by the amendment during the first year of application. Since the changes do not affect the manner in which a reported amount is calculated, no adjustments have been made to the amounts in the financial reports.

The other new and amended standards and interpretations issued by IASB respectively IFRIC and approved of by EU for application in 2009 have not had any effect on Group financial reports. Group accounting principles are unchanged compared with the annual report of 2008.

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 revised IFRS 3 Business combinations and the amended IAS 27 Consolidated and separate financial statements entails the following changes, among others: the definition of a business combination has been changed, acquisition costs must be expensed, conditional consideration must be measured at fair value at the time of acquisition and the effects of revaluation of debts related to conditional consideration are recognised as an income or cost in profit and loss. Other news is that there will be two alternative ways to report minorities and goodwill; either at fair value, in other words goodwill is included in minorities or alternatively that minorities are composed of shares in net assets. The choice between these two methods will be made individually for each acquisition. In addition, acquisitions that take place after the controlling interest is obtained are considered owner transactions and are recognised directly in equity, which is a change in the company's current principle where surplus amounts are reported as goodwill. The revised and amended standards will be applied as of the next financial year, i.e. from 1 January 2010.

The changes will only affect future reporting in the company.

IFRS 9 Financial instruments will replace IAS 39 Financial instruments: Classification and measurement, at the latest from 2013. IASB has published the first of at least three parts which together will make up IFRS 9. The first part concerns classification and evaluation of financial assets. IFRS 9 has not yet been approved for application by EU, and approval is not expected until EU can take a stand on all three parts of IFRS 9. Peab has therefore chosen to wait before making a consequence analysis.

IFRIC 15 Agreements for the construction of real estate clarifies when income from construction of real estate should be reported, which affects housing project reporting. According to the current principle income and profit and loss is reported according to IAS 11, Construction contracts with the percentage of completion method calculated on the percentage completion and sales degree. As a result of the new principle IAS 18 Revenue will be applied to Peab's housing projects in Finland and Norway as well as Peab's own housing developments in Sweden. Income from these projects will be recognised first when the projects will be handed over to the buyer. Income and profit and loss will therefore be reported later on in the process. IAS 11 is still deemed applicable on tenant-owner housing projects in Sweden and they will continue to be reported according to the percentage of completion method. However, sales degree will not be taken into account. This last point change accounting of estimates and aggregated profit and will be applied for future reporting from 1 January 2010. Expenses in the housing projects that will be reported according to IAS 18 will be recognised as work-in-progress in the balance sheet. On account invoices to customers will be reported as non-interest-bearing liabilities, and loans to finance housing projects in Finland and Norway will be reported as interest-bearing liabilities.

IFRIC 16 Hedges of a net investment in a foreign operation clarifies in what situations net investments may be hedged. This interpretation is not expected to have any effect on Peab.

Operating segments

An operating segment is an entity in the Group that engages in business activities from which it may earn revenues and incur expenses and for which discrete financial information is available. An operating segment's results are reviewed by the company's highest decision maker in order to assess its performance and to be able to allocate resources to the segment. In accordance with IFRS 8, segment information is provided for the Group only.

Classification etc.

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

Consolidation principles

Subsidiaries

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

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

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 consolidated profit for the year as Participations in profit of joint ventures. Only equity earned after the acquisition is recognised in the consolidated 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 profit for the year. 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 in other comprehensive income and are accumulated in a separate component in equity as a translation reserve.

Net investment in a foreign company

Translation differences arising from the translation of a foreign net investment are recognised via other comprehensive incomein the translation reserve in 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 reclassified from equity to profit for the year.

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

Income

Construction contracts

Current construction contracts are reported in accordance with IAS 11, Construction contracts. Under IAS 11 income and expenses must be recognised as the contract is completed. This principle is known as the percentage of completion method. Income and expenses are recognised in profit and loss 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 percent and 50 percent of the homes are sold, 25 percent 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 profit for the year 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 profit for the year 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 profit for the year over the leasing period. Benefits obtained from the signing of an agreement are recognised linearly in profit for the year over the term of the leasing agreement. Variable costs are expensed in the periods they occur.

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 according to 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. The coupon rate part is recognised on a current basis in profit for the year as interest income or interest expenses. Unrealised changes in the fair value of rate swaps are recognised in other comprehensive income and are part of the hedging provision until the hedged item affects profit for the year and as long as the criteria for hedge reporting is met.

Taxes

Income tax consists of current tax and deferred tax. Income tax is recognised in profit for the year except when the underlying transaction is recognised in equity, in which case the relevant tax is recognised in other comprehensive income or 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 via profit and loss 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 profit for the year 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 profit for the year 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 via profit and loss

Financial instruments in this category are constantly valued at fair value with value changes recognised in profit for the year. 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 via profit and loss

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 profit for the year.

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 profit or loss. 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. The value changes for the period are recognised in other comprehensive income and the accumulated value changes in a separate component of equity (the hedging reserve) until the hedged flow matches profit for the year whereupon the accumulated value changes of the hedge instrument are reclassified to profit for the year when the hedged transaction matches profit for the year.

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 in and the accumulated changes in a separate component of equity (the translation reserve), in order to meet and partly match the translation differences that affect other comprehensive income concerning net assets in the hedged operations abroad. In the cases where the hedge is not effective, the ineffective part is recognised directly in profit for the year 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 ongoing basis according to a valuation model at fair value. Value changes are recognised in profit for the year 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 profit for the year 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 according to IAS 23. The accounting principles 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 principles

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 profit for the year.

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 profit for the year 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 profit for the year as the costs arise.

Depreciation policies

Depreciation is linearly recognised in profit for the year 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 expensed in profit for the year. 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.

Accounts receivable that need to be written down are reported as the present value of the anticipated future cash flows. Current receivables are, however, not discounted. Write-downs charge profit for the year.

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 equity. Liquid funds from the divestment of such equity instruments are recognised as an increase in equity. Any transaction costs are charged directly to 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 are calculated by increasing the number of shares with the total number shares the convertibles represent and increasing profit with the reported interest cost after tax.

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 expensed in profit for the year 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 market rate of government bonds of equivalent maturity. Calculations are performed by a qualified actuary.

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

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

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 principles

The parent company has prepared its annual report in accordance with the Swedish Company Accounts Act (1995:1554) and Swedish Financial Reporting Board recommendation RFR 2.2 Accounting rules for legal entities. The Swedish Financial Reporting Board statements concerning listed companies are also applied. RFR 2.2 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 2008.

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.

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 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.

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 statement for 2008 below was prepared to illustrate what the figures for the Peab Group would have been if Peab had owned 100 percent of Peab Industri during the year.

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
Production costs	–31,029	–7,399	2,951 1)	–35,477
Gross profit	**3,103**	**1,182**	**0**	**4,285**
Sales and administrative expenses	–1,773	–331		–2,104
Profit from participation in associated companies and joint ventures	–6	4	–2 2)	–4
Other operating income	25	0		25
Operating profit	**1,349**	**855**	**–2**	**2,202**
Financial incomes	202	19	–11 3)	210
Financial expenses	–534	–174	11 3)	–697
Profit from participation in joint ventures	–3			–3
Net finance	**–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**
Profit for the year attributable to;				
Shareholders in parent company	1,093	631		1,724
Minority interest	0	2	–2 2)	0
Profit for the year	**1,093**	**633**	**–2**	**1,724**

1) Sales between Peab and Peab Industri amounting 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.

3) Internal interest between Peab and Peab Industri in 2008 amounting to SEK 11 million were eliminated.

Note 3 Income distributed by type

Income distributed by main income type

MSEK	Group 2009	Group 2008	Parent company 2009	Parent company 2008
Income from contracting	28,858	33,842	–	–
Sale of goods	4,177	–	–	–
Crane and plant rental	891	–	–	–
Services	899	53	–	–
Administrative services	–	–	95	53
Other	315	237	1	–
Total	**35,140**	**34,132**	**96**	**53**

Note 4 Operating segments

Group business is divided into operating segments based on which parts the company's highest decision makers, i.e. executive management, follow. Operating segments in Peab are Construction, Civil Engineering and Industry, which correspond to how operations are organised. The Group's internal reporting is constructed so that executive management follows every business area up to and including operating profit. Assets and liabilities are only followed up on Group level.

Internal pricing between Group segments is based on the "arm's length" principle, in other words, between well informed independent parties who are interested in the realisation of the transactions.

Segment operating profit includes attributable items which can be reasonably and reliably allocated to the segments. Non-allocated items consist of financial income and expenses, and taxes. Assets and liabilities are not divided into segments since they are only followed up on Group level.

Segment reporting

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 comprises the Group's construction related services and is run in five divisions in Sweden, one division in Norway and one division in Finland. Production is primarily comprised of housing for external customers and our own housing developments but also public and commercial premises and buildings. Customers are 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 railway administrations, municipalities and local business. Civil Engineering also provides operation and maintenance of roads and municipal facilities.
- **Industry:** Operations in Industry, which is focused on the Nordic construction and civil engineering markets, is run in two divisions, Industry and Construction systems. Customers are primarily Nordic construction and civil engineering companies. The major part of net sales is generated on the Swedish market.

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

Group 2009

MSEK	Construction	Civil Engineering	Industry	Group funcions	Elimination	Group
Income						
External sales	21,431	8,590	5,067	52		35,140
Internal sales	924	749	2,514	128	–4,315	0
Total income	**22,355**	**9,339**	**7,581**	**180**	**–4,315**	**35,140**
Operating costs	–21,542	–8,903	–7,165	–352	4,315	–33,647
Profit from participation in associated companies and joint ventures	–1		19			18
Other operating income	2	10	79	–1		90
Operating profit	**814**	**446**	**514**	**–173**	**0**	**1,601**
Financial income						321
Financial expenses						–274
Profit from participation in joint ventures						–1
Pre-tax profit						**1,647**
Tax						–326
Profit for the year						**1,321**
Depreciation	–53	–77	–603	–14		–747
Write-downs	–34	–8	–15			–57
Significant items in addition to depreciation and write-downs that are not related to payments	–25		71	221		267

Group 2008

MSEK	Construction	Civil Engineering	Group funcions	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 and joint ventures	–8	2			–6	4	–2	–4
Other operating income	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
Pre-tax profit					**1,014**	**700**	**-2**	**1,712**
Tax					79	–67		12
Profit for the year					**1,093**	**633**	**–2**	**1,724**

	Construction	Civil Engineering	Group funcions	Elimination	Group
Depreciation	–45	–66	–9		–120
Write-downs	–4	–1			–5
Significant items in addition to depreciation and write-downs that are not related to payments	0	0	–298		–298

Geografic areas

Income from external customers are grouped to geografic areas according to where the customers are located.
Information concerning intangible and tangible fixed assets is based on geografic areas grouped according to where the assets are located.

Group	Sweden		Norway		Finland		Other markets		Total	
MSEK	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
External sales	**30,435**	28,826	**2,735**	3,016	**1,954**	2,288	**16**	2	**35,140**	34,132
Intangible and tangible fixed assets	**6,404**	5,594	**488**	516	**294**	337	**–**	–	**7,186**	6,447

Parent company	Group functions		Sweden	
MSEK	**2009**	2008	**2009**	2008
Net sales	**96**	53	**96**	53

Note 5 Business combinations

2009

In 2009 Peab acquired 99.56 percent of Annehem Fastigheter AB, 100 percent of BNH Maskinstation AB, 100 percent of Fastighets AB Ekudden, 100 percent of Albtro Uthyrnings KB, 100 percent of Flygstaden Intressenter i Grevie AB and a further 50 percent of Vardentoppen AS.

The above acquisitions in 2009 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 -4 million to Group profits after tax in 2009. If the acquisitions had taken place on 1 January 2009, the combined effect of these acquisitions on Group income would have been SEK 96 million and on profit for the year after tax by SEK -15 million.

Effects of acquisitions in 2009

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

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

2009 MSEK	Recorded value in acquired companies before acquisition	Fair value, adjustment	Fair value recorded in the Group
Intangible fixed assets		3	3
Tangible fixed assets	464	–15	449
Financial fixed assets	0		0
Deferred tax recoverables	8	199	207
Project and development property	202	–55	147
Inventories	1		1
Accounts receivable and other receivables	42	–7	35
Liquid funds	310		310
Interest-bearing liabilities	–478		–478
Accounts payable and other current liabilities	–42		–42
Deferred tax liabilities	–19	12	–7
Net identifiable assets and liabilities	**488**	**137**	**625**
Previous holdings			–15
Minority interest			–1
Group goodwill			1
Negative goodwill			–3
Deferred tax income (negative goodwill)			–133
Purchase sum			**474**
Less: Unpaid part of calculated additional purchase sum			–7
Less: Paid with own shares[1)]			–252
Paid in cash purchase sum			**215**
Less: Liquid funds in the acquired companies			–310
Positive net effect on liquid funds			**–95**

1) Refers to the acquisition of Annehem Fastigheter AB where payment was made with 7,910,580 B shares valued at market price on the transaction day.

Transaction costs connected to the acquisition included in the purchase sum amount to SEK 6 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 -35 million.

Acquisitions after the balance sheet date

There have been no acquisitions of importance in 2010.

2008

In 2008 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 acquisitions in 2008

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

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 recoverables	1	731	732
Project and development property	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 (negative goodwill)			–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.

NOTES

Peab Industri

From 15 December 2008 and forward 98.1 percent of the capital in Peab Industri AB was successively 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.

The acquisitions' final effects on Group assets and liabilities after the final acquisition analysis was prepared are shown below.

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

MSEK	Recorded value in Peab Industri before acquisition	Fair value, adjustment	Fair value recorded in the Group
Intangible fixed assets	155	256	411
Tangible fixed assets	3,393	108	3,501
Financial fixed assets	90		90
Deferred tax recoverables			0
Inventories	379	–44	335
Accounts receivable and other receivables	1,562		1,562
Current investments and liquid funds	100		100
Interest-bearing liabilities	–2,846	–28	–2,874
Deferred tax liabilities	–95	–190	–285
Accounts payable and other current liabilities	–1,548	–36	–1,584
Net identifiable assets and liabilities	**1,190**	**66**	**1, 256**
Minority interests			–29
Group goodwill			1,307
Purchase sum			**2,534**
Less: Paid with shares in Peab AB			–2,519
Less: Acquired liquid funds			–100
Positive net effect on liquid funds			**–85**

In previous years' preliminary acquisition analyses all surplus values were allocated as goodwill, SEK 1,327 million, pending the final acquisition analysis.

Transaction costs related to the acquisition included in the purchase sum amount to SEK 15 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.

Note 6 Other operating income

Group

MSEK	2009	2008
Capital gains from shares sold in Group companies/ joint ventures	70	25
Reduced competition damages charge	10	–
Negative godwill	3	–
Other	7	0
Total	**90**	**25**

Note 7 Government grants

Group

Goverment grants received as compensation for operating costs amounted in 2009 to SEK 24 million (27), and have reduced costs in the income statement.

Note 8 Employees, personnel costs and remunerations to senior officers

Payroll costs for employees

Group

MSEK	2009	2008
Wages and remunerations	5,259	4,413
Pension expenses, defined benefit plans	9	6
Pension expenses, defined contribution plans	473	310
Social insurance costs	1,546	1,319
Total	**7,287**	**6,048**

Average number of employees

	No. of employees 2009	Of whom men 2009 percent	No. of employees 2008	Of whom men 2008 percent
Parent company				
Sweden	30	63	28	61
Subsidaries				
Sweden	12,009	93	10,508	93
Norway	955	91	786	91
Finland	610	87	619	87
Poland	29	76	4	50
Total in subsidaries	**13,603**	**92**	**11,917**	**93**
Total in Group	**13,633**	**92**	**11,945**	**93**

Gender distribution in the Board of Directors and executive management

	2009 Percentage of women	2008 Percentage of women
Parent company		
The Board of Directors	10%	11%
Other senior officers	0%	0%
Group total		
The Board of Directors	10%	11%
Other senior officers	0%	0%

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

Parent company 2009 MSEK	Board of Directors and senior officers (13 persons)[1]	Other employees	Total
Salary and remuneration	15	18	33
(of which variable remuneration etc.)		(1)	(1)
Social security costs	21	20	41
– of which pension costs	16	13	29

Parent company 2008 MSEK	Board of Directors and senior officers (11 persons)[1]	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

Variable remuneration has in certain cases been paid as a lump sum pension premium of SEK 7 million (7) to the executive management. Variable remuneration has in certain cases been paid as a lump sum pension premium of SEK 2 million (3) 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

Group 2009 MSEK	Board of Directors and senior officers (13 persons)[1]	Other employees	Total
Salary and remuneration	15	5,244	5,259
(of which bonuses, etc.)		82	82
Social security costs	21	2,007	2,028
(of which pension costs)	16	466	482

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

Benefits for senior officers

Remuneration and other benefits in 2009

Thousands, SEK	Basic salary/ Board remuneration	Variable remuneration	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
Fredrik Paulsson	150				150
Total related to Board of Directors	**1,250**				**1,250**
Member of the Board and CEO, Mats Paulsson	3,841	2,200			6,041
Other senior officers [1, 2]	9,958	4,750	337	6,729	21,774
Total	**15,049**	**6,950**	**337**	**6,729**	**29,065**

1) Comprises the number of persons that during the year received remuneration for the period they were senior officers.

2) Until 1 July 2009 the group of other senior officers comprised five people an thereafter four.

Remuneration and other benefits in 2008

Thousands, SEK	Basic salary/ Board remuneration	Variable remuneration	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 [1, 3]	12,011	4,890	348	4,661	21,910
Total	**16,855**	**6,920**	**348**	**4,661**	**28,784**

3) Until 1 September 2008 the group of other senior officers comprised six people an thereafter five.

Comments on the tables

Flexible remuneration to the CEO and other senior officers refers to bonuses attributable to the year. Other benefits refer to company cars.

Pension costs refer to costs charged to the year. See note 31 for additional information about pensions. All remuneration and benefits were charged to Peab AB, with the exception of the previous year when SEK 1,483 thousand paid to other senior officers was charged to another Group company.

The group other senior officers consisted of five persons until 1 July 2009, and subsequently four. In 2008 there were six senior officers until 1 September, 2008 and subsequently five.

The Board of Directors

The 2009 AGM decided on a remuneration to external members of the Board of a maximum of SEK 1,250 thousand (1,100), of which SEK 400 thousand (400) consisted of remuneration to the Chairman of the Board. Remuneration to the external members of the Board was a maximum of SEK 1,150 thousand (1,000), and SEK 100 thousand (100) for work in the remuneration and finance committees. During the year total remuneration amounted to SEK 1,250 thousand (1,100).

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 senior officers and the remuneration committee decides these issues.

Bonuses for the CEO and other senior officers are related to meeting profit targets for the Group. Bonuses for the financial year 2009 were maximised at SEK 2,200 thousand (2,200) for the CEO and a total of SEK 4,750 thousand (5,400) for the other senior officers.

Principles for the remuneration of senior officers

The group other senior officers is comprised of five senior officers who are members of executive management. This group contained six persons until 1 July 2009. The principles for remuneration of senior officers were adopted by the Annual General Meeting 2009.

Remuneration to the CEO and other senior officers consists of a fixed salary, variable remuneration, extra health insurance and those benefits 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 bonuses. Such bonuses may not exceed 60 percent of the regular salary and must above all be based on the pre-tax profit of the Peab Group. Bonuses are decided upon each financial year.

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

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 3,841 thousand (3,744) in total in 2009. In addition, his bonus for 2009 was SEK 2,200 thousand (2,030).

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 basis amounts. The salary which is the basis of his pension consisted of his basic salary and the average of the last three years' bonuses prior to 2005. No pension premiums have been paid for the CEO since 2004.

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

The CEO will not receive a raise in salary in 2010.

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 four (five) other persons that together with the CEO make up Peab's executive management. The group consisted of five persons until 1 July 2009, and subsequently four.

Salary and other remuneration including benefits for other senior officers amounted to SEK 10,295 thousand (12,359). Bonuses for 2009 for the persons that during the year were members of executive management amounted to SEK 4,750 thousand (4,890).

Pension premiums paid out for other senior officers amounted to SEK 6,729 thousand (4,661) during the year.

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

Pension commitments for other senior officers give them the right to pension 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.

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 the parent company	2009 percent	2008 percent
Total sick absence as a percentage of ordinary working hours	0.3	0.9
Percentage of total sick absence referring to continous sick leave of 60 days or more	–	–
Sick absence as a percentage of each group's ordinary working hours		
Sick absence by gender:		
Men	0.1	0.5
Women	0.6	1.6
Sick absence by age category:		
29 years or younger	0	0
30–49 years	0.1	0.9
50 years or older	0.4	0.9

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 2009 Peab allocated SEK 100 million (100 including Peab Industri) for profit sharing. The amount minus payroll tax was paid into the foundation in 2010.

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

Convertible Promissory Notes 2007/2012

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 and of Peab Industri 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.

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 million 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 2010. 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 AB 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 nominal amount that included accrued interest. 99.6 percent had been repaid at 31 December 2009.

Note 9 Fees and cost remunerations to auditors

MSEK	Group 2009	Group 2008	Parent company 2009	Parent company 2008
KPMG AB				
Auditing assignments	15	9	2	2
Other assignments	1	2	0	0
Other				
Auditing assignments	1	1	–	–
Other assignments	1	1	–	–
Total	**18**	**13**	**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	2009	2008
Material	7,622	5,601
Subcontractors	10,142	13,577
Personnel expenses	6,869	7,250
Other production costs	7,379	5,781
Depreciation	747	120
Write-downs	57	5
Other operating costs	831	468
Total	**33,647**	**32,802**

Note 11 Net financial income/expense

Group

MSEK	2009	2008
Interest income	77	152
Dividend received related to financial assets valued at fair value	16	33
Net profit related to financial assets valued at fair value [1]	220	–
Change in value currency swaps (trading)	8	5
Net exchange rate fluctuation	–	11
Other items	0	1
Financial income	**321**	**202**
Interest expenses [2]	–250	–205
Net loss related to financial assets valued at fair value [1]	–	–324
Change in value currency swaps (trading)	0	–4
Net exchange rate fluctuation	–18	–
Other items	–6	–1
Financial expenses	**–274**	**–534**
Profit from participation in joint ventures [2]	**–1**	**–3**
Net financial income/expense	**46**	**–335**

1) Refers to shareholdings in Brinova Fastigheter AB SEK 218 million (–302).

2) Interest expenses on loans from joint venture companies have been offset against profit from participation in joint venture companies. There is, according to the contracts, a legal right for offsets in the balance sheet accounts between the debt to joint venture companies and holdings of preference shares in joint venture companies.

Profit from participation in Group companies

Parent company

MSEK	2009	2008
Dividends	452	795
Write–downs	–75	–524
Capital gains from sales	–12	0
Total	**365**	**271**

Profits from securities and receivables recorded as fixed assets

Parent company

MSEK	2009	2008
Dividends	16	33
Interest income, external [1]	37	19
Interest income, Group companies [1]	0	3
Net loss related to financial assets valued at fair value [2]	220	–299
Net profit related to conversion rights for convertible promissory notes valued at fair value (trading)	–	–25
Total	**273**	**–269**

Interest income and similar profit/loss items

Parent company

MSEK	2009	2008
Interest income, external [1]	10	24
Total	**10**	**24**

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

2) Refers to shareholdings in Brinova Fastigheter AB SEK 218 million (–302).

Interest expenses and similar profit/loss items

Parent company

MSEK	2009	2008
Interest expenses, external [1]	–34	–32
Interest expenses, Group companies [1]	–200	–190
Net exchange rate fluctuation	–	0
Other items	–8	–7
Total	**–242**	**–229**

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

Note 12 Appropriations

Parent company

MSEK	2009	2008
Transfer to tax allocation reserve	–	–159
Resolution of tax allocation reserve	159	–
Change in additional depreciation, machinery and equipment	1	0
Total	**160**	**–159**

Note 13 Taxes

Recognised in the income statement

Group

MSEK	2009	2008
Current tax expenses/income		
Tax income/expenses for the year	48	–257
Adjustment of tax attributable to previous years	–9	–2
	39	**–259**
Deferred tax expenses/income		
Temporary differences	102	–45
Capitalised tax value of loss carry–forwards during the year	23	4
Utilisation of capitalised tax value of loss carried forwards	–461	–93
Tax income through the acquisition of companies with tax loss carry-forwards, which were acquired at a price under the nominal value	134	507
Change in tax rate	–	–39
Revaluation of reported deferred tax values	–163	4
	–365	**338**
Total reported tax expenses/income in the Group	**–326**	**79**

Parent company

MSEK	2009	2008
Current tax expenses/income		
Tax income for the year	16	122
Adjustment of tax attributable to previous years	–5	–2
	11	**120**
Deferred tax expenses/income		
Temporary differences	2	–
Utilisation of capitalised tax value of loss carry-forward	–	–2
Change in tax rate	–	1
Revaluation of reported values of deferred tax receivables	–	1
	2	**0**
Total reported tax income in the parent company	**13**	**120**

Reconciliation of effective tax

Group

MSEK	2009	2009 (%)	2008	2008 (%)
Pre–tax profit	**1,647**		**1,014**	
Tax with tax rate for the parent company	–433	26.3	–284	28.0
Effect of other tax rates for foreign subsidiaries	–7	0.4	1	–0.1
Non–deductible expenses	–52	3.2	–191	18.8
Tax exempt income	187	–11.3	53	–5.2
Deductible non profit–influencing items	3	–0.2	18	–1.8
Change in tax rate	–	–	–39	3.8
Tax income through the acquisition of companies with tax loss carry-forwards, which were acquired at a price under the nominal value	134	–8.1	507	–50.0
Revaluation of previous years reported values of deferred taxes	–163	9.9	4	–0.4
Utilised non–capitalised loss carry–forwards	16	–1.0	17	–1.6
Tax attributable to previous years	–9	0.5	–2	0.2
Increase in loss carry–forwards without corresponding activation of deferred tax	–2	0.1	–	–
Standard interest on tax allocation reserve	–3	0.2	–	–
Adjustment of net profit for joint ventures included in pre–tax profit	3	–0.2	–5	0.5
Effective tax	**–326**	**19.8**	**79**	**–7.8**

Parent company

MSEK	2009	2009 (%)	2008	2008 (%)
Pre–tax profit	**509**		**–467**	
Tax in accordance with tax rate	–134	26.3	131	–28.0
Non–deductible expenses	–29	5.7	–242	51.8
Tax exempt income	181	–35.6	231	–49.5
Change in tax rate	–	–	1	–0.2
Value adjustment of previous years' deferred tax	–	–	1	–0.2
Tax attributable to previous years	–5	1.0	–2	0.4
Effective tax	**13**	**–2.6**	**120**	**–25.7**

Tax attributable to other comprehensive income

Group	2009			2008		
MSEK	Pre–tax	Tax	After tax	Pre–tax	Tax	After tax
Translation difference for the year when translating foreign operations	60	6	66	78	–5	73
Loss from exchange risk hedging in foreign operations	–51	13	–38			
Cash flow hedges	286	–69	217	–227	63	–164
Other comprehensive income	**295**	**–50**	**245**	**–149**	**58**	**–91**

Tax items charged directly to equity

Group		
MSEK	2009	2008
Deferred tax attributable to convertible promissory notes	–	–10
	–	**–10**

Parent company		
MSEK	2009	2008
Current tax in received Group contributions	–16	–257
	–16	**–257**

Reported in the balance sheet
Deferred tax recoverables and tax liabilities

Group	Deferred tax receivables		Deferred tax liabilities		Net	
MSEK	2009	2008	2009	2008	2009	2008
Loss carry–forwards	496	1,031			496	1,031
Untaxed reserves			–96	–135	–96	–135
Tangible fixed assets			–138	–218	–138	–218
Group surplus values			–293	–217	–293	–217
Securities holdings/ Convertible receivables			–6	–8	–6	–8
Current receivables	58	34			58	34
Work in progress		44	–31		–31	44
Pensions	10	8			10	8
Provisions	106	61			106	61
Other	17			–5	17	–5
	687	**1,178**	**–564**	**–583**	**123**	**595**
Offset	–564	–583	564	583	0	0
Net	**123**	**595**	**0**	**0**	**123**	**595**

Parent company	Deferred tax receivables		Deferred tax liabilities		Net	
MSEK	2009	2008	2009	2008	2009	2008
Convertible promissory notes	–	–	–7	–9	–7	–9
	0	**0**	**–7**	**–9**	**–7**	**–9**
Offset	–	–	0	0	0	0
Net	**0**	**0**	**–7**	**–9**	**–7**	**–9**

The ongoing correspondence between the Swedish and Norwegian Tax Authorities as well as assessments made together with external experts on the deductability of individual deductions have been taken into consideration when evaluating deferred tax receivables. Deferred tax attributable to deductions where the right to deduct is uncertain has not been reported as an asset. The value of the deferred tax from these deductions per 2009-12-31 is approximately SEK 640 million (333).

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

Normally there are no temporary differences between reported and fiscal values of shares directly owned by the parent company for business purposes, 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.

Unreported deferred tax receivables

The tax value of loss carry-forwards for which deferred tax receivables have not been reported in the balance sheet amounted to SEK 4 million (9) in 2009-12-31 and refer to the Polish and Latvian businesses. These tax loss carry-forwards fall due in 2010-2014.

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 MSEK	Amount per 1 Jan 2009	Recognised in profit for the year	Recognised in other total results	Recognised in equity	Acquisition/ divestment of companies	Amount per 31 Dec 2009
Loss carry–forwards	1,031	–475	4		–64	496
Untaxed reserves	–135	38			1	–96
Tangible fixed assets	–218	57	–1		24	–138
Group surplus values	–217	31	–5		–102	–293
Securities holdings/Convertible receivables	–8	2				–6
Current receivables	34	23	3		–2	58
Work in progress	44	–73	–2			–31
Pensions	8	1	1			10
Provisions	61	22	–1		24	106
Other	–5	9	–3		16	17
Total	**595**	**–365**	**–4**	**–**	**–103**	**123**

MSEK	Amount per 1 Jan 2008	Recognised in profit for the year	Recognised in other total results	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
Provisions	75	–33	2		17	61
Other	1	5	1		–12	–5
Total	**129**	**338**	**4**	**–10**	**134**	**595**

Parent company MSEK	Amount per 1 Jan 2009	Recognised in income statement	Recognised in equity	Amount per 31 Dec 2009
Convertibel promissory notes	–9	2	–	–7
Total	**–9**	**2**	**–**	**–7**

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**

Note 14 Earnings per share

Earnings per share

	Before dilution		After dilution	
SEK	2009	2008	2009	2008
Earnings per share	4.59	6.56	4.58	6.45

Earnings per share before dilution

The calculation of earnings per share for 2009 was based on profit for the year attributable to the parent company's ordinary shareholders amounting to SEK 1,315 million (1,093) and on a weighted average number of outstanding shares in 2009 of 286,671,000 (166,627,000).

Earnings per share after dilution

The calculation of earnings per share for 2009 was based on profit for the year attributable to the parent company's ordinary shareholders amounting to SEK 1,354 million (1,132) and on a weighted average number of outstanding shares in 2009 of 295,471,000 (175,474,000). The two components were calculated as follows:

Weighted average numbers of outstanding ordinary shares before dilution 1)

Thousands of shares	2009	2008
Total number of outstanding ordinary shares per 1 January	278,654	168,828
Conversion convertible promissory notes	–	148
New share issue in kind 2)	5,019	116,429
Acquisition/disposal of own shares during the year	7,471	–6,751
Total number of outstanding shares per 31 December	**291,144**	**278,654**
Weighted average numbers of outstanding ordinary shares before dilution 2)	**286,671**	**166,627**

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

MSEK	2009	2008
Profit attributable to the parent company's ordinary shareholders	1,315	1,093
Interest rate effect on convertible promissory notes (after tax)	39	39
Profit attributable to the parent company's ordinary shareholders after dilution	**1,354**	**1,132**

Weighted average number of outstanding ordinary shares after dilution 1)

Thousands of shares	2009	2008
Weighted average number of outstanding ordinary shares before dilution	286,671	166,627
Effect of converting convertible promissory notes	8,800	8,847
Weighted average numbers of outstanding ordinary shares after dilution 2)	**295,471**	**175,474**

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 for 2008 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 for 2008.

Note 15 Intangible fixed assets

Group 2009 MSEK	Goodwill	Brands	Customer relations	Tenancies gravel and rock quarries	Other intangible assets	Industrial construction	Total
	Intangible fixed assets, external purchase					Intangible fixed assets, internally developed	
Opening acquistion value	1,814	176	97	–	54	87	2,228
Purchases	84	3			1		88
Internally developed assets						8	8
Sales/disposals	–6	–19	–24			–3	–52
Reclassification	–109	54		202			147
Translation differences for the year	7	7	5				19
Closing accumulated acquisition value	**1,790**	**221**	**78**	**202**	**55**	**92**	**2,438**
Opening depreciation	–	–28	–45		–9	–1	–83
Sales/disposals		8	23				31
Depreciation for the year [1)]		–22	–15	–8	–8	–8	–61
Translation differences for the year		–1	–2				–3
Closing accumulated depreciation	**0**	**–43**	**–39**	**–8**	**–17**	**–9**	**–116**
Opening write–downs	–33	–	–	–	–	–	–33
Sales/disposals		3	1				4
Write–downs for the year [2)]	–9	–3	–1				–13
Translation differences for the year	1						1
Closing accumulated write–downs	**–41**	**0**	**0**	**0**	**0**	**0**	**–41**
Closing book value	**1,749**	**178**	**39**	**194**	**38**	**83**	**2,281**

Group 2008 MSEK	Goodwill	Brands	Customer relations	Other intangible assets	Industrial construction	Total
	Intangible fixed assets, external purchase				Intangible fixed assets, internally developed	
Opening acquistion 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
Depreciations 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**

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

	2009	2008
Production costs	–60	–13
Sales and administrative expenses	–1	–5
Total	**–61**	**–18**

2) Annual write-downs is reported in the following lines of the income statement:

	2009	2008
Production costs	–7	–
Sales and administrative expenses	–6	–
Total	**–13**	**–**

Specification of other intangible assets, externally acquired

MSEK	2009	2008
Patent	18	17
Leasehold land	5	6
Others	15	22
Total	**38**	**45**

Write-down testing of goodwill in cash generating units

The balance sheet of the Peab Group per 2009-12-31 included total goodwill of SEK 1,749 million (1,781). Cash generating units with significant reported goodwill value compared with the total reported value of the Group per segment are specified below.

MSEK	2009	2008
Peab Sverige AB Group	36	37
Construction		
Nybyggarna i Nerike AB	18	14
Other units in Sweden	22	22
Peab Oy Group	77	83
Björn Bygg Group	61	50
Other units in Norway	63	67
Civil Engineering		
Berg & Falk AB	37	37
Olof Mobjer Entreprenad AB	15	15
Markarbete i Värmland AB	13	13
Other units – Civil Engineering	95	93
Industry		
Peab Industri Group	1,297	1,327
Other		
Compwell AB	15	23
Total	**1,749**	**1,781**

Goodwill write-downs

The Group made goodwill write-downs in 2009 of SEK 9 million (-). For the cash generating units where calculation of the recovery value was made and no write-down need was identified, Group management has assessed that no feasible possible changes in important assumptions would result in a 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 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 of 2 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.

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 of internal resources, raises in salary, materials and subcontractor costs.

Working capital requirements: Individual case assessment of whether the working capital reflects the company's needs or whether it should be adjusted for the forecast period. 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 equivalent to 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 countries 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). Interest rates on borrowed capital and market risks have been market adjusted to each country. The required return on equity is based on the Capital Asset Pricing Model. A pre-tax weighted discount rate of approximately 9-10 percent has been used in calculating useful value.

Note 16 Tangible fixed assets

Group 2009

MSEK	Buildings and land	Machinery and equipment	Construction in progress	Total
Opening acquisition value	1,647	5,640	189	7,476
Purchases	290	369	209	868
Purchases via acquired companies	380	47	58	485
Sales/disposals	–13	–374	–1	–388
Sales through companies sold	–73	–224		–297
Reclassifications	304	53	–178	179
Translation differences for the year	0	39	–1	38
Closing accumulated acquisition value	**2,535**	**5,550**	**276**	**8,361**
Opening depreciation	–350	–2,784	–	–3,134
Accumulated depreciation in acquired companies	–1	–13		–14
Sales/disposals	1	298		299
Sales through companies sold	5	98		103
Reclassifications	3	2		5
Depreciation for the year	–67	–619		–686
Translation differences for the year	0	–18		–18
Closing accumulated depreciation	**–409**	**–3,036**	**–**	**–3,445**
Opening write–downs	–5	–2	–	–7
Sale/disposals		1		1
Write–downs for the year [1)]		–6		–6
Closing accumulated write–downs	**–5**	**–7**	**–**	**–12**
Closing book value	**2,121**	**2,507**	**276**	**4,904**

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
Sale/disposals	2			2
Closing accumulated write–downs	**–5**	**–2**	**–**	**–7**
Closing book value	**1,292**	**2,854**	**189**	**4,335**

1) Annual write-downs is reported in the following lines of the income statement:

	2009	2008
Production costs	–5	–
Sales and administrative expenses	–1	–
	–6	**–**

Tax assessment value

MSEK	2009	2008
Tax assessment value of buildings in Sweden	662	378
Tax assessment value of land in Sweden	412	413

Loan expenses

Group 2009

MSEK	Buildings and land	Machinery and equipment
Loan expenses added in the purchase value of the assets during the year	1	1
Interest rate	2.38%	2.38%

During 2008 no loan expenses have been activated.

Parent company

	Machinery and equipment	
MSEK	2009	2008
Opening acquisition value	7	7
Purchases	0	0
Closing accumulated acquisition value	**7**	**7**
Opening depreciation	–4	–4
Depreciation of the year	–1	0
Closing accumulated depreciation	**–5**	**–4**
Closing book value	**2**	**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 to Group financial leasing amounted to SEK 548 million (676).

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

Note 17 Participation in associated companies

Group

MSEK	2009	2008
Acquisition value carried forward	0	9
Sales of associated companies	0	–11
Profit from participation in associated companies	–	2
Accumulated acquisition values carried forward	**–**	**0**
Book value carried forward	**–**	**0**

Specifications of Group’s holdings in associated companies

Company	2009		2008	
Registered office, Corp.Id.no	Share percent	Book value	Share percent	Book value
Karlskoga Biofuel AB Karlskoga, 556712–5512	–	–	49.9	0
Total		**–**		**0**

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	2009	2008
Income	–	190
Expenses	–	–188
Profit	**–**	**2**
Fixed assets	–	10
Current assets	–	1
Total assets	**–**	**11**
Current liabilities	–	1
Long–term liabilities	–	10
Total liabilities	**–**	**11**
Net assets/liabilities	**–**	**0**

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 2009	2008
St Eriks AB Uppsala, 556203–4750	44.6	160	–
Nyckel 0328 SE Stockholm, 517100–0069	30	84	13
Fotbollsstadion i Malmö Fastighets AB Malmö, 556727–4641	50	71	70
Dockan Exploatering AB Malmö, 556594–2645	33	42	41
TCL S.à.r.l. Luxemburg, 19982401227	45	39	–
Råsta Holding AB Stockholm, 556742–6761	25	52	8
Österåkers Näs Fastighets HB Stockholm, 969723–2107	30	32	30
Kokpunkten Fastighet AB Västerås, 556759–5094	50	30	20
Fältjägaren Fastigheter AB Östersund, 556688–3517	50	37	37
Norrvikens Fastigheter AB Lidingö, 556703–1470	50	15	15
Ale Exploatering AB Göteborg, 556426–2730	50	15	16
Fastigheten Preppen HB Göteborg, 969684–0983	50	10	6
Byggutveckling Svenska AB Linköping, 556627–2117	50	8	8
Fjällvärme i Lindvallen AB Malung–Sälen, 556536–1895	50	7	1
Gartnerhagen Bolig AS Alta, 990 025 924	50	7	6
Kungsörs Grus AB Kungsör, 556044–4134	50	7	8
Svenska Fräs & Asfaltsåtervinning SFA AB, Markaryd, 556214–7354	30	7	6
Nalräpsdnus Exploatering AB Helsingborg, 556790–5624	25	7	–
I Tolv AB Eksjö, 556513–2478	35	4	4
Kirkebakken Vest AS Horten, 988 796 174	50	4	4
Tomasjord Park AS Tromsö, 983 723 853	50	4	1
KB Älvhögsborg Trollhättan, 916899–2734	50	5	5
Gransångaren AB Västerås, 556591–2994	46	5	4
Fastighets AB Bryggeriet Göteborg, 556141–6115	50	5	4
Hälsostaden i Ängelholm AB Ängelholm, 556790–5723	33.3	5	–
Mälarstrandens Utvecklings AB Västerås, 556695–5414	44	2	12
Expressbetong AB Halmstad, 556317–1452	50	2	3
Dampskipskaia H–fest AS Tromsö, 988 780 499	50	2	2
Gottåsa Fastighets AB Alvesta, 556499–2948	50	–	2
Other unspecified items		0	0
Total		**668**	**326**

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	2009	2008
Income	598	321
Expenses	–581	–332
Profit	**17**	**–11**
Fixed assets	538	258
Current assets	1,923	1,443
Total assets	**2,461**	**1,701**
Current liabilities	761	611
Long-term liabilities	1,032	764
Total liabilities	**1,793**	**1,375**
Net assets/liabilities	**668**	**326**

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Note 19 Receivables from Group companies

Parent company

MSEK	2009	2008
Acquisition values carried forward	655	612
Added receivables	966	436
Reclassifications	–	180
Setttled receivables	–75	–573
Book value carried forward	**1,546**	**655**

Note 20 Interest–bearing receivables

Interest–bearing long–term receivables

	Group		Parent company	
MSEK	2009	2008	2009	2008
Receivables from joint ventures	271	187	–	–
Other interest–bearing long–term receivables	116	266	–	59
Total	**387**	**453**	**–**	**59**

Interest–bearing short–term receivables

MSEK	2009	2008	2009	2008
Receivables from joint ventures	303	329	278	306
Other interest–bearing receivables	85	–	6	–
Total	**388**	**329**	**284**	**306**

Note 21 Other long–term securities holdings

Group

MSEK	2009	2008
Financial assets are recognised at fair value through the income statement		
Fair value option		
Shares and participation [1]	413	210
Loan receivables and accounts receivable	123	92
Total	**536**	**302**

1) SEK 393 million (175) of Group holdings refer to shares i in Brinova Fastigheter AB.

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

Parent Company

MSEK	2009	2008
Acquistion values		
Opening balance 1 January	300	308
Assets removed	–	–8
Reclassifications	–14	–
Closing balance per 31 December	**286**	**300**
Accumulated change in value through the income statement		
Opening balance 1 January	–90	234
Reclassifications	–4	–
Unrealised change in value through the income statement for the year	221	–324
Closing balance per 31 December	**127**	**–90**
Book value 31 December	**413**	**210**

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

Note 22 Other receivables

Other long–term receivables

	Group		Parent company	
MSEK	2009	2008	2009	2008
Receivables from joint ventures	24	20	–	–
Other long–term receivables	25	49	1	1
Total	**49**	**69**	**1**	**1**

Other current receivables

	Group		Parent company	
MSEK	2009	2008	2009	2008
Receivables from joint ventures	5	4	–	–
Other current receivables	478	457	–	40
Total	**483**	**461**	**–**	**40**

Note 23 Project and development properties

Group

MSEK	2009	2008
Direct owned project and development properties	3,240	3,028
Advanced project and development properties	16	17
Participation in Finnish housing compnies	503	479
Bought-back participation in tenant-owner's associations and similar	350	73
Other	23	17
Total	**4,132**	**3,614**

Recovery

Of project and development property at a book value of SEK 4,132 million (3,614) approximately SEK 2,900 million (2,510) is expected to be recovered through the start of production or sales more than 12 months after the balance sheet day. The remaining part is expected to be recovered within 12 months of the balance sheet day.

Note 24 Inventories

Group

MSEK	2009	2008
Raw materials and consumables	61	175
Products in progress	169	119
Finished products and goods for resale	262	234
Total	**492**	**528**

Note 25 Accounts receivable

Accounts receivables were written down for factual and feared bad debts for a total of SEK 27 million (12) of which factual Group bad debts amounted to SEK 9 million (7). The loss was a result of some of the company's customers going bankrupt.

The parent company had no bad debts.

Note 26 Recognised income not yet invoiced

Group MSEK	2009	2008
Recognised income on incompleted contracts	20,706	22,646
Invoicing on incompleted contracts	–16,945	–18,509
Total	**3,761**	**4,137**

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 corresponding to 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 unrecognised income in short-term liabilities. Projects that have higher recognised incomes than the amount 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	2009	2008
Accrued interest income	3	5
Prepaid overhead expenses	5	1
Total	**8**	**6**

Note 28 Equity

Shares and share capital

Group

	A shares	B shares	Number of issued fully paid shares	Share capital, SEK
Number of issued shares 1 January 2009	34,319,957	256,710,536	291,030,493	1,557,013,138
New share issue in kind		5,019,237	5,019,237	26,852,918
Total number of issued shares 31 December 2009	**34,319,957**	**261,729,773**	**296,049,730**	**1,583,866,056**

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 .

Repurchased own shares as reduced equity item retained earnings including profit for the year

	Number of shares		Amount that affected equity, MSEK	
	2009	2008	2009	2008
Opening repurchased own shares	12,376,800	5,625,000	1,281	1,010
Purchases during the year	440,000	7,053,600	11	283
Divestments during the year	–7,910,580	–301,800	–252	–12
Closing repurchased own shares	**4,906,220**	**12,376,800**	**1,040**	**1,281**

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 crowns (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.

Profit brought forward including profit for the year

Profit brought forward including profit for the year consists of profit in the parent 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 of 31 December 2009, the Group's holding of own shares was 4,906,220 (12,376,800).

Dividend

After the balance sheet day the Board of Directors and the CEO proposed the following dividend. The dividend will be proposed for adoption by the AGM on 11 May 2010.

A cash dividend of SEK 2.50 per share (2.25), totalling SEK 740,124,325 million (666,111,893), 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	2009	2008
Share capital	1,584	1,557
Other contributed capital	2,576	2,470
Reserves	242	–1
Retained earnings including profit for the year	3,264	2,344
Equity related to shareholders in parent company	**7,666**	**6,370**

One of Peab's targets is an equity/assets ratio (equity divided by the balance sheet total) in excess of 25 percent. 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 2009 was 29.3 percent (25.2).

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

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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 was 18.7 percent (21.9) at the end of 2009. By way of comparison, the Group's average interest expenses on interest-bearing borrowing was 2.1 percent (4.6).

Peab´s goal concerning dividends is an annual distribution of 50 percent of profits after tax to shareholders. The level of dividends should be reasonable in relationship to developments in Peab´s profit and consolidation requirements. An ordinary dividend of SEK 2.50 per share (2.25) is proposed for 2009. Calculated as a share of the Group's reported profit after tax, the proposed dividend amounts to 55 percent (58). Exclusive of the 4,906,220 B shares owned by Peab AB on 28 February 2010, which do not entitle to dividend, the proposed dividend is equivalent to a total dividend distribution of SEK 728 million (637). 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 2009, Peab's holding of own shares amounted to 12,376,800 B shares, corresponding to 4.3 percent of the total number of shares. On 14 May 2009, the Peab Annual General Meeting authorised 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 2009 440,000 B shares, corresponding to 0.1 percent of the total number of shares, were repurchased for SEK 11 million. During the same period 7,910,580 B shares were divested for SEK 252 million, in connection with the acquisition of Annehem Fastigheter AB. As of 31 December 2009, Peab's holding of own shares amounted to 4,906,220 B shares, corresponding to 1.7 percent of the total number of shares. The purpose of the purchase of own shares is 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 financial covenants in the form of interest coverage rate and equity/assets ratio which the Group must comply with, which is normal for this type of loan agreement. At the end of the year, Peab fulfilled these covenants 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.

Unrestricted equity

Together with profit for the year the following funds make up unrestricted 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	2009	2008
Long-term liabilities		
Bank loans	4,750	4,518
Convertible promissory notes	578	582
Financial leasing liabilities	342	452
Loans from joint ventures	–	11
Total	**5,670**	**5,563**
Current liabilities		
Bank loans including overdraft facilities	1,173	1,011
Commercial paper	663	–
Short-term part of leasing liabilities	206	224
Total	**2,042**	**1,235**

Convertible promissory notes 2005/2008 [1)]

Group MSEK	2009	2008
Nominal value after issue of 5,500,000 convertible promissory notes	–	479
Original amount classified as equity	–	–27
Conversion	–	–470
Capitalised interest	–	18
Recorded liability on 31 December	**–**	**–**

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	2009	2008
Nominal value after issue of 8,800,000 convertible promissory notes	598	598
Original amount classified as equity	–35	–35
Capitalised interest	14	6
Recorded liability on 31 December	**577**	**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	2009	2008
Remaining part of the liability, 2007/2012	1	13
Recorded liability on 31 December	**1**	**13**

3) Remaining part of Peab Industri's personnel convertibles which had not been acquired per 31 December 2009 by Peab AB.

Financial leasing liabilities

Financial leasing liabilities fall due for payment as follows;

Group MSEK	Minimum leasing charge 2009	Interest 2009	Capital amount 2009	Minimum leasing charge 2008	Interest 2008	Capital amount 2008
Within one year	217	7	210	240	18	222
Between one and five years	309	14	295	428	34	394
Later than five years	44	1	43	64	4	60
Total	**570**	**22**	**548**	**732**	**56**	**676**

Note 30 Pensions

Defined benefit pension plans

Group MSEK	2009	2008
Current value of unfunded obligations	24	18
Current value of fully or partially funded obligations	23	19
Total net current value of obligations	**47**	**37**
Fair value of plan assets	–20	–15
Net current value of obligations	**27**	**22**
Unrecognised actuarial gains (+) and losses (–)	–7	–6
Net reporting of defined benefit plans recognised as provisions for pensions	**20**	**16**

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	2009	2008
Net obligations for defined benefit plans as at 1 January	37	13
Paid out remunerations	–3	–2
Expenses for work during current period and interest expenses	9	6
Actuarial gains and losses	0	2
Effect from business acquisitions	–	19
Translation differences	4	–1
Obligations for defined benefit plans as at 31 December	**47**	**37**

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

MSEK	2009	2008
Fair value for plan assets as at 1 January	15	3
Contributions from employer	4	0
Paid out remunerations	0	–
Expected return	1	0
Difference between expected and actual return	0	0
Effect from business acquisitions	0	13
Adjustments	–1	–1
Translation differences	1	0
Obligations for defined benefit plans as at 31 December	**20**	**15**

Expenses charged to income statement

MSEK	2009	2008
Expenses for work during current period	9	6
Interest expenses on obligations	1	0
Expected return on plan assets	–1	0
Recognised actuarial gains (–) and losses (+)	0	0
Effects of reductions and adjustments	0	0
Total net expense in the income statement	**9**	**6**

Expenses are recognised in the following lines in the income statement

MSEK	2009	2008
Production costs	2	2
Sales and administrative expenses	6	4
Financial income	0	0
Financial expenses	1	0
Total	**9**	**6**
Actual return on plan assets	**0**	**0**

Assumptions for defined benefit plan obligations

The most important actuarial assumptions on balance sheet day	2009	2007
Discount rate	4.40%	4.30%
Expected return on plan assets	5.60%	6.30%
Future pay increase	4.25%	4.50%
Future increase in pensions	4.00%	4.25%

Historical information

MSEK	2009	2008	2007	2006	2005
Present value of defined benefit plan obligations	47	37	13	24	31
Fair value of plan assets	–20	–15	–3	–5	–18
Plan deficit	**27**	**22**	**10**	**19**	**13**

Old-age pension and family pension obligations for salaried staff in Sweden are managed through insurance with Alecta. Under pronouncement URA 42 of the 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 2009 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 114 million (83). Alecta's surplus may be distributed among the policyholders and/or the insured. At the end of 2009, Alecta's surplus in the form of collective consolidation level amounted to 141 percent (112). 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	2009	2008	2009	2008
Expenses of defined contribution plans continuing operations[1]	513	310	27	21

1) This includes SEK 114 million (83) referring to an ITP plan financed in Alecta, see above.

Note 31 Provisions

Provisions which are long–term liabilities

Group

MSEK	2009	2008
Guarantee risk reserve	156	130
Close–down costs	2	4
Re–establishment costs	52	48
Disputes	18	14
Other	30	30
Total	**258**	**226**

Provisions which are current liabilities

Group

MSEK	2009	2008
Guarantee risk reserve	59	82
Close–down costs	–	17
Other	1	20
Total	**60**	**119**

Provisions which are long–term liabilities

Group
2009

MSEK	Guarantee risk reserve	Close–down costs	Re–establishment costs	Disputes	Other
Opening book value	130	4	48	14	30
Provisions set aside during the year	70		7	16	
Amounts requisitioned during the year	–29	–2	–3	–4	
Reversed unutilized provisions during the year	–18			–8	
Translation differences for the year	3				
Closing book value	**156**	**2**	**52**	**18**	**30**

Provisions which are current liabilities

Group
2009

MSEK	Guarantee risk reserve	Close–down costs	Other
Opening book value	82	17	20
Provisions set aside during the year	29		
Amounts requisitioned during the year	–41	–17	–16
Reversed unutilized provisions during the year	–15	–2	–4
Translation differences for the year	4	2	1
Closing book value	**59**	**0**	**1**

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 minor projects within Industry business.

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.

Disputes

Refers to disputes within Industry business.

Note 32 Other liabilities

Group MSEK	2009	2008
Ohter long–term liabilities		
Additional purchase price	12	35
Advance	–	0
Interest rate swaps	16	17
Liabilities to joint ventures	–	1
Other long–term liabilities	33	39
Total	**61**	**92**
Other short–term liabilities		
Additional purchase price	17	24
Acquisition shares subsidiaries	–	97
Deduction upon acquisition of own shares	–	6
Liabilities to joint ventures	2	25
Competition damage charge	–	85
Value added tax	358	481
Tax at source, social security costs	160	194
Other short–term liabilities	334	397
Total	**871**	**1,309**

Parent company MSEK	2009	2008
Other short–term liabilities		
Acquisition shares subsidiaries	–	97
Competition damage charge	–	35
Deduction upon acquisition of own shares	–	6
Tax at source	1	1
Other short-term liabilities	5	5
Total	**6**	**144**

Note 33 Invoiced income not yet recognised

Group MSEK	2009	2008
Invoiced sales on uncompleted contracting project	39,010	36,160
Recognised income on uncompleted contracting projects	–35,065	–32,475
Total	**3,945**	**3,685**

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 corresponding to 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 unrecognised 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	2009	2008
Accrued payroll expenses	18	6
Accrued social security expenses	5	4
Accrued interest expenses	4	3
Accrued acquisition costs for subsidiaries	–	29
Accrued overhead expenses	1	2
Total	**28**	**44**

NOTES

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 calculated according to the closing price at the end of the accounting period.

When calculating the fair value of interest-bearing receivables and liabilities and interest rate swaps, future cash flow were discounted to the listed market interest for the remaining terms of maturity. When calculating the value of currency swaps, spot rates on balance sheet day were used. The adjacent tables show the reported values compared with the estimated fair value per type of financial asset and liability.

Group 2009	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	413[1)]			123			536	536
Interest-bearing long-term receivables				387			387	387
Other long-term receivables				49			49	49
Accounts receivables				5,155			5,155	5,155
Interest-bearing short-term receivables				388			388	386
Prepaid expenses and accrued income		9[2)]		10			19	19
Other short-term receivables			55	344			399	399
Short-term holdings				904			904	904
Liquid funds				1,584			1,584	1,584
Total financial assets	**413**	**9**	**55**	**8,944**	**–**	**–**	**9,421**	**9,419**
Financial liabilities								
Interest-bearing long-term liabilities						5,670	5,670	5,692
Other long-term liabilities			16			45	61	61
Provisions for pensions						20	20	20
Interest-bearing short-term liabilities						2,042	2,042	2,042
Accounts payable						3,069	3,069	3,069
Accrued expenses and deferred income			5			10	15	15
Other short-term liabilities			17			322	339	339
Total financial liabilities	**–**	**–**	**38**	**–**	**0**	**11,178**	**11,216**	**11,238**
Unrealised profit/loss				–2		–22		

1) Listed companies.
2) Derivatives.

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 receivables				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 holdings				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[2]		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		

The effect of valuing financial instruments at fair value was included in the Group's profit for a total of SEK 220 million (-324), of which SEK 218 million (-302) referred to market valuation of shareholdings in Brinova. Market valuation of interest rate and currency swaps was included for a total of SEK 8 million (1).

Parent company 2009	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				1,546			1,546	1,559
Other securities held as fixed assets	413[1]			17			430	430
Other long-term receivables				1			1	1
Short-term receivables Group companies				59			59	59
Interest-bearing short-term receivables				284			284	284
Prepaid expenses and accrued income				3			3	3
Liquid funds				11			11	11
Total financial assets	**413**	**–**	**–**	**1,921**	**–**	**–**	**2,334**	**2,347**
Financial liabilities								
Long-term liabilities Group companies						6,567	6,567	6,567
Convertible promissory notes						573	573	584
Accounts payable						7	7	7
Short-term liabilities Group companies						5	5	5
Accrued expenses and deferred income						4	4	4
Total financial liabilities	**–**	**–**	**–**	**–**	**–**	**7,156**	**7,156**	**7,167**
Unrealised profit/loss				13		–12		

1) Listed companies.
2) Derivatives.

NOTES

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				655			655	662
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
Short–term receivables Group companies				29			29	29
Interest–bearing short–term receivables				306			306	306
Prepaid expenses and accrued income				5			5	5
Other short–term receivables				36			36	36
Liquid funds				2			2	2
Total financial assets	**210**	**–**	**–**	**1,110**	**–**	**–**	**1,320**	**1,327**
Financial liabilities								
Long–term liabilities Group companies						5,180	5,180	5,180
Convertible promissory notes						566	566	573
Accounts payable						24	24	24
Short–term liabilities Group companies						3	3	3
Accrued expenses and deferred income						4	4	4
Other short–term liabilities						143	143	143
Total financial liabilities	**–**	**–**	**–**	**–**	**–**	**5,920**	**5,920**	**5,927**
Unrealised profit/loss				7		–7		

1) Listed companies

The effect of valuing financial instruments at fair value was included in the parent company's profits for at total of SEK 220 million (-324), of which SEK 218 million (-302) referred to market valuation of shareholdings in Brinova.

Fair value

Measurement of fair value is based on a three level hierarchy.

Level 1: prices that reflect quoted prices on an active market for identical assets

Level 2: based on direct or indirect observable inputs not included in level 1

Level 3: based on inputs unobservable to the market

Level 1 fair value has been used in category Financial assets according to fair value option, which contains quoted shares. Level 2 is used for other financial assets and liabilities valued to fair value via the income statement as well as derivates used in hedging accounting. Current market interest with relevant credit points has been used on interest-bearing receivables and liabilities. Peab has not calculated any fair value according to level 3. The booked value of non-interest-bearing asset and liability items such as accounts receivable and accounts payable with a remaining maturity of less than six months is believed to reflect the fair value.

Note 36 Financial risks and financial policies

Finance and treasury

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 finance and treasury is governed by the financial policy 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 finance and treasury. The Board has appointed a finance and treasury 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 finance and treasury 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 finance and treasury. The overall responsibility of the finance and treasury function is to provide cost-effective funding and to minimise the negative effects on Group profit due to the price of financial risks.

Liquidity risks

The liquidity risk refers to the risk of Peab having difficulties in meeting its payment obligations as a result of a lack of liquidity or problems in converting or receiving new loans. 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 finance and treasury function.

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 37 months (44), for unutilised credits 44 months (54), and for all granted credits 39 months (48).

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 1,5 billion. 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 663 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. Peab issued convertible bonds to all employees in June 2005. 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, and they were then converted to new B shares during 2008.

Total credit commitments, excluding unutilised leasing lines and that part of the certificate program which has not been utilised, amounted to SEK 12,141 million (10,793) per 31 December 2009. Of the total credit commitments, SEK 7,732 million (6,814) was utilised.

Age analysis of financial liabilities

Group 2009 MSEK	Currency	Average interest rate as per balance sheet day %	Nominal value original currency	Amount SEK	Up to 1 year	1-5 years	5 years and later
Bank loans	SEK	1.5	3,941	3,936	1,194	2,578	164
Bank loans	NOK	3.1	1,109	1,364	670	69	625
Bank loans	EUR	1.1	63	643	3	256	384
Commercial paper	SEK	1.3	663	663	663		
Convertible promissory notes	SEK	5.4	578	578		578	
Financial leasing liabilities	SEK	1.0	503	503	191	273	39
Financial leasing liabilities	NOK	3.6	26	32	13	17	2
Financial leasing liabilities	EUR	1.5	1	13	5	7	1
Total				**7,732**	**2,739**	**3,778**	**1,215**

Group 2008 MSEK	Currency	Average interest rate as per balance sheet day %	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	1,081	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				**6,814**	**1,478**	**2,083**	**3,237**

Other non-interest-bearing liabilities not included in the age analysis above consist of current liabilities such as accounts payable with a due date of 30 days and other operating liabilities with a due date of up to one year. There are also long-term operating liabilities with due dates between one to five years. Derivate liabilities fall due within a year with the exception of interest swaps that are due in four years.

Interest rate risk

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 2009, interest-bearing net debt amounted to SEK 4,469 million (4,042). Total interest-bearing liabilities amounted to SEK 7,732 million (6,814), of which SEK 2,042 million (1,235) 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 2009 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 31 December this fair value was SEK -16 million (-17). As the table below shows, the fixed interest period for SEK 6,298 million (5,643) of the Group's total interest-bearing liabilities, including derivatives, is less than 1 year. Interest-bearing asset items totalling SEK 3,222 million (2,537) have short fixed interest periods, with the result that the fixed interest period for SEK 3,076 million (3,106) 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 36 in the Board of Directors' report.

Loan period for utilised credit per 2009-12-31

Fixed interest period	Amount , MSEK	Average effective interest rate percent	Share percent
2010	6,598	1.5	85
2011–	1,134	5.1	15
Total	**7,732**		**100**

Fixed interest rate period on utilised credits, including derivates, 2009-12-31

Fixed interest period	Amount , MSEK	Average effective interest rate percent	Share percent
2010	6,298	1.5	81
2011–	1,434	4.9	19
Total	**7,732**		**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 2009, including leasing but excluding currency derivatives, was allocated as follows:

	Local currency in millions	MSEK
SEK	5,680	5,680
EUR	64	656
NOK	1,135	1,396
Total		**7,732**

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 month. 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 27 million (30) and NOK 184 million (276). Exchange rate differences in net financials items from financial exposure were SEK -18 million (11) in 2009. Exchange rate differences in operating profit were SEK 1 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 2009, hedging through forward exchange contracts or loans in NOK for foreign net assets in Norway amounted to NOK 112 million (189) and hedging through loans in EUR for foreign net assets in Finland were EUR 19 million (19).

Foreign net assets

Local currency in millions	2009-12-31	Of which hedged	2008-12-31	Of which hedged
NOK	354	112	446	189
EUR	86	19	105	19
PLN	4	–	3	

A 10 percent stronger EURO rate on 31 December 2009 would entail a positive translation effect on equity of SEK 69 million (74). A corresponding strengthening of the Norwegian crown would generate a positive translation effect on equity of SEK 30 million (27). 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 66 million (73).

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 290 million (315) and EUR 9 million (6).

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 instrument

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 2009.

Total counterparty exposure related to derivative trading calculated as a net receivable per counterparty amounted to SEK 4 million (0) at the end of 2009. The estimated gross exposure to counterparty risks related to liquid funds and current investments amounted to SEK 2,488 million (1,991).

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 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 9 million (7). There was no significant concentration of credit risks on the balance sheet date.

Age analysis, not written down accounts receivable due

MSEK	Book value of recivables not written-down 2009	2008
Accounts receivable, not fallen due	3,947	4,513
Accounts receivable, fallen due 0 – 30 days	327	688
Accounts receivable, fallen due > 30 – 90 days	601	180
Accounts receivable, fallen due > 90 – 180 days	74	172
Accounts receivable, fallen due > 180 – 360 days	94	213
Accounts receivable, fallen due > 360 days	112	173
Total	**5,155**	**5,939**

Accounts receivable written-down

MSEK	2009	2008
Opening balance	55	24
Reversed write-downs	–47	–15
Write-downs in acquired companies	0	35
Write-downs for the year	27	12
Translation differences	0	–1
Balance carried forward	**35**	**55**

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

Note 37 Operational lease contracts

Leasing charged to income for the period:

Group MSEK	2009	2008
Minimum lease payments	274	295
Contingent rent	0	0
Total leasingcosts	**274**	**295**

Interminable leasing payments amount to:

MSEK	2009	2008
Within a year	231	205
Between one and five years	346	385
Later than five years	1	–
Total	**578**	**590**

Home computers for employees, rental of premises and office inventories cost classified as operating leasing contracts. Main part of the leasing cost refers to rental of permises acording to the contracts. The leasing contracts 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 obligations

In 2009, the Group has signed agreements to acquire tangible fixed assets amounting to SEK 67 million (64).

By participating in joint ventures, the Group has committed to investing SEK 10 million (54).

Joint venture companies have committed investments of SEK 253 million (271).

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

Note 39 Pledged assets and contingent liabilities

Pledged assets

MSEK	Group 2009	2008	Parent company 2009	2008
For own liabilities and provisions				
Related to long-term liabilities to credit institutions:				
Real estate mortgages	1,551	657		
Assets with attached liens	487	599		
Other	4	4		
Related to current liabilities to credit institutions:				
Real estate mortgages	859	588		
Shares		9		
Assets with attached liens		15		
Restricted bank balance	117			
Other	3	14		
Total related to own liabilities and provisions	**3,021**	**1,886**	**–**	**–**
For own contingent liabilities and guarantees				
Real estate mortgages	2	2		
Floating charges	27	60		
Restricted bank balance	27	5		
Total for own contingent liabilities and guarantees	**56**	**67**	**–**	**–**
Other	**94**	**109**	**–**	**–**
Total pledged assets	**3,171**	**2,062**	**–**	**–**

Contingent liabilities MSEK	Group 2009	2008	Parent company 2009	2008
Shared obligations as part-owner in limited partnerships	268	271	–	–
Responsibility in consortium of other shareholders liabilities	2	–	–	–
Guarantees and contracting guarantees for Group companies	–	–	11,647	10,101
Guarantee liabilities for the benefit of joint ventures	339	215	337	213
Other guarantees and contingent liabilities	1,660	1,670	1,642	1,658
Total	**2,269**	**2,156**	**13,626**	**11,972**

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

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 2009. 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

During 2008 the Peab Industri Group was subject to considerable influence by the brothers Mats and Erik Paulsson with families, children and companies through their ownership of the company. 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. Erik Paulsson is a member of the Board of Directors of Brinova Fastigheter AB. Svante Paulsson has been a member of the Board of Directors of Brinova Fastighehter AB until 28 April 2009.

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

Kranpunkten is subject to considerable influence by Mats Paulsson with family, children and companies through their ownership of the company. Fredrik Paulsson is a member of the Board of Directors and CEO of Kranpunkten.

Gullbergs

Gullbergs is subject to considerable influence by Mats Paulsson with family, children and companies through their ownership of the company. Fredrik Paulsson has been Chairman of the Board of Directors of Gullbergs during 2008 an until 9 March 2009 when he left the Board of Directors.

Subsidiaries

In addition to 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	2009	2008
Transactions with joint ventures		
Sales to joint ventures	748	1,065
Purchases from joint ventures	170	20
Liabilities to joint ventures	16	4
Receivables from joint ventures	63	125
Dividends from joint ventures	2	–
Transactions with Peab Industri		
Sales to Peab Industri	–	161
Purchases from Peab Industri	–	2,791
Transactions with Brinova		
Sales to Brinova	151	114
Purchases from Brinova	1	1
Liabilities to Brinova	0	0
Receivables from Brinova	2	36
Shareholdings in Brinova, fair value	393	175
Dividends from Brinova	15	32
Transactions with Skistar		
Sales to Skistar	119	120
Purchases from Skistar	1	1
Liabilities to Skistar	0	0
Receivables from Skistar	7	18
Transactions with Wihlborgs		
Sales to Wihlborgs	501	287
Purchases from Wihlborgs	9	8
Liabilities to Wihlborgs	1	3
Receivables from Wihlborgs	37	43
Transactions with Fabege		
Sales to Fabege	186	544
Purchases from Fabege	25	23
Liabilities to Fabege	7	6
Receivables from Fabege	30	46
Transactions with Backahill		
Sales to Backahill	9	3
Purchases from Backahill	1	0
Liabilities to Backahill	1	0
Receivables from Backahill	2	0
Transactions with Kranpunkten		
Sales to Kranpunkten	19	0
Purchases from Kranpunken	64	42
Liabilities to Kranpunkten	8	11
Receivables from Kranpunkten	3	2
Transactions with Gullbergs		
Sales to Gullbergs	7	0
Purchases from Gullbergs	45	52
Liabilities to Gullbergs	7	8
Receivables from Gullbergs	1	1

Summary of transactions with related parties

Parent company MSEK	2009	2008
Transactions with subsidiaries		
Sales to subsidiaries	95	52
Purchases to subsidiaries	24	17
Liabilities to subsidiaries	6,567	5,180
Receivables from subsidiaries	1,546	655
Dividends from subsidiaries	452	796
Transactions with Peab Industri		
Sales to Peab Industri	–	1
Purchases from Peab Industri	–	2
Transactions with joint ventures		
Sales to joint ventures	10	–
Transactions with Brinova		
Shareholdings in Brinova, fair value	393	175
Dividends from Brinova	15	32
Transactions with Skistar		
Purchases from Skistar	1	0
Transactions with Backahill		
Purchases from Backahill	1	–
Liabilities to Backahill	1	–
Transactions with Gullbergs		
Purchases from Gullbergs	3	–
Liabilities to Gullbergs	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 2009	2008
Peab Finans AB	556552–1324	Båstad	100.0%	1,616	1,616
Peab Sverige AB	556099–9202	Båstad	100.0%	3,222	3,222
Peab Bau GmbH	DE 811 771 570	Berlin	100.0%		
Peab Sp.z.o.o	40624	Warszaw	100.0%		
Kompetenskraft i Solna AB	556737–7683	Solna	100.0%		
Kompetansekraft AS	991687971	Oslo	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 66%	556069–3953	Klippan	66.7%		
KB Snickaren 204	969684–0975	Båstad	100.0%		
Interoc Projekt AB	556519–7091	Båstad	100.0%		
Torghuset i Värnamo AB	556607–6807	Båstad	100.0%		
Peab Brunnshög AB	556649–9116	Båstad	100.0%		
Båramo i Värnamo AB	556713–7871	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%		
Peab Trading Väst AB	556594–9590	Göteborg	100.0%		
Klätterosen AB	556794–5190	Göteborg	100.0%		
Peab Högsbo AB	556594–4583	Göteborg	100.0%		
Lambel AB	556577–8890	Göteborg	100.0%		
KB St Jörgen	916840–0407	Göteborg	100.0%		
HB Solrosen 7–8	916897–4088	Borås	100.0%		
Kreaton AB	556644–5010	Göteborg	100.0%		
Peab ROT-projekt 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%		
Peab Bostad AB	556237–5161	Stockholm	100.0%		
Haninge Park KB	916637–2590	Sollentuna	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%		
Telge Peab AB	556790–5889	Stockholm	100.0%		
Peab Trading Öst AB	556778–8749	Stockholm	100.0%		
Fastighetsbolaget Solurstorget AB	556781–7019	Solna	100.0%		
Steninge Backe i Sigtuna AB	556781–6995	Solna	100.0%		
Sätunaparken i Sigtuna AB	556781–6987	Solna	100.0%		
Enavallens Fastighets AB	556734–0871	Enköping	100.0%		
Peab Trading Solna AB	556793–1554	Solna	100.0%		
HB Märsta 24:21 Förvaltning	916625–1331	Sollentuna	75.0%		
Vilunda Hyresbostäder AB	556793–1547	Upplands Väsby	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 Hamn-entreprenad AB	556036–9133	Stockholm	100.0%		
K.P.K –Entreprenader AB	556117–7238	Tyresö	100.0%		
PB Prefabmontage AB	556597–7138	Stockholm	100.0%		
Peab Projektutveckling Nord AB	556421–1091	Sundsvall	100.0%		
Skillingenäs AB	556587–0192	Båstad	100.0%		

NOTES

Company	Corp.ID.no	Registered office	Share of equity 1) 2)	Book value in parent company, MSEK 2009	2008
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	Båstad	100.0%		
Kipsala Business Center	40003729343	Riga	100.0%		
TGS Fastigheter Nr 2 AB	556680–5106	Linköping	100.0%		
KB Klagshamn Exploatering	916563–4412	Båstad	100.0%		
Klagshamn Exploaterings AB	556058–3774	Malmö	100.0%		
Peab I 5 AB	556679–4276	Östersund	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%		
Peab Byggservice Väst AB	556066–3675	Båstad	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	Båstad	100.0%		
West Wind AB	556615–7797	Solna	100.0%		
Geodells Byggnads AB	556396–4187	Järfälla	100.0%		
Ljungbyhed Park AB	556545–4294	Klippan	70.0%		
Activus Ljungbyhed AB	556558–9644	Klippan	100.0%		
Ljungbyheds Golfcenter AB	556571–3012	Klippan	100.0%		
Peab Exploatera–arenastaden AB	556741–8586	Solna	100.0%		
Peab Drivaarena AB	556741–8578	Solna	100.0%		
Peab Ägaarena 1 AB	556741–8552	Solna	100.0%		
Peab Ägaarena 2 AB	556741–8560	Solna	100.0%		
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%		
HälsingeBygg i Hudiksvall AB	556624–4025	Hudiksvall	100.0%		
Värby Fastighets AB	556703–4771	Båstad	100.0%		
Peab Exploatering AB	556129–8562	Stockholm	100.0%		
Peab Ulriksdal AB	556689–5537	Solna	100.0%		
Ulriksdal Utveckling AB	556509–6392	Solna	100.0%		
Haga Expolatering AB	556715–4850	Stockholm	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 Byggservice Nordost AB	556715–4843	Stockholm	100.0%		
Peab Filmstaden AB	556773–7506	Båstad	100.0%		
Henrik Persson Holding AB	556767–1838	Alingsås	100.0%		
Fastighets AB Ekudden	556628–0326	Alingsås	100.0%		
AB Alingsås Trähus AB	556576–5194	Alingsås	100.0%		
Västgöta Mark och Entpreprenad AB	556644–1308	Alingsås	100.0%		
Husgruppen i Alingsås AB	556672–4448	Alingsås	100.0%		
Husgruppen i Alingsås KB	969728–7887	Göteborg	100.0%		
Peab Energi AB	556104–1533	Båstad	100.0%		60
Åstorps Bioenergi AB	556644–8246	Båstad	100.0%		
Peab Tubsockan AB	556715–1773	Båstad	100.0%		
Lappmarken i Malmö KB	916611–9918	Båstad	99.9%		
Peab Sverige AB, dansk filial	1595622	Fredrikshavn	100.0%		
Peab Sverige AB, norsk filial	976 580 176	Oslo	100.0%		
Peab Sverige AB, finsk filial	2301606–4	Helsinki	100.0%		

Company	Corp.ID.no	Registered office	Share of equity 1) 2)	Book value in parent company, MSEK 2009	2008
Peab Infra Oy	2303725–2	Helsinki	100.0%		
Peab Oy	1509374–8	Helsinki	100.0%	488	488
Peab Norge AS	990 040 729	Olso	100.0%	97	97
Peab AS	981 032 411	Oslo	100.0%		
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%		
Peab Bolig AS	987 099 011	Oslo	100.0%		
Vardentoppen AS	991 866 620	Oslo	100.0%		
Heimdalsgata 4 Utv. DA	987 572 809	Oslo	100.0%		
ANS Solligården	957 524 346	Olso	100.0%		
Peab Bolig Prosjekt AS	990 892 385	Oslo	100.0%		
Areal Invest AS	982 113 377	Rygge	100.0%		
Bergkrystallen Parkering AS	891 324 782	Oslo	100.0%		
Zerom Næring AS	992 177 292	Oslo	100.0%		
Strömmen Centrum AS	985 704 449	Oslo	100.0%		
Hebö Utvikling AS	976 466 160	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	1,332
Peab Industri AB	556594–9558	Ängelholm	98.1%	2,534	2,402
Peab Industri Växtorp AB	556232–8368	Båstad	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%		
Förenade Entreprenader i Norr AB	556188–9824	Pajala	100.0%		
BNH Maskinstation AB	556655–9612	Helsingborg	100.0%		
Skandinaviska Byggelement AB	556034–2148	Helsingborg	100.0%		
Lättklinkerbetong AB	556239–1721	Allingsås	100.0%		
Nordmarkens Betongprodukter AB	556546–8229	Årjäng	100.0%		
Skandinaviska Byggelement Norge AS	892 890 692	Slemmestad	100.0%		
Peab Asfalt AB	556098–8122	Båstad	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%		
A8 Älvbrinken AB	556620–6842	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%		
NeTel AB	556592–4056	Stockholm	100.0%		

Company	Corp.ID.no	Registered office	Share of equity 1) 2)	Book value in parent company, MSEK 2009	2008
NeTel AS	983 096 514	Oslo	100.0%		
ATS Kraftservice AB	556467–5998	Lindesberg	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%		
ATS Service AB	556707–9719	Markaryd	100.0%		
ATS Mark AB	556707–8380	Markaryd	100.0%		
Peab Industri Norge AS	990 609 527	Oslo	100.0%		
Lambertsson Norge AS	985 129 738	Skedsmo	100.0%		
Kranor AS	976 313 062	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%		
Annehem Fastigheter AB	556683–4452	Malmö	100.0%	275	
Annehem Fastighetsutveckling AB	556740–7639	Malmö	100.0%		
Annehem Bygg & Projekt AB	556699–8430	Malmö	100.0%		
Annehem Fastigheter & Projekt AB	556715–5220	Malmö	100.0%		
Annehem Hylliecentrum AB	556683–4478	Malmö	100.0%		
Annehem Hyllie point 1 AB	556762–0553	Malmö	100.0%		
Annehem Hyllie point 2 AB	556762–0546	Malmö	100.0%		
Annehem Hyllie point 3 AB	556762–0587	Malmö	100.0%		
Annehem Fastigheter Projekt Brandvakten AB	556715–5485	Malmö	100.0%		
USD II AB	556595–6546	Malmö	100.0%		
Annehem Fastighets–förvaltning AB	556683–4460	Malmö	100.0%		
Äspinge Fastighets AB	556506–5314	Malmö	100.0%		
Annehem Fastigheter i Landskrona 2 AB	556728–8658	Malmö	100.0%		
Annehem Fastigheter i Landskrona AB	556720–7104	Malmö	100.0%		
Annehem Landskrona Gallerian AB	556787–1776	Malmö	100.0%		
Annehem Landskrona KM 29 AB	556787–1784	Malmö	100.0%		
Peab Snickarboa AB	556329–5244	Båstad	100.0%		
Annehem Oket 22 AB	556709–6713	Malmö	100.0%		
Malmö Oket Ekonomisk Förening	769614–7821	Malmö	100.0%		
Malmö Oket nr 2 Ekonomisk Förening	769619–1829	Malmö	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%	0	
Peab International AB	556568–6721	Båstad	100.0%	348	348
Peab International B.V.	34 119 597	Amsterdam	100.0%		
Br Paulsson Peab AB	556113–4114	Båstad	99.9%	157	157
Stadiongatans Lokaluthyrning 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%	0	51
Peab Konstruktion AB	556061–1500	Stockholm	100.0%	52	
Peab Utvecklings AB	556511–5408	Båstad	100.0%	171	171
Fastighets AB Skånehus	556371–3816	Helsingborg	100.0%		
Peab Holding AB	556594–9533	Båstad	100.0%	0	0

Company	Corp.ID.no	Registered office	Share of equity 1) 2)	Book value in parent company, MSEK 2009	2008
JaCo AB	556554–6487	Båstad	100.0%		
Varvstaden AB	556683–1722	Båstad	100.0%		
Skånehus AB	556547–6958	Båstad	100.0%		
Birsta Fastigheter AB	556190–3765	Helsingborg	100.0%	60	60
Peab Norden AB	556134–4333	Båstad	100.0%	17	16
Peab Skandinavien AB	556568–8784	Båstad	100.0%	0	
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%		
Åke & Clas Skoogh Holding AB	556722–9066	Kristianstad	100.0%		
Stockholms Kommersiella Fastighets AB	556105–6499	Stockholm	100.0%		
Skånska Stenhus AB	556233–8680	Stockholm	100.0%		
Flygstaden Intressenter i Grevie AB	556541–5360	Båstad	100.0%		
Peab Hem AB	556077–8499	Båstad	100.0%	1	1
Peab Rydebäck AB	556397–3071	Båstad	100.0%		
Peab Nyckeln AB	556565–2947	Båstad	100.0%		
Peab Kajsa 1 AB	556776–4500	Båstad	100.0%		
Peab Björkhagen AB	556776–4690	Båstad	100.0%		
Peab S:t Jörgen AB	556776–4708	Båstad	100.0%		
Peab Barkassen 15 AB	556776–4724	Båstad	100.0%		
Peab Loke AB	556781–6672	Båstad	100.0%		
Peab Jägargården AB	556781–6680	Båstad	100.0%		
Peab Brämaregården AB	556781–6698	Båstad	100.0%		
Incasec AB	556591–2267	Båstad	100.0%	0	0
Peab Grevie AB	556715–0213	Båstad	100.0%	0	0
Peab Invest Yek AB	556753–4226	Borås	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	Helsinki	100.0%	635	635
Carpenova AB	556753–4242	Båstad	100.0%	0	0
Peab Vejby AB	556663–2682	Båstad	100.0%	219	221
Peab Park AB	556107–0003	Båstad	100.0%	3	2
CompWell AB	556589–5140	Malmö	100.0%	10	
CompWell Oy	1631252–7	Helsinki	100.0%		
CompWell Sp.zo.o.	282227	Warszaw	100.0%		
Skåne Projektfastigheter AB	556471–9143	Båstad	100.0%	36	36
AB Kampenhof	556453–1688	Uddevalla	100.0%		
Hyresmaskiner Gösta Pettersson AB	556082–6470	Båstad	100.0%		
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%		
Total				**11,634**	**11,276**

1) The capital participation accords with the vote participation, except Peab Industri AB there the vote participation amount to 99.09 percent (97.1).

2) In addition to the Group companies acquired in 2009 (see note 5), the proportion of capital for 2009 corresponds with the proportion of capital 2008.

NOTES

Parent Company

MSEK	2009	2008
Acquistion value brought forward	13,529	10,858
Purchases	490	3,206
Shareholder's contribution	2	1,315
Sales	–60	–1,850
Accumulated acquistion values brought forward	**13,961**	**13,529**
Revaluations brought forward	100	100
Accumulated revaluations carried forward	**100**	**100**
Write–downs brought forward	–2,353	–3,677
Sales	–	1,848
Write–downs for the year	–74	–524
Accumulated write–downs carried forward	**–2,427**	**–2,353**
Book value carried forward	**11,634**	**11,276**

During the year, participation in Group companies were written down by SEK 74 million (524). The write-downs refers 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 shares in Group companies” line.

Note 42 Untaxed reserves

Parent company

MSEK	2009	2008
Accumulated additional depreciation, machinery and equipment	0	1
Tax allocation reserve	–	159
Total	**0**	**160**

Note 43 Cash flow statement

Paid interest and dividends received

	Group		Parent company	
MSEK	2009	2008	2009	2008
Dividends received	16	33	16	33
Interest received	125	136	50	41
Interest paid	290	192	–233	223

Adjustments for items not included in cash-flow

	Group		Parent company	
MSEK	2009	2008	2009	2008
Profit from participation in joint ventures/associated companies	–17	6		
Dividends received from joint ventures	2			
Depreciation and write-downs	804	130	77	525
Unrealised exchange rate difference	–23	–23		
Gains on sale of fixed assets	–11	–70	12	1
Gains on sale of business/ subsidiary	–70	–53		
Provisions	32	4		
Change in fair value of financial instruments	–213	328	–213	328
Accrued expenses and provisions	24	–152		
Dividends from subsidiaries			–452	–795
Total	**528**	**170**	**–576**	**59**

Transactions without payments

	Group		Parent company	
MSEK	2009	2008	2009	2008
Aquisition of assets by financial leasing	64	22		
Aquisition of subsidiaries financed by loan from the seller	6	70		
Conversion of convertible promissory note liabilities to equity		4		4
Aquisition of subsidiaries through issue in kind	385	2,386		
Aquisition of subsidiaries with own shares		12		

Acquisition of subsidiaries and businesses

Group MSEK	2009	2008
Acquired assets and liabilities		
Intangible assets	239	1,631
Tangible assets	554	3,561
Financial assets	–15	93
Deferred tax recoverables	115	1,021
Project and development properties and inventories	141	723
Operating receivables	36	1,755
Liquid funds	311	423
Minority interests	57	–87
Long–term provisions		–150
Interest–bearing long–term liabilities	–486	–3,110
Deferred tax liabilities	–105	–426
Current liabilities	–73	–1,626
	774	**3,808**
Deferred tax income	–134	–465
Purchase prices	640	3,343
Loan from seller	–6	–70
Issue in kind	–385	–2,386
Aquisition with own shares		–12
Paid purchase price	249	875
Less: Liquid funds in acquired companies	–311	–423
Effect on liquid funds	**–62**	**452**

Disposal of subsidiaries

Group MSEK	2009	2008
Sold assets and liabilities		
Intangible assets	15	
Tangible assets	189	
Financial assets	–140	1
Project and development properties and inventories	117	29
Operating receivables	40	
Liquid funds	16	1
Minority interests		–1
Long–term provisions		–2
Interest–bearing long–term liabilities	–224	–58
Deferred tax liabilities	–25	
Current liabilities	–58	–4
	–70	**–34**
Sales price	0	19
Less: Loan to buyer		–6
Received purchase sum	0	13
Less: Liquid funds in disposed companies	–16	–1
Effect on liquid funds	**–16**	**12**

Liquid funds

The following components are included in liquid funds;

MSEK	2009	2008
Liquid funds	1,584	984
Short-term holdings (equivalent to liquid funds)	904	1,007
Total	**2,488**	**1,991**

Note 44 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 principles are described below.

The sources of uncertainty in the assessments given below refer to uncertainties that entail a risk that the value of assets or liabilities may be significantly adjusted in the coming fiscal year.

Percentage of completion

Profit reported for contract projects in progress is calculated through percentage of their completion based on the degree of completion of the project. This requires that project revenue and costs can be calculated in a reliable manner. A prerequisite is a well functioning system for calculation, forecasting and project monitoring. Forecasts of the final outcome of the project are critical estimates crucial to accounting for the results of operations during the project. There is a risk that the final results of a project deviate from those that have been successively reported.

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 beyond what can reasonably be expected during 2010 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 write-downs may be required.

Disputes

The actual outcome in disputed amounts may deviate from those, according to the best estimate, recorded.

Taxes

Changes in tax legislation and changed praxis with regard to the interpretation of tax laws can have a considerable impact on the size of recorded deferred taxes.

Accounting principles

New accounting principles and interpretations of existing standards can result in changes which may entail that certain transactions in future are handled differently than they were according to previous praxis.

Note 45 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 2009 consist of the parent company and its subsidiaries, together referred to as the Group. The Group also includes shares of holdings in associated companies and joint ventures.

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, March 29, 2010

Göran Grosskopf
Chairman

Mats Paulsson
CEO,
Member of the Board

Annette Brodin Rampe
Member of the Board

Karl–Axel Granlund
Member of the Board

Svante Paulsson
Member of the Board

Fredrik 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 March 29, 2010. 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 11, 2010.

AUDIT REPORT.

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

We 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 2009. The annual accounts and the consolidated accounts are presented in the printed version of this document on pages 33 - 92. 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. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we 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 our opinion concerning discharge from liability, we 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. We 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. We believe that our audit provides a reasonable basis for our 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.

We 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, March 29, 2010

Alf Svensson	Thomas Thiel
Authorized Public Accountant	*Authorized Public Accountant*

SUSTAINABILITY REPORT

A RESPONSIBLE PARTNER.

"Peab builds for the future. We want to be the leading and most attractive construction and civil engineering company in the Nordic region. 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, President of Peab

PEAB IS A GOOD PLACE TO WORK

Peab considers its employees a vital strategic resource. For this reason we always try to work with our own employees and strive to make sure that they enjoy their work and are safe at work. It's important that all Peab employees feel responsible for – and participate in - improving the working environment.

SYSTEMATIC WORKING ENVIRONMENT WORK PAYS OFF

Peab works systematically to improve the working environment. This is primarily based on three activities: Working environment reviews, education and preventive work.

We have defined two prioritised areas for this work, strain injuries and workplace injuries. Our goal is that by the end of 2013 we will have halved the number of newly reported strain injuries and reduced workplace injuries to 7 per million man hours.

REGULAR WORKING ENVIRONMENT REVIEWS

Peab's work environment managers have visited more than 200 workplaces during the year 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. We also work with the working environment in our leadership courses.

EDUCATION FOR REDUCING STRAIN INJURIES

To reduce strain injuries Peab has in cooperation with Previa held a course giving our employees more knowledge, a different behaviour pattern and a stronger sense of responsibility in order to minimise strain injuries and accidents.

PREVENTING PROBLEMS EARLY ON

We also work to prevent problems by initiating working environment issues in the planning phase. We incorporate a good working environment perspective when purchasing material and planning workplaces. For this reason everyone involved in planning receives regular training in these areas.

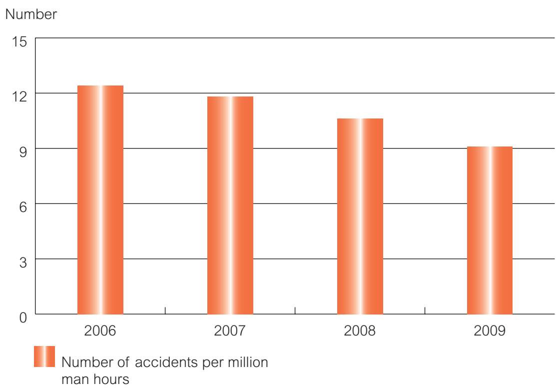
FEWER WORKPLACE ACCIDENTS FOR THE FOURTH YEAR IN A ROW

Peab has a zero vision when it comes to workplace accidents. This vision applies to our own employees and our subcontractors as well. All incidents are followed up and where possible improved working methods are implemented. This has led to a steady decline in accidents at work and work related illness in Peab.

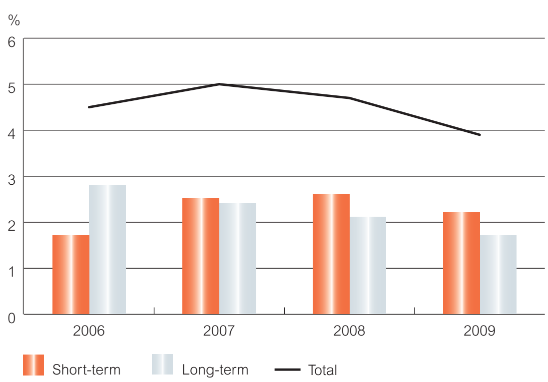
SICK LEAVE IS SHRINKING

Sick leave, in particular long-term absence due to illness, is shrinking. We actively monitor sick leave through our personal administra-

Development in work-related accidents at Peab



Development in sick leave at Peab



Ribersborg Swimming Centre, Malmö.
Extensive renovation January – July 2009.

tion system and follow up its causes. We work with a wide variety of rehabilitation measures in cooperation with Försäkringskassan (national insurance agency) and our occupational health service.

During the year we have produced a more structured cooperation with our occupational health service. We have pooled our resources and work with defined objectives connected to relevant measures.

EMPLOYEE INFLUENCE – THE HANDSHAKE

Peab is an entrepreneur driven company that attracts responsible and creative people. In order to develop this driving force we work hard to increase our co-workers' opportunities to influence their work situation. We encourage those who want to grow in their roles through, among other things, leadership preparation education. Our goal is to have development discussions with all employees once a year.

During the year we sent out the third edition of our personnel questionnaire, the Handshake. The inquiry is carried out every other year and is an extensive questionnaire with questions concerning how our employees view their working environment, leadership and Peab as an employer. We are pleased to note that the majority of our employees are positive, for instance all of 77 percent say that they would happily recommend others to work at Peab. The experienced importance of health and the working environment is up 11 percent from the previous questionnaire, primarily among craftsmen. This is a sign that our work is getting results and we are on the right road to reaching our goals.

However, the main aim of the Handshake is to give us an overall view of which areas we still need to develop.

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 not only sports and working out but family activities and education on health as well.

PEAB IS GOOD FOR THE ENVIRONMENT

Peab is going to further strengthen its work with environmental impact in 2010. When we set up our new organisation we appointed an Environmental Manager on Group level who will also be responsible for energy issues. This support function will put even greater focus on environmental impact, centrally and in our operations. We will intensify our efforts to streamline building processes and existing real estate from an environmental perspective.

VISION, STRATEGY AND OBJECTIVES

In 2008 Peab established a vision, a strategy and four focused objectives for our future environmental work:

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

An updated vision and strategy for the Group's environmental work and a clarification and extension of our environmental objectives is expected in the first half of 2010. One of the measures will be the integration of energy efficiency into buildings, production and industry.

OPERATIONS MANAGEMENT SYSTEM

Peab works with our own operations management system (VLS) in which we have integrated environmental issues into our work processes. The system is based on the requirements in ISO 14001. During the year Division West in business area Construction was certified according to ISO 14001 and ISO 9001Environmental classification of buildings.

There are currently a number of systems to environmentally classify buildings, among them the American system LEED, the British BREEAM, the Swedish Miljöklassad byggnad and EU's GreenBuilding. Peab has decided not to choose one over the other. Instead we have elected to master them all. Different customers want different systems and therefore we need to be able to meet the requirements of all our customers. Peab's own housing developments are designed today as low-energy houses. This means that their total energy consumption will only be 60-70 percent of the amount permitted by building norms for houses heated by district heating. Buildings heated with electricity are now constructed with even lower energy consumption. We only use green electricity in our production.

BETTER WASTE MANAGEMENT

Peab signed a new contract for waste management in 2009 reducing our suppliers to two, which allows us to better steer and follow up waste management. The new process will be more cost-effective and contribute to resource conservation.

PEAB HOUSE DECLARATION

During the year Peab House Declaration changed names to Peab Building Declaration. It 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 AND TRAINING

It's 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 through Peab Akadamin and locally onsite.

A broad program to raise competence in the company is planned for 2010. Among other things, we are going to prepare a course in environmental law for those employees who work with projects in the early stages. We are also going to produce a more comprehensive education package primarily aimed at raising the competence of buyers, project managers and contract engineers.

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 project's environmental risks, demands, preventative measures, follow-up and documentation is identified and steered with the help of a project plan with accompanying 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. Therefore it's important for us to have clear guidelines regulating our behaviour in the company, in the community and in business. For us ethics is all about how we relate to each other and our interested parties. We strengthen our relationships and brand because we build our business on trust while we also ensure good profitability.

WE PUT DEMANDS ON OUR PARTNERS

Our responsibility to the world around us requires that our partners adhere to our established sustainable principles. We have therefore produced a code of conduct based on the UN's Global Compact. The work on following up how our suppliers and other partners deal with sustainability has come a long way in Sweden but as globalisation increases we must also be able to monitor our foreign suppliers. For this reason we will continue to develop control systems that ensure the entire Group is run on our environmental, social and ethical principles.

ETHICAL GUIDELINES

We follow regulations

Peab only deals in business that strictly follows national laws and good business ethics. Laws, regulations and norms are, however, only a minimum. In many different areas Peab has higher ambitions, which is evident in our ethical guidelines. An educational package in ethics for all managers was put together in 2009 and will be rolled out to the entire organisation in 2010.

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.

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 follow up

We can only run our business ethically if all our co-workers take a personal responsibility. At the same time individual supervisors are responsible for making sure that all co-workers receive information on, accept and act according to these guidelines. Peab's executive management is responsible for following up and further developing these ethical guidelines. Peab employs the grandfather principle, in which a co-worker can always go to his supervisor's boss if he or she feels they cannot discuss a certain matter with their closest boss.

CORPORATE GOVERNANCE REPORT 2009.

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).

The Corporate Governance Report with the Board of Directors' Report on internal control is not a part of the formal Annual Report and has not been reviewed by the company's auditors.

Göran Grosskopf, Chairman of the Board

THE ANNUAL GENERAL MEETING AND THE NOMINATION PROCEDURE

The Annual General Meeting (AGM) was held on 14 May 2009 at Grevieparken, Grevie. It was attended by 396 shareholders, representing about 77 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 2009 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 2010 AGM. An account of the work of the nomination committee is available on Peab's website.

THE BOARD OF DIRECTORS AND ITS WORK

According to Peab's Articles of Association the Board of Directors must be made up of no fewer than five and no more than nine members in addition to the statutory employee representatives. The members of the Board of Directors are elected annually by the AGM. At the 2009 AGM the following persons were elected as members of the Board of Directors:

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

Board meetings, attendance 2009

	22/1	11/2	3/4	16/4	14/5	14/5[1])	24/6	7/7	24/8	12/10	25/11
AGM elected members											
Göran Grosskopf	•	•	•	•	•	•	•	•	•	•	•
Mats Paulsson	•	•	•	•	•	•	•	•	•	•	•
Annette Brodin Rampe	•	•	•	•	•	•	•	•	•	•	•
Karl-Axel Granlund	•	•	•	•	•	•	•	•	•	•	•
Fredrik Paulsson	–	–	–	–	–	•	•	•	•	•	•
Svante Paulsson	•	•	•	•	•	•	•	•	•	•	•
Lars Sköld	•	•	•	•	•	•	•	•	•	•	•
Ordinary employee representatives											
Kent Ericsson		•	•	•	•	•	•	•	•	•	•
Patrik Svensson	•	•	•	•	•	•	•	•	•	•	•
Kim Thomsen	•	•	•	•	•	•	•	•	•	•	
Deputy employee representatives											
Lars Bergman			•	•	•	•			•	•	•
David Karlsson	•	•	•	•	•	•			•	•	

1) Constitutional meeting

• Present – Were not members of the Board during the marked period

Adventure Centre Experium in Sälen.
Swimming, spa & sauna world, bowling, 3D cinema, conference facilities, restaurants.

Göran Grosskopf was appointed Chairman of the Board by the AGM. At the 2009 AGM, the following employee representatives were appointed by the employee unions: Kent Ericsson, Patrik Svensson and Kim Thomsen (members), Lars Bergman and David Karlsson (deputies).

The Board of Directors held eleven meetings in 2009, of which five were ordinary meetings of the Board (including the constitutional meeting), two meetings of the Board were held by telephone and four were held per capsulam.

Members of the executive management submitted reports at the meetings of the Board of Directors. The company auditors were 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 executive management. They are also independent in relation to the company's major owners. Mats Paulsson, Fredrik Paulsson and Svante Paulsson are regarded as dependent in relation to the company and the executive management.

THE AUDIT COMMITTEE

Members In 2009

Göran Grosskopf, Chairman, Karl-Axel Granlund, Lars Sköld, Fredrik Paulsson, 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 the CEO.

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 be procured from the company auditors, maintaining regular contact with the company auditors regarding the scope and 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 auditing committee met once in 2009. All members of the committee attended, as well as the company auditors. The audit committee reports to the Board of Directors.

THE FINANCE COMMITTEE

Members in 2009

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 three times during 2009. All members attended all meetings. The finance committee regularly reports to the Board of Directors.

THE REMUNERATION COMMITTEE

Members in 2009

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 in 2009. Each time all members of the committee participated.

The remuneration committee regularly reports to the Board of Directors.

REMUNERATION TO EXECUTIVE MANAGEMENT

The 2009 Annual General Meeting approved the Remuneration Policy for executive management. The remuneration policy is available on Peab's website, www.peab.com. 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 62.

INCENTIVE PROGRAM

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

AUDITORS

Under Peab's Articles of Association one or two auditors with a similar number of deputies are elected by the AGM. At the AGM in 2009 the following authorized public accountants were elected until the AGM 2013:

Auditors

Alf Svensson, KPMG (re-election)
Thomas Thiel, KPMG (new member)

Deputy auditors

Dan Kjellqvist, KPMG (re-election)
David Olow, KPMG (new member)

In addition to auditing, the only services the auditors, deputy auditors and KPMG have provided Peab with over the last three years where accounting and tax consultancy as well as analyses in connection with acquisitions and divestments.

GROUP MANAGEMENT

The President and 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. The President has appointed a Vice-President who is responsible for the company's operations. Executive management consists of the President, Vice-President, Deputy CEO responsible for HR and communication, Deputy CEO responsible for Business development and the Deputy CEO responsible for Finance and treasury.

Executive management meetings are held once a month and address issues of strategy. At the meetings the executive management advisory board, consisting of the Deputy CEO responsible for IR, investments and structural business as well as the head of acquisitions of businesses and machinery and equipment are called in when discussing issues concerning these areas. Representatives of Group staff are called in when needed.

Executive management together with the divisional managers make up Group management. Representatives of Group staff are called in to Group management meetings when needed. Group management meets once a month to discuss strategic and operative issues.

Group staff, which support the entire Peab Group are divided into three teams; HR and communication, Finance and treasury and Business development. Each team meets once a month.

BUSINESS AREA 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.

Control is ensured through a clear line of decision for every type of major decision which requires special approval by executive management or a delegated organ. These are the acquisition of development property, businesses and other major investments, predetermined levels of tenders for individual positions, central authorised signatories through at least one person from either executive management or the limited circle approved by the Board as authorised signatories.

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 steering and control is performed by Group staff Finance and treasury.

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

The executive management with the support of Group staff Finance and treasury are responsible for ensuring that all business units in the Group follow the policy. The CEO is responsible for ensuring that financial reporting is reported to the Board of Directors at the first ordinary meeting of the Board of Directors after the end of the respective financial year.

The Board of Directors has assessed the need for an internal auditing department 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.

DEVIATIONS FROM THE CODE

Peab has elected to make the following deviations from the code.

CODE RULE 2:3

The majority of the nomination committee's members shall be independent in relationship to the company and company management.

DEVIATION

Peab's nomination committee has four members. Half of the nomination committee's members are independent in relationship to the company and company management. In other words, the majority of the nomination committee's members are not independent in relationship to the company and company management.

EXPLANATION TO THE DEVIATION

In accordance with the major shareholders' proposal Peab's nomination committee consists of the Chairman of the Board and three to four other members, of which two to three represent the major shareholders and one to two represent minority shareholders. The nomination committee mirrors Peab's shareholder structure in general and the equal balance between members who are independent and dependent in relationship to the company and company management is believed to contribute to balance in the work performed by the nomination committee.

BOARD OF DIRECTORS AND AUDITORS

BOARD OF DIRECTORS

Göran Grosskopf
Born 1945. Appointed 2004.
Professor, LLD and Dr Econ
Chairman of the Board of Peab AB and Ingka Holding BV, member of the board of Appo Services AG, Birgma International SA and Svox AG. Former professor of tax law and working chairman of the board of Tetra Laval Group.
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 and President of Peab AB. Member of the boards of Skistar AB and Mentor Sverige 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, AB Cernelle, Rögle BK and Ängelholms Näringsliv AB.
Holding: 1,720,908 A shares, 1,343,580 B shares.

Annette Brodin Rampe
Born 1962. Appointed 2000.
MSc (engineering)
Senior Partner of Brunswick Group. Member of the boards of Pilum AB and Bingocluster AB. Formely, 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 i Stockholm AB, Satotukku Oy. Member of the boards of Åkers Holding AB and of various boards within the STC Interfinans group, member of the board of Kulturgastronomen AB. Holding: 12,000 B shares.

Fredrik Paulsson
Born 1972. Appointed 2009.
Member of the board and CEO of Kranpunkten i Skandinavien AB.
Holding: 4,261,430 A shares, 6,002,154 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.
Civil engineering 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.
Authorized public accountant, KPMG.
Auditor in Peab AB since 2007.

Thomas Thiel
Born 1947.
Authorized public accountant, KPMG.
Auditor in Peab AB since 2009.

Deputy auditors; Dan Kjellqvist, Authorized public accountant, KPMG and David Olow, Authorized public accountant, KPMG.

The holdings reported were those on 28 February 2010. 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 2007/2012.

EXECUTIVE MANAGEMENT

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

Jan Johansson
Vice President Peab AB
Born 1959.
Employed since 1986.
Holding: 351,700 B shares, 1,800 convertibles.

Tore Hallersbo
Deputy CEO Peab AB
Business Development, Division Manager Construction system
Born 1955.
Employed since 2005.
Holding: 1,800 convertibles.

Mats Johansson
Deputy CEO Peab AB
Human Resources and Communication
Born 1950.
Employed since 2005.
Holding: 265,100 B shares, 1,800 convertibles.

Jesper Göransson
Deputy CEO Peab AB
CFO
Born 1971.
Employed since 1996.
Holding: 390,400 B shares, 1,800 convertibles.

EXECUTIVE MANAGEMENT ADVISORY BOARD

Mats Leifland
Deputy CEO Peab AB
IR, Investments and structural business
Born 1957.
Employed since 1995.
Holding: 519,200 B shares, 1,700 convertibles.

Niclas Winkvist
Acquistions and business support
Born 1966.
Employed since 1995.
Holding: 200 convertibles.

The holdings reported were those on 28 February 2010. 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 2007/2012.

GROUP MANAGEMENT

CONSTRUCTION

Anders Svensson

Division Manager South

Born 1951. Employed since 1994.

Holding: 56,800 B shares, 1,800 convertibles.

Tomas Anderson

Division Manager Housing

Born 1956. Employed since 1996.

Holding: 20,000 B shares, 1,800 convertibles.

Anders Arfvén

Division Manager Northeast

Born 1962. Employed since 1985.

Holding: 50,400 B shares, 1,700 convertibles.

Jan-Olof Nordin

Division Manager Stockholm Hus

Born 1958. Employed since 1979.

Holding: 30,100 B shares, 1,800 convertibles.

Sven Kerstis

Division Manager West

Born 1960. Employed since 2007.

Holding: 1,800 convertibles.

Petri Suuperko

Division Manager Finland

Born 1963. Employed since 2009.

Holding: None

Stein Eriksen

Division Manager Norway

Born 1961. Employed since 2001.

Holding: 1,800 convertibles.

CIVIL ENGINEERING

Tore Nilsson

Division Manager Civil Engineering

Born 1950. Employed since 1986.

Holding:102,965 B shares, 1,800 convertibles.

INDUSTRY

Tore Hallersbo

Division Manager Construction system

Born 1955. Employed since 2005.

Holding: 1,800 convertibles.

Karl-Gunnar Karlsson

Division Manager Industry

Born 1956. Employed since 2003.

Holding: 15,400 B shares, 200 convertibles.

The holdings reported were those on 28 February 2010. 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 2007/2012.

GROUP STAFF

BUSINESS DEVELOPMENT
Tore Hallersbo

Production and Process Support	Anders Bergeling
Purchasing & Logistics	Stefan Björck
Environment & Energy	Kristina Gabrielii
Housing Developments	Anders Hylén
Construction Maintenance	Hans Nordfeldt
CRM & Multinational Customers	Tommy Lundh

HUMAN RESOURCES AND COMMUNICATION
Mats Johansson

Remunerations & Work Environment	Kai Nilsson
Personnel Administration	Gunnar Wannehag
Recruitment	Mats Svensson
Media	Niclas Brantingson
Information, IR	Gösta Sjöström
Securtiy	Peter Martin
IT	Mikael Rydén

FINANCE AND TREASURY
Jesper Göransson

Operative Finans	Jan Persson
Treasury	Mikael Johansson
Group Controlling	Marie Håkansson
Group Accounting/Tax	Paul Ohlsson
Legal Affairs	Karin Malmgren

GOOD RECOVERY DURING THE YEAR.

Peab's B share is listed on the NASDAQ OMX Stockholm – Mid Cap. As of 31 December 2009 the total market capital of Peab was SEK 13.6 billion (6.1).

TRADING IN THE PEAB SHARE

As of 31 December 2009 the closing price of the Peab share was SEK 46.00, which was a 113 percent increase during 2009. The Swedish stock exchange, measured by the OMX Nordic Stockholm, increased by 47 percent in 2009. During 2009, the Peab share was quoted at a maximum of SEK 51.00 and a minimum of SEK 20.20.

During 2009, 170.2 million shares (94.2) were traded, equivalent to 678,000 shares per trading day (374,000). A round lot of shares is 100 shares.

SHARES AND SHARE CAPITAL

The number of shares at the beginning of 2009 was 34,319,957 A shares and 256,710,536 B shares. The share capital amounted to 1,557 million. The number of shares at the end of 2009 was 34,319,957 A shares and 261,729,773 B shares. Share capital increased during the year to SEK 1,583.9 million. Share capital development over time is available at www.peab.com.

HOLDINGS OF OWN SHARES

At the start of 2009, 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. Peab's Annual General Meeting resolved on 14 May 2009 to authorise the Board of Directors to acquire during the period until the next Annual General Meeting, at the most, the number of shares in Peab AB such that after acquisition Peab would hold a maximum of 10 percent of the shares in the company. During the year, 440,000 B shares, corresponding to 0.1 percent of the total number of shares were bought back for SEK 11 million.

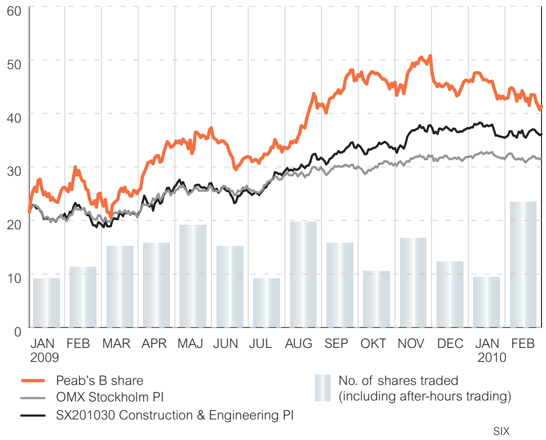
Peab's Board decided on 24 June and 24 August 2009, supported by the authorisation of the Annual General Meeting, to transfer 7,910,580 shares worth SEK 252 million to the shareholders in Annehem Fastigheter AB who accepted Peab's offer for the company and as compensation chose to receive shares in Peab.

After these transfers Peab's holding of own shares per 31 December 2009 amounts to 4,906,220 B shares which corresponds to 1.7 percent of the number of registered shares totalling 296,049,730.

DIVIDEND

A dividend of SEK 2.50 (2.25) per share is proposed for 2009. Calculated as a percentage of the Group's reported profit after tax the proposed dividend amounts to 55 percent (58), which is in line with company dividend policy. The direct return calculated on the proposed dividend and at the closing price on 31 December 2009 is 5.4 percent. The total return for the past 5 years was, on the average, slightly more than 25 percent.

Price trend of the Peab share
2 January 2009 – 26 February 2010



Peab share, total return.
31 December 2004 - 31 December 2009

Data per share

	2009	2008
Earnings, SEK	4.59	6.56
– after dilution	4.58	6.45
Equity, SEK	26.33	22.86
– after dilution	27.47	24.13
Cashflow before financing, SEK	2.39	–7.59
– after dilution	2.32	–7.20
Share price at year-end, SEK	46.00	21.60
Share price/equity, %	174.7	94.5
Dividend, SEK [1]	2.50	2.25
Direct return, % [2]	5.4	10.4
P/E ratio [2]	10	3

1) For 2009, Board of Directors' proposal to the AGM
2) Based on closing price at year-end

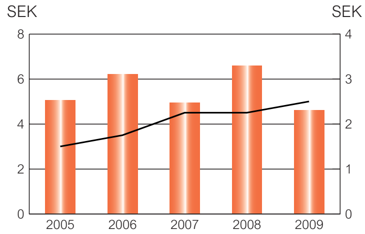
List of shareholders[1]

	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	11,916,299	24,123,914	8.1	22.2
Karl-Axel Granlund with family and 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	5,957,050	10,218,481	3.5	8.0
Folksam		9,100,000	9,100,000	3.1	1.5
Swedbank Robur Funds		6,750,632	6,750,632	2.3	1.1
Peab´s profit sharing foundation		4,785,108	4,785,108	1.6	0.8
SEB Investment Management		4,410,180	4,410,180	1.5	0.7
Government of Norway		3,350,293	3,350,293	1.1	0.6
Danica Pension		3,229,650	3,229,650	1.1	0.5
Svante Paulsson with family and companies	1,720,908	1,343,580	3,064,488	1.0	3.2
Lannebo Funds		3,000,000	3,000,000	1.0	0.5
Handelsbanken Funds		2,985,660	2,985,660	1.0	0.5
Sara Karlsson with family and companies	1,778,140	863,299	2,641,439	0.9	3.1
Foreign shareholders		32,678,894	32,678,894	11.0	5.4
Others	335,523	108,001,269	108,336,792	36.6	18.3
Number of outstanding shares	**34,319,957**	**256,823,553**	**291,143,510**		
Peab AB		4,906,220	4,906,220	1.7	0.8
Number of registered shares	**34,319,957**	**261,729,773**	**296,049,730**	**100.0**	**100.0**

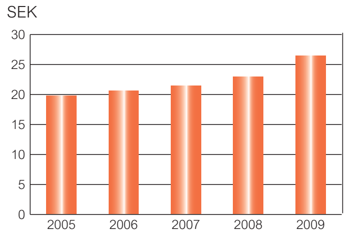
Shares and votes per share class [1]

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**

Earnings and dividend per share [1), 2), 3)]



Equity per share [3), 4)]



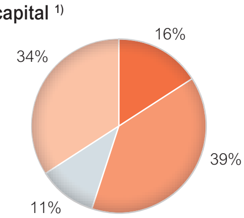
1) For 2005, not recalculated for the distribution of Peab Industri.
2) For 2009, Board of Directors' proposal to the AGM.
3) Calculated on the recalculated number of shares after the 2:1 split for the years 2005–2006.
4) All balance sheet items except those for 2007 include Peab Industri.

Allocation of shareholdings [1]

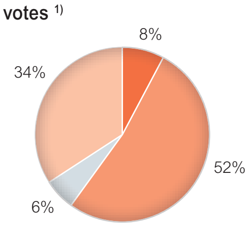
Number of shares	Number of shareholders	Proportion of capital,%	Proportion of votes,%
1– 500	14,642	1.0	0.5
501– 1,000	5,853	1.6	0.8
1,001– 5,000	8,804	7.4	3.6
5,001– 10,000	1,818	4.4	2.2
10,001– 15,000	798	3.2	1.6
15,001– 20,000	292	1.8	0.8
20,001–	820	80.6	90.5
	33,027	**100.0**	**100.0**

[1] Per 2010-02-28

Shareholder categories, proportion of capital [1]



Shareholder categories, proportion of votes [1]



- Financial companies and trust funds
- Other Swedish legal entities
- Foreign shareholders
- Swedish private persons

SHAREHOLDER INFORMATION.

UPCOMING REPORTS 2010

Annual General Meeting	11 May 2010
Interim Report, January–March	11 May 2010
Interim Report, January–June	24 August 2010
Interim Report, January–September	23 November 2010
Year-end Report, 2010	16 February 2011
2010 Annual Report	April 2011

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FINANCIAL INFORMATION

Peab publishes quarterly reports in Swedish and English about the company's development. Financial information and other company related information, can be downloaded from the Peab website, www.peab.com, or ordered by contacting: Peab AB, Information, SE-260 92 Förslöv, Sweden, Tel +46 431- 890 00, Fax +46 431- 45 19 75

FINANCIAL HIGHLIGHTS

GROUP

MSEK	**2009**	2008 1)	2007 2)	2006 1) 2)	2005 3)
Income statement items					
Net sales	35,140	34,132	31,977	26,132	25,501
Operating profit	1,601	1,349	1,261	722	747
Pre-tax profit	1,647	1,014	1,099	932	824
Profit for the year from continuing operations	1,321	1,093	774	708	–
Profit for the year	1,321	1,093	811	1,048	855
Balance sheet items					
Fixed assets	8,948	8,192	2,448	4,620	3,999
Current assets	17,360	17,500	12,904	11,893	9,743
Total assets	**26,308**	**25,692**	**15,352**	**16,513**	**13,742**
Equity	7,666	6,370	3,600	3,277	3,348
Minority interests	43	92	6	1	–
Long-term liabilities	6,009	5,897	912	1,640	2,304
Current liabilities	12,590	13,333	10,834	11,595	8,090
Total equity and liabilities	**26,308**	**25,692**	**15,352**	**16,513**	**13,742**
Key ratios					
Operating margin, percent	4.6	4.0	3.9	2.8	2.9
Profit margin, percent	5.5	4.5	4.4	4.0	3.7
Return on equity, percent	18.7	21.9	23.6	31.6	28.7
Capital employed	15,441	13,277	4,674	5,911	6,119
Return on capital employed, percent	13.4	17.3	26.6	17.2	17.1
Equity/assets ratio, percent	29.3	25.2	23.5	19.9	24.4
Net assets (+)/Net debt (-)	–4,469	–4,042	587	–1,534	–2,110
Debt/equity ratio, multiple	1.0	1.1	0.3	0.8	0.8
Interest coverage ratio, multiple	7.6	5.9	12.7	10.4	8.5
Capital expenditures					
Goodwill	-23	1,446	14	177	19
Buildings and land	896	969	139	225	100
Machinery and equipment	278	2,827	379	725	502
Shares and participations	576	–222	133	723	47
Project and development properties	518	914	670	246	185
Orders					
Orders received	30,393	32,269	37,529	28,711	24,227
Order backlog	24,487	24,233	26,299	20,642	17,722
Personnel					
Average numer of employees	13,633	11,945	11,480	10,740	11,317
Data per share 4)					
Earnings, SEK	4.59	6.56	4.92	6.18	5.03
after completed subscription and conversion	4.58	6.45	4.77	5.89	4.92
Cash flow, SEK	2.39	–7.59	8.70	14.55	3.17
after completed subscription and conversion	2.32	–7.20	8.41	13.75	3.06
Equity, SEK	26.33	22.86	21.32	20.51	19.67
after completed subscription and conversion	27.47	24.13	20.27	22.00	18.48
Share price at year-end, SEK	46.00	21.6	66.75	57.35	51.00
Ordinary dividend, SEK 5)	2.50	2.25	2.25	1.75	1.50
Extra dividend, SEK	–	–	–	3.75	–
Number of shares at year-end, millions	291.1	278.7	168.8	159.8	170.2
after completed subscription and conversion	299.9	287.5	177.8	170.8	181.2
Average number of outstanding shares, millions	286.7	166.6	165.0	169.2	170.2
after completed subscription and conversion	295.5	175.5	171.3	180.2	175.8

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 2005-2006.
5) For 2009, the Board of Director's proposal to the AGM.

DEFINITIONS.

FINANCIAL DEFINITIONS

Capital employed
Total assets at year-end less non-interest-bearing operating liabilities and provisions.

Cash flow per share
Cash flow per share calculated as the total of the cash flow from current operations and cash flow from investment activities divided by the average number of outstanding shares during the year.

Debt/equity ratio
Interest-bearing liabilities in relation to equity.

Direct return
Dividend as a percentage of the share price at year-end.

Earnings per share
Profit for the period attributable to shareholders in 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 shareholders in parent company divided by the number of outstanding shares at the end of the period.

Interest coverage ratio
Pre-tax profit items plus interest expenses in relation to interest expenses.

Net assets (+) / Net debt (-)
Interest-bearing liabilities including provisions for pensions less liquid and interest-bearing assets.

Operating margin
Operating profit as a percentage of net sales.

Order backlog
The value of the remaining income in ongoing production plus orders recieved yet to be produced.

Orders received
The sum of orders received during the year.

P/E ratio
Share price at year-end divided by earnings per share.

Profit margin
Pre-tax profit items plus financial expenses as a percentage of net sales.

Return on capital employed
Pre-tax profit items plus financial expenses as a percentage of average capital employed.

Return on equity
Profit for the period attributable to shareholders in parent company divided by average equity attributable to shareholders in parent company.

CONSTRUCTION RELATED DEFINITIONS

À price
Unit price for a product, for example 1 square metre asphalt or top soil in square metres.

Contract amount
The amount 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 reported plus an administrative increment in percent or Swedish crowns.

Development property
Land suitable for development or a building which is to be developed or improved and thereafter sold within 36 months.

Fixed price
Contract to be carried out for a fixed price without the contractor being able to alter it, unless the client makes changes to the contract or makes supplementary orders.

General contract
Contract work 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
A type of collaboration between Peab and the customer involving collaboration at an early stage, shared goals and decisions and complete openness in processes and systems such as finance and purchasing. To start with, the customer presents his/her requirements and then Peab comes up with a proposal. Customers are not as closely involved in the construction process in Peab’s trust-based contracts as they are in Peab Partnering.

Peab Partnering
A type of collaboration which is similar to Peab’s trust-based contracts. 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 be, 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
Contract work where the contractor, in addition to building, is also responsible for planning the project.

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