



## PEAB AB YEAR-END REPORT JANUARY–DECEMBER 2008.

Net sales increased by 7 percent to SEK 34,132 million (31,977), pro forma including Peab Industri net sales increased by 8 percent to SEK 39,762 million (36,940)

Operating profit increased by 7 percent to SEK 1,349 million (1,261), pro forma including Peab Industri operating profit increased by 9 percent to SEK 2,202 million (2,023)

Profit for the year amounted to SEK 1,093 million (811), pro forma including Peab Industri profit for the year amounted to SEK 1,724 million (1,254)

Earnings per share before dilution amounted to SEK 6.56 (4.92), pro forma including Peab Industri earnings per share before dilution amounted to SEK 6.10 (4.28)

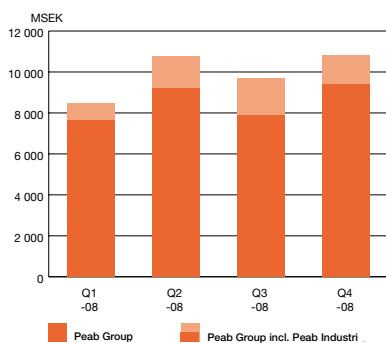
Order backlog for Construction and Civil Engineering totalled SEK 24,233 million (26,299)

The Board proposes a dividend of SEK 2.25 (2.25) per share



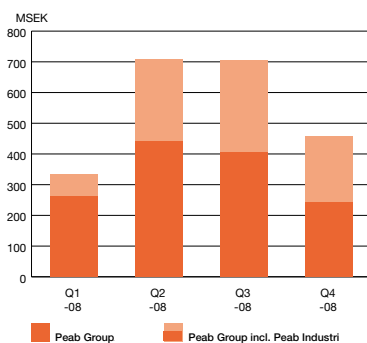
## YEAR END REPORT JANUARY - DECEMBER 2008

### Net sales



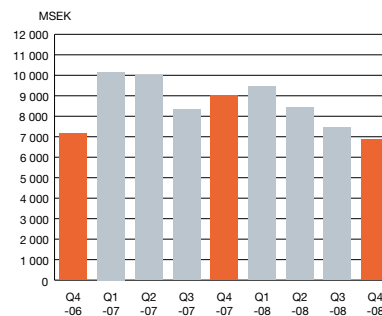
The Group's net sales for 2008 amounted to SEK 34,132 million, which was an increase of 7 percent compared with the previous year. Adjusted for acquired and divested units, the increase in net sales amounted to 4 percent. Pro forma including Peab Industri net sales increased by 8 percent to SEK 39,762 million (36,940).

### Operating profit



The Group's operating profit for 2008 increased by 7 percent and amounted to SEK 1,349 million compared with SEK 1,261 million the previous year. Pro forma including Peab Industri, operating profit increased by 9 percent to SEK 2,202 million (2,023).

### Construction and Civil Engineering Orders received per quarter



Orders received for 2008 amounted to SEK 32,269 million compared with SEK 37,529 million the previous year. Order backlog amounted to SEK 24,233 million compared with SEK 26,299 million per 31 December 2007.

## Group

MSEK	Jan-Dec	Jan-Dec	Pro forma	Pro forma	Financial objectives
	2008	2007	Jan-Dec	Jan-Dec	
Net sales	34,132	31,977	39,762	36,940	
Operating profit	1,349	1,261	2,202	2,023	
Operating margin, %	4.0	3.9	5.5	5.5	
Pre-tax profit	1,014	1,099	1,712	1,767	
Profit for the year	1,093	811	1,724	1,254	
Earnings per share before dilution, SEK	6.56	4.92	6.10	4.28	
Return on equity, %	21.9	23.6	28.6		> 20%
Equity/assets ratio, %	25.2	23.5	25.2		> 25%

## NEW CONTRACTS DURING FOURTH QUARTER

We received several major contracts during the fourth quarter, including

- Peab has been commissioned to build a new Fire station in Tromsø. The customer is Tromsø community and the contract amounts to NOK 97 million.
- Peab has been commissioned to carry through the rebuilding of the Träffpunkt mall in central Örebro. The customer is Alecta and the contract amounts to SEK 130 million.
- Peab has been commissioned to build a new office building at Dockan in Malmö. Wihlborgs is the client and the contract amounts to approximately SEK 190 million.
- Peab has been commissioned to rebuild some parts of the old Schous brewery in central Oslo to a Culture Center. Customer is KLP Eiendom and the contract sum amounting to NOK 105 million.
- Peab has been commissioned to build 70 tenant-owner flats and 165 student apartments in central Jönköping. Customer is the Västra Torget AB and ReAgentia and the contract sum amounts to approximately SEK 177 million.
- Peab has been commissioned to rebuild the E45 road between Mellerud and Ånimskog in Dalsland. Customer is the National Road Administration and the contract sum amounting to SEK 90 million.

## COMMENTS BY THE CEO

Considering the intense activity in ongoing production during the year and the strong result, 2008 was a very good year for Peab. However, the economy began to slow in the second half of the year and fell even more in the fourth quarter.

When the full force of the downturn and the seriousness of the structural problems on the credit market became apparent we realised powerful and quick measures were required to adapt Peab to a new market situation. One measure was to reincorporate Peab Industri in Peab through a public offer on the company. The acquisition was carried out in December 2008 and has created a Peab that is better industrially aligned to the new market situation and at the same time the new Peab is financially stronger than each company was separately.

Including Peab Industri net sales increased in 2008 by 8 percent to SEK 39,762 million (36,940) and operating profit improved by 9 percent to SEK 2,202 million (2,023). During the fourth quarter some project writedowns and provisions have been made and, together with the cost of reducing the number of employees, this has charged profits with some SEK 200 million. The majority of the costs is attributable to Norwegian operations.

Due to the weakened economy, which in part is a result of the turbulence in the financial sector, demand dropped drastically during the autumn. Growth forecasts for the Swedish construction and civil engineering markets have been gradually lowered during 2008 and will probably land around 2 percent according to The Swedish Construction Federation. The Swedish construction market is expected to shrink between 6 and 11 percent in 2009. Crucial for the growth rate will be when the considerable interest reductions and government stimulus packages take effect in the form of renewed belief in the future among businesses and households. New housing production has ground to a halt and is expected to remain weak in 2009. The government's investment in the infrastructure will lead to strong growth in public civil engineering construction.

Despite the weak market our order situation at the start of 2009 is good and order backlog amounts to SEK 24,233 million compared with SEK 26,299 million at the start of 2008. Order backlog continues to increase in Civil Engineering while the order backlog in Construction is contracting, particularly in Norway and Finland, as a result of a diminishing housing market and greater selectivity regarding tenders submitted.

Peab's new production of own housing developments generated 12 percent of net sales in 2008 compared to 15 percent for the whole year 2007. The number of housing starts during 2008, which retain high requirements for advance subscription prior to embarking on new projects, went down to 1,496 compared to 2,011 in 2007.



The number of sold homes during the period dropped to 1,282 compared to 2,035 during 2007. The substantial reductions in interest rates should have a positive effect on demand. We believe that with efficient production and reasonable land prices there are prospects for a greater number of apartment building projects in 2009.

It is difficult to predict the effects of the downturn in the business cycle and the structural problems in the credit market. A prerequisite for investments is that the financial system begins to function again, with banks that lend money on reasonable terms. Nonetheless, I am confident when I say that Peab stands strong in the face of a weak economy. Our long-term credit promises of SEK 5.5 billion on beneficial terms are not due for the next six years. Peab has robust production resources, focus on industrial construction and a broad range that is not concentrated on certain product segments. Furthermore, we have a strong position in civil engineering and infrastructure where we believe the market will be good due to government investments. Around 30 percent of production in 2008 stemmed from this segment, including Peab Industri's sales. Altogether this provides a good platform for an offensive Peab that will take advantage of the opportunities that can always be found, no matter what shape the economy is in.

*Mats Paulsson*  
CEO

## ACQUISITION OF PEAB INDUSTRI

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

On 31 December 2008 Peab had within the framework of the offer received 94.1 percent of the capital and 97.1 percent of the votes. During January and February 2009 further 4.0 percent of the capital was acquired. Peab will now call for compulsory redemption of the rest of the shares.

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

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

Peab Industri is reported as a separate business area (Industry).

For more information on the acquisition of Peab Industri see page 11.

## NET SALES AND PROFIT

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

Operating profit for 2008 amounted to SEK 1,349 million compared with SEK 1,261 million for the previous year. During the fourth quarter some project writedowns and provisions have been made and, together with the cost of reducing the number of employees, this has charged profits with some SEK 200 million. The majority of the costs is attributable to Norwegian operations. Last year's operating profit was affected by a competition claim charge of SEK 85 million. Pro forma including Peab Industri, operating profit increased by 9 percent to SEK 2,202 million (2,023).

The year's share in joint ventures and associated companies' profits amounted to SEK -6 million (33). Capital gains from shares sold in joint ventures was SEK 29 million (6) and refer to the sales of 50 percent of Deamatrix Förvaltning AB.

Net financial items totalled SEK -335 million (-162), of which net interest amounted to SEK -54 million (16). Dividends from Brinova improved net financial items by SEK 32 million (32). The effect of the valuation of financial instruments at fair value affected net financial items by SEK -324 million (-200), of which the effect on profits of the valuation of the Brinova holding at fair value amounted to SEK -302 million (-203). The share holding is reported at market price on the balance sheet date. Pro forma including Peab Industri, net financial items totalled SEK -490 million (-256).

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

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

Profit for the year amounted to SEK 1,093 million compared with SEK 811 million the previous year. Pro forma including Peab Industri profit for the year amounted to SEK 1,724 million (1,254).

## FINANCIAL POSITION

The equity/assets ratio was 25.2 percent per 31 December 2008 compared with 23.5 percent at the end of 2007. Net debt amounted to SEK 4,042 million compared with net receivables of SEK 587 million at the end of last year. The average interest rate on the loan portfolio as of 31 December 2008 amounted to 4.6 percent (5.0).

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

At the end of the year the Group's contingent liabilities, excluding shared obligations as part owner in limited partnerships, amounted to SEK 1,874 million compared with SEK 1,477 million per 31 December 2007. Of contingent liabilities, obligations to tenant-owners' cooperatives under construction were SEK 1,577 million compared with SEK 1,430 million at the end of 2007.

## INVESTMENTS

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

## CASH FLOW

Cash flow from current operations before working capital changes amounted to SEK 1,144 million compared with SEK 1,585 million for the previous year. Cash flow from changes in working capital amount-

ted to SEK -1,441 million compared with SEK -755 million previous year. The reduction is explained by the acquisition of project and development properties, large VAT payments and fewer advance payments in housing production.

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

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

## **PERSONNEL**

At the end of December 2008, the company had 14,116 employees, including Peab Industri, compared with 11,589 at the same time previous year.

## **NEW REPORT STRUCTURE**

After the acquisition of Peab Industri, Peab's operations consist of construction and civil engineering production as well as supplying products and services to the construction and civil engineering markets. Peab is active in Sweden, Norway and Finland. The acquisition of Peab Industri has led to a revision of Peab's report structure. As of this report Peab will report the following business areas:

- **CONSTRUCTION**

The construction business will be reported in the business area Construction.

- **CIVIL ENGINEERING**

Business area Civil Engineering consists of civil engineering related operations.

- **INDUSTRY**

Peab Industri will be reported as a new business area, Industry.

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

## **COMMENTS ON THE BUSINESS AREAS**

### **CONSTRUCTION**

The Construction business area comprises the Group's construction related services in Sweden and abroad.

Net sales for 2008 amounted to SEK 26,493 million, compared with SEK 25,476 million during previous year, equivalent to an increase of 4 percent. Adjusted for acquired units the increase in net sales amounted to 3 percent.

The operating profit for the year 2008 amounted to SEK 1,075 million, compared with SEK 1,114 million during previous year. During the fourth

quarter some project writedowns and provisions have been made and, together with the cost of reducing the number of employees, this has charged profits with some SEK 200 million. The majority of the costs is attributable to Norwegian operations. Operating margin decreased to 4.1 percent compared with 4.4 percent for the year 2007. The Swedish operations have continued to develop positively with increased net sales and improved operating profit while foreign operations have deteriorated.

## **CIVIL ENGINEERING**

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

Net sales for the year 2008 amounted to SEK 9,132 million compared with SEK 7,933 million for the previous year, which corresponds to an increase of 15 percent. Adjusted for acquired units the increase in net sales amounted to 10 percent.

Operating profit for the year 2008 amounted to SEK 434 million compared with SEK 352 million for the previous year. Operating margin increased to 4.8 percent compared with 4.4 percent during 2007. The improvement in operating profit and margin is in part due to the effect of a cost-effective organisation.

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

## **INDUSTRY**

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

Net sales for 2008 amounted to SEK 8,581 million compared with SEK 7,414 million for the previous year, which corresponds to an increase of 16 percent.

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

## **ORDER BACKLOG AND ORDERS RECEIVED CONSTRUCTION AND CIVIL ENGINEERING**

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

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

operations accounted for 90 percent (85) of the order backlog.

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

### Order backlog and orders received

MSEK	31 Dec 2008	31 Dec 2007	31 Dec 2006
Coming financial year	18,445	19,541	16,314
Next financial year	4,493	5,620	3,486
Thereafter	1,295	1,138	842
<b>Total order backlog</b>	<b>24,233</b>	<b>26,299</b>	<b>20,642</b>
<b>Orders received</b>	<b>32,269</b>	<b>37,529</b>	<b>28,711</b>

### PROJECT DEVELOPMENT

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

### CONSTRUCTION MARKET

The tremendous growth in the global economy of the past several years has ground to a halt. This downturn in the business cycle is exacerbated by the turbulence in the financial markets which has led banks to cutback lending. Growth forecasts for the Swedish construction and civil engineering markets have been lowered gradually during 2008 and will probably land around 2 percent according to The Swedish Construction Federation. In 2009 the Swedish construction market is expected to shrink between 6 and 11 percent depending on when the considerable interest reductions and government stimulus packages take effect in the form of renewed belief in the future

among businesses and households.

A result of the weakened economy is fewer start-ups and longer sales times for new tenant-owned rights and single homes. Households' willingness to invest in new homes is clearly affected by a weaker labour market and reduced credit lines from banks. However, demographic factors indicate a good level of housing investments in the long run when households regain their faith in the economy. Lower interest rates and a credit market that functions better will also contribute to a recovery in housing construction. To a certain degree the reduction in new production is compensated by a strong demand for reconstruction and maintenance in housing. Around 650,000 of the 850,000 flats in apartment buildings that were built in the years 1961-1975 have not yet been renovated, according to a study in the publication Industrifakta. As new production volumes drop several such projects are expected to be initiated.

The government's investment in the infrastructure will create strong growth in the public civil engineering sector. The Budget Bill investments for the near future provide an additional SEK 5 billion annually during 2009-2010. The Infrastructure Bill for the years 2010-2021 contains significantly higher appropriations than previous infrastructure plans. There continues to be a surge in private civil engineering investments, primarily in power plants and energy facilities. This is in part due to persistently high energy prices in the sector but also new projects in renewable energy sources.

The pressing need in municipalities for both new construction and renovation of public premises is expected to contribute to continued positive developments in the construction of public buildings. The growth in private investments in facilities is still strong but it is expected to decline in 2009 as the economy slows down and household consumption drops. The demand for new industrial premises is also expected to weaken.

Construction and civil engineering investments in Norway will have, according to Prognosesenteret, decreased by 2 percent during 2008, as a result of diminished demand for new housing. An 8 percent reduction is expected in 2009.

In Finland the construction and civil engineering markets are believed to have grown by 4 percent in 2008 and will decrease by 3 percent in 2009 according to the Finnish Construction Federation, Rakenusteollisuus (RT).

### Peab's own housing developments construction

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

## RISKS AND UNCERTAINTY FACTORS

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

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.

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

For Peab, price risks refer to aspects such as unforeseen cost increases for materials, subcontractor 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 rises deteriorate profits because the company cannot demand compensation from the customer for them.

Customers, suppliers and subcontractors can find it difficult to get financing as a result of the weak economy and the turbulence on the financial market. This in turn can lead them to delay planned investments and make it difficult to meet existing obligations.

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 may exert a major impact on the valuation of the holding, which would affect Peab's net financial items.

For further information on risks and uncertainty factors, see the 2007 Annual Report.

## ACQUISITIONS DURING THE REPORT PERIOD

In addition to Peab Industri, which has been described previously in this report and on page 11, the acquisitions in 2008 worth mentioning are listed below.

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

Peab has acquired all the shares in HålsingeBygg i Hudiksvall AB. The company has 45 employees and turnover in 2007 was SEK 70

million. HålsingeBygg is a traditional construction company focused on construction work and smaller jobs.

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

## ACCOUNTING PRINCIPLES

The year-end report for 2008 has been drawn up in accordance with the IFRS standards adopted by the EU and the IFRIC interpretations of the current standards adopted by the EU. This report has been prepared in accordance with IAS 34, Interim Financial Reporting.

Parent company reports have been prepared in accordance with the Swedish Company Accounts Act and RFR 2.1, Reporting of Legal Entities.

The year-end report has been prepared in accordance with the same accounting policies and assumptions that were described in the 2007 Annual report.

Peab Industri was distributed during 2007. Peab Industri's profit for the January-April 2007 comparison period, has been recognised as Profit from discontinued operations, net after tax.

From 15 December 2008 and until the end of the year Peab has progressively acquired 94.1 percent of the capital in Peab Industri AB. Peab Industri has been consolidated into the Peab Group balance sheet from 31 December 2008. Peab Industri has not been included in any part in the income statement for 2008 since only a few working days remained of the fiscal year after acquisition. Peab Industri is accounted for in the pro forma income statements for 2007 and 2008 as if it had been owned by Peab 100 percent both years.

## 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 (publ) in December 2008. The increase in the number of shares and votes in Peab AB after the issues in kind on 12 December and on 22 December 2008 was 14,708,553 Class A shares representing 147,085,530 votes and 101,720,827 Class B shares representing 101,720,827 votes. The sum of the new issue was SEK 2,386 million.

In February 2009 further new shares were issued in kind as a result of the acquisition of Peab Industri. The increase in the number of shares and votes in Peab AB after the issues in kind on 9 February

## Share capital and number of shares

	Share capital	Number of registered	Number of registered	Total number	Holdings of	Shares owned
	MSEK	A shares	B shares	of registered shares	own shares	by other shareholders
Share capital and number of shares 1 January 2008	933,3	19,611,404	154,841,302	174,452,706	5,625,000	168,827,706
Conversion convertible promissory notes, April 2008	0,8	–	148,407	148,407	–	148,407
New share issue in kind, December 2008	622,9	14,708,553	101,720,827	116,429,380	–	116,429,380
Acquisition of own shares during the year	–	–	–	–	7,053,600	-7,053,600
Disposal of own shares during the year	–	–	–	–	-301,800	301,800
<b>Share capital and number of shares 31 December 2008</b>	<b>1,557</b>	<b>34,319,957</b>	<b>256,710,536</b>	<b>291,030,493</b>	<b>12,376,800</b>	<b>278,653,693</b>

2009 was 5,019,237 Class B shares representing 5,019,237 votes. The sum of the new issue was SEK 133 million.

The total number of registered shares and votes in Peab AB after the issue in kind in December 2008 and in February 2009 is 296,049,730 shares representing 604,929,343 votes, of which 34,319,957 Class A shares represented 343,199,570 votes and 261,729,773 Class B shares represented 261,729,773 votes.

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

At the beginning of 2008 Peab's own B share holding was 5,625,000, which corresponds to 3.2 percent of the total number of shares. Peab's Annual General Meeting on 15 May 2008 resolved to authorise the board to, during the period until the next AGM, acquire shares so that the company would have at most 17,400,000 shares in Peab AB. During the year 7,053,600 B shares, corresponding to 2.4 percent of the total number of shares, have been repurchased for SEK 282 million. During the same period 301,800 B shares were sold for SEK 12 million as partial payment for company acquisitions. As of 31 December 2008, Peab's own B share holding amounted to 12,376,800 B shares, corresponding to 4.3 percent of the total number of shares.

#### **THE PEAB SHARE**

Peab's B share is listed on the NASDAQ OMX Stockholm, Mid Cap list. As of 31 December 2008, the price of the Peab share was SEK 21.60, a decline of 68 percent during 2008. During the same period, the Swedish stock market declined by 42 percent according to the business magazine Affärsvärlden generalindex. During 2009, the Peab share has been quoted at a maximum of SEK 30.60 and a minimum of SEK 21.90.

#### **THE PARENT COMPANY**

The parent company Peab AB's net sales for the year 2008 amounted to SEK 53 million (55) and mainly consisted of internal Group services. Profit after tax amounted to SEK -347 million (1,132). Profits include dividends of SEK 796 million (1,557) from subsidiaries.

The parent company's assets mainly consist of participations in Group companies amounting to SEK 9,976 million (7,281), shares in Brinova Fastigheter AB worth SEK 175 million (477) and convertible bonds in Peab Industri worth SEK 564 million (205). The assets have been financed from equity of SEK 6,342 million (4,287) and long-term liabilities amounting to SEK 5,597 million (4,473).

The parent company's liquid assets amounted to SEK 2 million (4) at the end of the year.

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

#### **PROPOSED DIVIDEND**

A dividend of SEK 2.25 per share (2.25) is proposed for year 2008. Excluding the 12,816,800 B-shares owned by Peab AB as at 11 February 2009, which do not entitle to dividend, the proposed

dividend is equivalent to a total dividend distribution of SEK 637 million (377). Calculated as a share of the group's reported profit after tax, the proposed dividend amounts to 58 per cent (47). Calculated as a share of the group's reported profit after tax, pro forma included Peab Industry, the proposed dividend amounts to 37 percent. The proposed dividend is equivalent to a direct return of 7.7 per cent based on the closing price on 11 February 2009.

#### **AGM**

The AGM of Peab will be held on 14 May 2009 at Grevieparken in Grevie.

#### **NOMINATING COMMITTEE**

At the AGM held on 15 May 2008, Malte Åkerström (chairman), Leif Franzon, Göran Grosskopf and Erik Paulsson were appointed to the Peab nominating committee.

#### **FUTURE FINANCIAL INFORMATION**

- Annual report 2008 Week 15 2009
- Interim report January – March 2009  
and Annual General Meeting 14 May 2009
- Half year report January – June 2009 25 August 2009
- Interim report January – September 2009 25 November 2009
- Year-end Report 2009 17 February 2010

*Förslöv, 12 February 2009*

*Mats Paulsson*  
CEO

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



## Condensed income statement for the Group

MSEK	Jan-Dec 2008	Jan-Dec 2007	Oct-Dec 2008	Oct-Dec 2007	Pro forma Jan-Dec 2008	Pro forma Jan-Dec 2007
<b>Continuing operations</b>						
Net sales	34,132	31,977	9,408	9,607	39,762	36,940
Production costs	-31,029	-29,049	-8,638	-8,756	-35,477	-32,957
<b>Gross profit</b>	<b>3,103</b>	<b>2,928</b>	<b>770</b>	<b>851</b>	<b>4,285</b>	<b>3,983</b>
Sales and administrative expenses	-1,773	-1,621	-514	-416	-2,104	-1,917
Profit from participation in joint ventures/associated companies	-6	33	-6	31	-4	36
Capital gains from shares sold in joint ventures	29	6	0	6	29	6
Capital gains from shares sold in Group companies	-4	0	-7	—	-4	—
Competition claim charge	—	-85	—	0	—	-85
<b>Operating profit</b>	<b>1,349</b>	<b>1,261</b>	<b>243</b>	<b>472</b>	<b>2,202</b>	<b>2,023</b>
Net financial items	-335	-162	-208	-26	-490	-256
<b>Pre-tax profit</b>	<b>1,014</b>	<b>1,099</b>	<b>35</b>	<b>446</b>	<b>1,712</b>	<b>1,767</b>
Tax	79	-325	329	-128	12	-513
<b>Profit for the period from continuing operations</b>	<b>1,093</b>	<b>774</b>	<b>364</b>	<b>318</b>	<b>1,724</b>	<b>1,254</b>
Profit from discontinued operations, net after tax	—	37	—	—	—	—
<b>Profit for the period</b>	<b>1,093</b>	<b>811</b>	<b>364</b>	<b>318</b>	<b>1,724</b>	<b>1,254</b>
Profit attributable to shareholders in parent company	1,093	811	364	318	1,724	1,254
Profit attributable to minority interests	0	0	0	0	0	0
<b>Key ratios</b>						
Earnings per share, SEK	6.56	4.92	2.20	1.92	6.10	4.28
- after dilution	6.27	4.77	2.10	1.84	5.94	4.19
Earnings per share from continuing operations, SEK	6.56	4.69	2.20	1.92	6.10	4.28
- after dilution	6.27	4.55	2.10	1.84	5.94	4.19
Average number of outstanding shares, million	166.6	165.0	164.9	169.6	282.7	292.8
- after dilution	175.5	171.3	173.7	172.7	291.6	299.6
Return on capital employed, %	17.3	26.6			22.0	
Return on equity, %	21.9	23.6			28.6	

## Condensed balance sheet for the Group

MSEK	31 Dec 2008	31 Dec 2007
<b>Assets</b>		
Intangible assets	2,112	452
Tangible assets	4,335	642
Interest-bearing long-term receivables	453	322
Other financial fixed assets	697	903
Deferred tax assets	595	129
<b>Total fixed assets</b>	<b>8,192</b>	<b>2,448</b>
Project- and development properties	3,614	2,700
Inventories	528	86
Interest-bearing current receivables	329	121
Other current receivables	11,038	8,785
Short-term holdings	1,007	0
Liquid funds	984	1,212
<b>Total current assets</b>	<b>17,500</b>	<b>12,904</b>
<b>Total assets</b>	<b>25,692</b>	<b>15,352</b>
<b>Equity and liabilities</b>		
<b>Equity</b>	<b>6,462</b>	<b>3,606</b>
<b>Liabilities</b>		
Interest-bearing long-term liabilities	5,580	789
Other long-term liabilities	317	123
<b>Total long-term liabilities</b>	<b>5,897</b>	<b>912</b>
Interest-bearing current liabilities	1,235	279
Other current liabilities	12,098	10,555
<b>Total current liabilities</b>	<b>13,333</b>	<b>10,834</b>
<b>Total liabilities</b>	<b>19,230</b>	<b>11,746</b>
<b>Total equity and liabilities</b>	<b>25,692</b>	<b>15,352</b>
<b>Key ratios</b>		
Capital employed	13,277	4,674
Equity/assets ratio, %	25.2	23.5
Net assets(+) / Net debt (-)	-4,042	587
Equity per share, SEK	22.86	21.32
- after dilution	24.13	20.27
Number of outstanding shares at end of period, million	278.7	168.8
- after dilution	287.5	177.8

## Group's changes in equity

MSEK	31 Dec 2008	31 Dec 2007
<b>Equity attributable to shareholders in parent company</b>		
Opening equity on 1 January	3,600	3,277
Change in translation reserve for the year	73	94
Change in hedging reserve for the year	-164	-3
Profit for the year	1,093	811
Cash dividend	-377	-280
Distribution of shares in Peab Industri AB <sup>1</sup>	—	-639
Acquisition of own shares	-282	-129
Disposals of own share	12	—
New share issue	2,386	—
Conversion convertible promissory notes	4	466
Reversed deferred tax on convertible promissory notes which have been converted	—	3
Issued convertible promissory notes	35	—
Deferred tax on temporary differences referring to the loan part of convertible promissory notes	-10	—
<b>Closing equity</b>	<b>6,370</b>	<b>3,600</b>
<b>Equity attributable to minority interests</b>		
Opening equity on 1 January	6	1
Profit for the year	0	0
Acquisition	87	5
Disposal of minority shares	-1	—
<b>Closing equity</b>	<b>92</b>	<b>6</b>
<b>Total closing equity</b>	<b>6,462</b>	<b>3,606</b>

<sup>1</sup> Of witch distribution costs -1

## Condensed cash flow statement for the Group

MSEK	Jan-Dec 2008	Jan-Dec 2007	Oct-Dec 2008	Oct-Dec 2007
Cash flow from current operations before working capital changes	1,144	1,585	363	505
Cash flow from changes in working capital	-1,441	-755	367	-305
<b>Cash flow from current operations</b>	<b>-297</b>	<b>830</b>	<b>730</b>	<b>200</b>
Acquisition of subsidiaries	-452	-230	-264	-9
Disposal of subsidiaries	12	15	3	7
Liquid funds, discontinued operations	—	-64	—	—
Acquisition of fixed assets	-622	-614	-60	-87
Sales of fixed assets	95	1,498	19	70
<b>Cash flow from investment operations</b>	<b>-967</b>	<b>605</b>	<b>-302</b>	<b>-19</b>
<b>Cash flow before financing</b>	<b>-1,264</b>	<b>1,435</b>	<b>428</b>	<b>181</b>
Cash flow from financing operations	2,019	-1,152	1,143	11
<b>Cash flow for the period</b>	<b>755</b>	<b>283</b>	<b>1,571</b>	<b>192</b>
Cash at the beginning of the period	1,212	913	405	1,019
Exchange rate differences in cash	24	16	15	1
<b>Cash at the end of the period</b>	<b>1,991</b>	<b>1,212</b>	<b>1,991</b>	<b>1,212</b>

## Net sales and operating profit per business area

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

## BUSINESS COMBINATIONS

### PEAB INDUSTRI

From 15 December 2008 and until the end of the year Peab has progressively acquired 94.1 percent of the capital in Peab Industri AB. During January and February 2009 another 4.0 percent of the capital has been acquired. The acquisition was carried out through an exchange of shares where two shares in Peab Industri generated three newly issued shares in Peab AB. Compulsory redemption of the remaining outstanding shares will be requested. In addition, 96.4 percent of the convertibles issued to employees were acquired.

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

- Machines comprises machines, temporary electricity and crane operations. Rentals are the primary product of this area but cranes and machines are also sold via dealer agreements.
- Products comprises all raw material from as gravel and rock to manufactured asphalt and concrete. Other more refined products provided by the area are concrete units, foundation concrete and roof tiles.
- Services comprises asphaltting, foundation work, transportation and dealing in machines as well as services within electricity, energy and telecommunications.

Customers are primarily Nordic construction and civil engineering companies and Peab is the biggest of them. Most of net sales in the Group are generated on the Swedish market where Peab Industri operates nationwide with strong local ties. The company also operates in Norway and Finland.

Net sales in 2008 were SEK 8.5 billion and the Group has around 2,700 employees. Peab Industri has not been integrated into the income statement for 2008 since only a few weekdays remained of the fiscal year after acquisition. If the acquisition had taken place on 1 January 2008 the Group's income would have been SEK 39,762 million and profit for the year SEK 1,724 million, according to the pro forma accounts drawn up.

### Effects of the acquisition 2008

The acquisition's preliminary effect on the Group's assets and liabilities is shown below. The acquisition analysis may be adjusted over a twelve-month period.

### OTHER ACQUISITIONS

Other acquisitions in 2008 did not individually have a material acquisition effect from a Group perspective and information regarding acquisition effects will be reported in the Annual Accounts in aggregated form.

### Peab Industri's net assets on the acquisition date

MSEK	Recognized values in Peab Industri prior to acquisition	Fair value adjustment	Fair value accounted for in the Group
Intangible fixed assets	155		155
Tangible fixed assets	3,393		3,393
Financial fixed assets	90		90
Inventories	379		379
Accounts receivable and other receivables	1,562		1,562
Short-term investments and liquid funds	100		100
Interest-bearing liabilities	-2,846	-28	-2,874
Deferred tax liabilities	-95		-95
Accounts payable and other liabilities	-1,548		-1,548
<b>Net identifiable assets and liabilities</b>	<b>1,190</b>	<b>-28</b>	<b>1,162</b>
Minority shares			-87
Group goodwill			1,327
<b>Purchase price</b>			<b>2,402</b>
Value of exchange of shares			-2,386
Acquisition costs			16
Acquired liquid funds			100
<b>Positive net effect on liquid funds</b>			<b>84</b>

## Quarterly data

### Group

MSEK	Oct-Dec 2008	Jul-Sep 2008	Apr-Jun 2008	Jan-Mar 2008	Oct-Dec 2007	Jul-Sep 2007	Apr-Jun 2007	Jan-Mar 2007	Oct-Dec 2006
<b>Continuing operations</b>									
Net sales	9,408	7,891	9,203	7,630	9,607	7,478	8,187	6,705	8,077
Production costs	-8,638	-7,139	-8,293	-6,959	-8,756	-6,774	-7,402	-6,117	-7,392
<b>Gross profit</b>	<b>770</b>	<b>752</b>	<b>910</b>	<b>671</b>	<b>851</b>	<b>704</b>	<b>785</b>	<b>588</b>	<b>685</b>
Sales and administrative expenses	-514	-345	-479	-435	-416	-306	-502	-397	-368
Profit from participation in joint ventures	-6	-3	6	-3	31	4	-5	3	-6
Capital gains from shares sold in joint ventures/assoc. companies	0	0	0	29	6	—	0	0	11
Capital gains from shares sold in Group companies	-7	—	3	—	—	—	—	—	11
Competition claim charge	—	—	—	—	—	—	-85	—	—
<b>Operating profit</b>	<b>243</b>	<b>404</b>	<b>440</b>	<b>262</b>	<b>472</b>	<b>402</b>	<b>193</b>	<b>194</b>	<b>333</b>
Net financial items	-208	-125	-15	13	-26	-115	21	-42	162
<b>Pre-tax profit</b>	<b>35</b>	<b>279</b>	<b>425</b>	<b>275</b>	<b>446</b>	<b>287</b>	<b>214</b>	<b>152</b>	<b>495</b>
Tax	329	-69	-111	-70	-128	-80	-74	-43	-102
<b>Profit for the period from continuing operations</b>	<b>364</b>	<b>210</b>	<b>314</b>	<b>205</b>	<b>318</b>	<b>207</b>	<b>140</b>	<b>109</b>	<b>393</b>
Profit from discontinued operations, net after tax	—	—	—	—	—	—	29	8	86
<b>Profit for the period</b>	<b>364</b>	<b>210</b>	<b>314</b>	<b>205</b>	<b>318</b>	<b>207</b>	<b>169</b>	<b>117</b>	<b>479</b>
Profit attributable to shareholders in parent company	364	210	314	205	318	207	169	117	479
Profit attributable to minority interests	0	0	0	0	0	0	0	0	0
<b>Key ratios</b>									
Earnings per share, SEK	2.20	1.27	1.87	1.22	1.92	1.21	1.06	0.73	2.84
- after dilution	2.10	1.21	1.79	1.17	1.84	1.21	1.01	0.71	2.75
Average number of outstanding shares, million	164.9	165.9	167.3	168.5	169.6	170.5	159.9	159.8	167.6
- after dilution	173.7	174.7	176.1	177.4	172.7	170.8	170.8	170.8	178.6

### Business areas

MSEK	Oct-Dec 2008	Jul-Sep 2008	Apr-Jun 2008	Jan-Mar 2008	Oct-Dec 2007	Jul-Sep 2007	Apr-Jun 2007	Jan-Mar 2007
Net sales								
Construction	7,066	5,930	7,291	6,206	7,617	5,799	6,536	5,524
Civil Engineering	2,803	2,322	2,291	1,716	2,407	1,987	2,012	1,527
Industry (pro forma)	2,211	2,531	2,410	1,429				
Group functions	39	18	22	22	17	27	36	44
Eliminations	-1 315	-1 122	-1 219	-889	-434	-335	-397	-390
<b>Total including Industry</b>	<b>10,804</b>	<b>9,679</b>	<b>10,795</b>	<b>8,484</b>				
<b>Total excluding Industry</b>	<b>9,408</b>	<b>7,891</b>	<b>9,203</b>	<b>7,630</b>	<b>9,607</b>	<b>7,478</b>	<b>8,187</b>	<b>6,705</b>
Operating profit								
Construction	138	326	375	236	361	319	247	187
Civil Engineering	144	127	105	58	138	106	68	40
Industry (pro forma)	214	300	270	71				
Group functions	-39	-49	-40	-32	-27	-23	-122	-33
Eliminations	-1	0	-2	1				
<b>Total including Industry</b>	<b>456</b>	<b>704</b>	<b>708</b>	<b>334</b>				
<b>Total excluding Industry</b>	<b>243</b>	<b>404</b>	<b>440</b>	<b>262</b>	<b>472</b>	<b>402</b>	<b>193</b>	<b>194</b>
<b>Order situation Construction and Civil Engineering</b>								
Orders received	6,420	7,953	8,432	9,464	9,024	8,340	10,004	10,161
Order backlog at the end of the period	24,233	27,307	27,306	28,091	26,299	26,891	26,017	24,150

**DISCONTINUED OPERATIONS - DISTRIBUTION OF  
PEAB INDUSTRI IN 2007**

The AGM held on 16 May 2007 resolved to distribute the shares in Peab Industri AB to Peab's shareholders. Peab Industri's profit for the January-April 2007 period has been recognised as Profit from discontinued operations, net after tax in the Peab Group. Discontinued operations are recognised separately from continuing operations in the income statement. Comparative figures for previous periods have been restated to show discontinued operations separate from continuing operations.

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

**Net cash flow in discontinued operations**

<b>MSEK</b>	<b>Jan-Dec 2007<sup>1)</sup></b>
Cash flow from current operations	165
Cash flow from investment operations	-278
Cash flow from financing operations	132
<b>Net cash flow in discontinued operations</b>	<b>19</b>

<sup>1)</sup> Refers to the period until end of April 2007

**Profit from discontinued operations**

<b>Group MSEK</b>	<b>Jan-Dec 2007<sup>1)</sup></b>
Net sales	1,652
Production expenses	-1,495
Sales and administrative expenses	-89
Profit from participation in joint ventures	0
<b>Operating profit</b>	<b>68</b>
Net financial items	-23
<b>Pre-tax profit</b>	<b>45</b>
Tax	-12
<b>Profit after tax</b>	<b>33</b>
Adjustment attributable to minority in jointly owned company	4
<b>Profit from discontinued operations, net after tax</b>	<b>37</b>

<sup>1)</sup> Refers to the period until end of April 2007

<sup>2)</sup> Refers to adjustment of minority participation which is recognised as a joint venture in remaining operations

## Condensed income statement for the parent company

MSEK	Jan-Dec 2008	Jan-Dec 2007	Oct-Dec 2008	Oct-Dec 2007
Net sales	53	55	15	14
Administrative expenses	-158	-169	-44	-51
Competition claim charge	—	-35	—	—
<b>Operating profit</b>	<b>-105</b>	<b>-149</b>	<b>-29</b>	<b>-37</b>
<b>Result from financial investments</b>				
Profit from participation in Group companies	271	1,450	-386	—
Other financial items	-474	-287	-248	-68
<b>Profit after financial items</b>	<b>-308</b>	<b>1,014</b>	<b>-663</b>	<b>-105</b>
Appropriations	-159	-1	-159	-1
<b>Pre-tax profit</b>	<b>-467</b>	<b>1,013</b>	<b>-822</b>	<b>-106</b>
Tax	120	119	66	32
<b>Profit for the period</b>	<b>-347</b>	<b>1,132</b>	<b>-756</b>	<b>-74</b>

## Condensed balance sheet for the parent company

MSEK	31 Dec 2008	31 Dec 2007
<b>Assets</b>		
<b>Fixed assets</b>		
Machinery and equipment	3	3
Participation in Group companies	9,976	7,281
Receivables from Group companies	1,232	612
Other securities held as fixed assets	227	548
Interest-bearing long-term receivables	624	180
Other long-term receivables	1	1
<b>Total fixed assets</b>	<b>12,063</b>	<b>8,625</b>
<b>Current assets</b>		
Accounts receivable	—	0
Receivables from Group companies	29	0
Interest-bearing current receivables	306	15
Other current receivables	40	199
Prepaid expenses and accrued income	6	4
Liquid funds	2	4
<b>Total current assets</b>	<b>383</b>	<b>222</b>
<b>Total assets</b>	<b>12,446</b>	<b>8,847</b>
<b>Equity and Liabilities</b>		
<b>Equity</b>	<b>6,342</b>	<b>4,287</b>
<b>Untaxed reserves</b>	<b>160</b>	<b>1</b>
<b>Long-term liabilities</b>		
Liabilities to Group companies	5,022	3,902
Convertible promissory note	566	562
Deferred tax liabilities	9	9
<b>Total long-term liabilities</b>	<b>5,597</b>	<b>4,473</b>
<b>Current liabilities</b>		
Accounts payable	24	22
Liabilities to Group companies	3	9
Income tax liabilities	132	—
Other liabilities	144	39
Accrued expenses and deferred income	44	16
<b>Total current liabilities</b>	<b>347</b>	<b>86</b>
<b>Total equity and liabilities</b>	<b>12,446</b>	<b>8,847</b>
<b>Pledged assets and contingent liabilities for parent company</b>		
Pledged assets	—	—
Contingent liabilities	11,891	8,783

## List of shareholders 31 December 2008

Shareholders	A shares	B shares	Total no of shares	Proportion of capital, %	Proportion of votes, %
Mats Paulsson with companies	9,754,910	34,398,610	44,153,520	15.2	22.0
Erik Paulsson with family and companies	12,207,615	19,966,299	32,173,914	11.1	23.7
Karl-Axel Granlund with companies		18,043,875	18,043,875	6.2	3.0
Fredrik Paulsson with family and companies	4,228,670	6,002,154	10,230,824	3.5	8.0
Stefan Paulsson's estate	4,228,671	5,956,781	10,185,452	3.5	8.0
Svante Paulsson with family and companies	1,720,908	2,393,580	4,114,488	1.4	3.3
Swedbank Robur Funds		3,117,840	3,117,840	1.1	0.5
Sara Karlsson with family and companies	1,778,140	1,218,067	2,996,207	1.0	3.2
Handelsbanken Funds		2,889,591	2,889,591	1.0	0.5
Länsförsäkringar Funds		2,734,975	2,734,975	0.9	0.5
Foreign owners		43,098,852	43,098,852	14.8	7.2
Others	401,043	104,513,112	104,914,155	36.0	18.1
<b>Number of outstanding shares</b>	<b>34,319,957</b>	<b>244,333,736</b>	<b>278,653,693</b>		
Peab AB		12,376,800	12,376,800	4.3	2.0
<b>Number of registered shares</b>	<b>34,319,957</b>	<b>256,710,536</b>	<b>291,030,493</b>	<b>100.0</b>	<b>100.0</b>

Source: VPC

