



PEAB ANNUAL REPORT 2004



CONTENTS

The year in brief	3
The Managing Director's comments	4
The Peab share	6
Business concept	8
Peab's business	9
Financial objectives	15
Peab and the world around it	16
Director's report	22
Income statements	31
Balance sheets	32
Change in shareholders' equity	34
Cash flow statements	35
Notes with accounting principles and comments on accounts	36
Audit report	60
Five-year review	61
Board of Directors and Auditors	62
Senior management	63
Shareholders' information	65
Definitions	66
Addresses	67

- Net sales amounted to SEK 22,048 million (20,086)
- Operating profits amounted to SEK 525 million (305)
- Profit after financial items amounted to SEK 475 million (240)
- Cash flow before financing amounted to SEK 255 million (-379)
- Clear turnaround in Norway and Finland. Operating profit amounted to SEK 2 million (-194)
- Financial objectives have been adjusted to Peab's current structure and accounting principles
- The Board of Directors proposes an increased dividend of SEK 2.50 (2.20) per share



Financial summary	2004	2003	2002
Net sales, MSEK	22 048	20 086	19 818
Profit after net financial items, MSEK	475	240	552
Return on capital employed, %	13.3	9.2	15.1
Return on equity, %	18.6	9.2	18.8
Earnings per share, SEK	5.10	2.70	5.80
Ordinary dividend per share, SEK ¹⁾	2.50	2.20	2.20
Extra dividend per share, SEK	—	—	5.60
Equity/assets ratio, %	22.5	21.8	28.2
Net debt, MSEK	1 489	1 331	987

1) For 2004, proposed by the Board to the AGM

Welcome to Peab's Annual General Meeting

Time and place

The Annual General Meeting (AGM) of Peab AB will be held at 3 pm on 12 May 2005 at Grevieparken, Grevie. Notification of participation in the meeting must be submitted at the latest by 2 pm on Friday, 6 May 2005.

Notification

Notification may be submitted by telephone on +46 431-890 00, by post to Peab AB, Information, SE-260 92 Förslöv, or via the company's website at www.peab.com/agm. To participate in the AGM shareholders must be registered in the share register kept at the Swedish Securities Register Centre, VPC AB, by 2 May 2005 at the latest. Shareholders who have registered their shares in trust must have registered such shares in their own names at the latest by this date. Shareholders should request trustees to undertake such registering a few days in advance.

Dividend

The Board of Directors proposes to the AGM a dividend of SEK 2.50 per share for 2004. The proposed record day is Tuesday, 17 May 2005. If the AGM approves the proposals submitted, it is proposed to distribute dividends from the VPC on Friday, 20 May 2005.



Peab's MD Mats Paulsson and his fellow workers at Peab can look back with great satisfaction on 2004 as being a good year for the Group. The building market is showing clear signs of recovery and Peab is now more competitive. The commitment to reasonably priced housing and to civil engineering projects is providing an improved basis for enhanced profitability in the future. In Norway and Finland too, the company is on the right track and Peab takes an optimistic view of the forthcoming years.



“We can continuously improve the efficiency of the entire construction process quite significantly”

Despite the restraint which has affected the building and construction market, you have taken a more optimistic view of the situation than many others. Why is that?

“Because I am of the definite opinion that things have not been so gloomy as many have said. Our trust-based contracts are winning ground and we are well equipped within the segments where most is expected to happen, that is residential building and civil engineering. It is also interesting to observe how we are en route to realising our ideas of reducing production costs as a consequence of series manufacture and industrialised building.”

Now when the market is beginning to improve and the sentiment in the building and construction industry is more positive, are you still optimistic?

“If nothing unforeseen happens, the building and construction market will go well in Sweden during forthcoming years. We have arrived at the point when we have to remedy the low levels of investment in house building and infrastructure works of recent decades. To delay further would be all too costly for society. The low interest rates and generally good demand in the sector are providing quite good conditions at the moment.”

Are there no threats that could darken this rosy view of the future?

“Of course there are. Where there are opportunities there are also threats. We must ensure we have the resources we need and enough of them to implement our projects and deliver the end product our customers expect. There may be events and factors in the labour market that alter circumstances, interest rates may rise, and so forth. But nevertheless, I believe the present is a time when opportunities clearly predominate.”

Where exactly is the potential for improvement in Peab?

“We can continuously improve the efficiency of the entire construction process quite significantly, and we have a focused commitment to the “no faults principle”. Everyday we see examples of the renewal of working methods, the evolution of new machinery and materials, etc. The purchase of building materials is another important area where there are major opportunities. We are in the process of launching a new purchasing system at Peab, one for which I have high hopes. We have signed long-term agreements with certain carefully selected sub-suppliers and we analyse both the Swedish and international markets for the supply of materials and machinery. But in my opinion, we should use domestic resources before going overseas for them, provided the price and quality remain at competitive levels.”

During the next few years more craftsmen will retire than can be recruited? How does Peab intend to solve the labour shortage which is on its way?

“Naturally, the best thing would be to boost the appeal of the industry, and let recruitment look after itself. But this is not enough and therefore we are working hard to be an attractive employer, which skilled personnel are eager to join. Our employees must know what it means to be employed by Peab. Regardless of whether they are in Sweden, Norway or Finland, our employees must be familiar with Peab's basic values, and as employer we have a great responsibility to ensure that this is spread throughout the organisation. Our five-year guarantee relative to trust-based contracts often means that we are in contact with customers long after projects have been completed, and because of this we want our employees to have long-term horizons with us. It is important to keep this in mind when the discussion about import of labour becomes relevant.”

Peab's activities in Norway and Finland have so far failed to contribute to Group profitability. But now these activities seem to be on the right track too, don't they?

“Yes. As things look now we are on the right track there too. We have strengthened the management functions and resources both in Norway and Finland. Nowadays financial control, risk analyses and production are performed in the same way as in Sweden. I hope and believe that our neighbouring countries will deliver better results in the future.”

What is your assessment of the climate between the participants in the Swedish building and construction market?

"Overall, it is good. We are continuing to encourage the various participants to see the advantages of paying fixed monthly wages with a result-based bonus scheme. In a modern company like Peab all staff should have the same type of salary. I am convinced that the work environment would improve and absence through illness would decrease with the introduction of a fixed monthly salary for all employees. Medically speaking, the Swedes are one of the healthiest people in Europe. At the same time we have about the highest sick absence figures. Something must be done to decrease the absence through illness in the construction business. My clear belief is that abolishing the piece work is necessary to achieve this."



Mats Paulsson
Managing Director of Peab

Have you any suggestions as to how the problem of absence through illness can be solved?

"In today's Swedish labour market there are many who are absent from work because they are waiting for operations or treatment. If we could halve hospital queues, we would benefit enormously. The healthcare system in Sweden today is on its way to complete collapse and now local authorities and business must start to exert greater influence in these matters. In addition, the national health system must be reviewed as soon as possible. It would function better if questions of responsibility were clarified."

More and more foreign building and construction companies are setting up in the Swedish market.

How does Peab view this?

"I have nothing against increased competition. It means we must constantly fine tune our organisation so as to remain competitive in the future too. Just as we are active in other countries' markets, other countries' builders are welcome to work in ours. As long as we are competing on equal terms that is completely all right."

Peab has expressed an ambition to be one of the leading housing constructors in the country.

Is this an ambition that you can sustain in the future?

"Yes, definitely. We expend much energy on becoming even better at housing construction. Our setup of the concrete element factory in Katrineholm is well on the way to being the hub we had hoped for. After a period of running-in, the factory is now working double shifts and if all goes according to plan, this will increase to three shift working this year. Katrineholm can produce high quality products at low prices, thus enabling us to build reasonably priced residential housing."

High revenues do not in themselves mean profitability. Costs must also be under control. Is this the case at Peab?

"The Group is highly cost conscious, but working with costs is a never-ending process. Any relaxing of cost controls can immediately be noticed on the bottom line, and that is something everyone in the organisation realises, and nobody wants poor performance."

The order position has been constantly improving in recent years. How do you explain that it is as good as it is?

"Part of the explanation is our local presence in most of the country's municipalities. Our knowledge of local markets is important and our motto of being the local contractor with all the possibilities of the large group most certainly applies. Moreover, we continue to be well aware of the importance of being careful in the selection of new projects. Having a large number of orders and the right organization is not enough; we must also have the right sort of order with the right customers and with good opportunities for profits."

You have adjusted financial objectives. Why do that now?

"Peab began a refinement process in 1999 which has now been completed. Today we are an out-and-out construction and civil engineering company, and this along with new accounting principles, which take effect from 1 January 2005, have led to us adjusting and adapting our financial objectives."

Finally – what kind of year will 2005 be for Peab and the building and construction industry?

"As I have already said, conditions are now better than they have been for a long time. The favourable market conditions apply to the construction industry as a whole. 2005 will be a good year for Sweden and the rest of the Nordic region. Last year more than 1,000 of our employees underwent a management programme, which we hope will improve management within our Group. More efficient management is one of the keys to our future stability, and I am convinced that, for example, the important recruitment questions can be handled in a much better way by dedicated and well trained leaders."



The Peab share

Peab's B-share is listed on the O-list of the Stockholmsbörsen. As at 31 December 2004, share capital in Peab amounted to SEK 872 million divided into 87,195,944 shares of nominal SEK 10. The share capital is divided between A- and B-shares.

Trading in the Peab share

During 2004, 17.2 million shares (18.0) were traded, equivalent to 68,000 shares per trading day (72,000). At the end of 2004 the market price of the Peab B-share was SEK 65.00 (43.60), which is equivalent to a market value of SEK 5,668 million (3,802).

A number of analysts monitor and make analyses of Peab. A list of these analysts can be found on page 65 and on our website at www.peab.com/analysts.

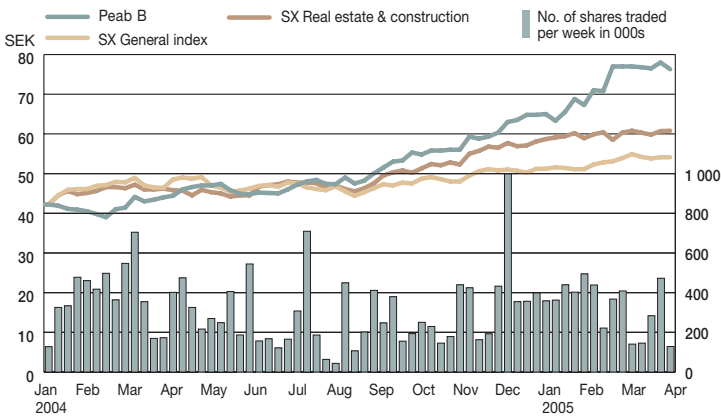
Dividend policy

The dividend should be in a reasonable proportion both to the long-term evolution of profits and the company's consolidation requirements and position in general. Peab's financial objective is that the dividend to shareholders should amount to at least 50 per cent of profit after tax. An increased dividend of SEK 2.50 per share (2.20) is proposed for 2004. The dividend proposal corresponds to a direct return of 3.5 per cent based on the closing price on 16 February 2005. Calculated as a share of the Group's reported profit after tax, the proposed dividend is 49 per cent (82). Calculated based on the outstanding shares that entitle holders to dividends for the 2004 financial year, the proposed dividend implies a total dividend sum of SEK 212 million (186).

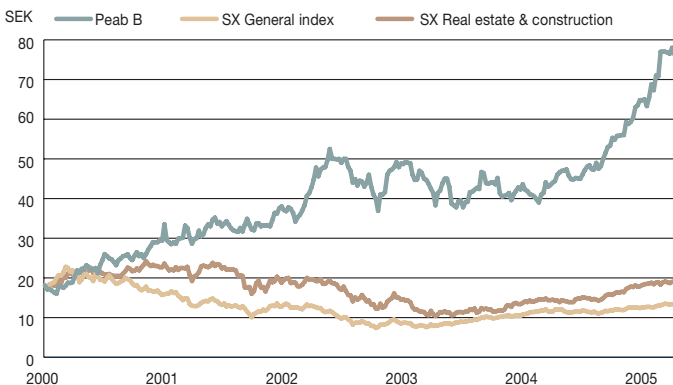
Incentive scheme

Peab has no share-related or option-related incentive scheme.

Peab B-share performance since 2004



Peab B-share performance since 2000



Repurchase of own shares

As at the AGM of 13 May 2004, Peab's portfolio of own shares amounted to 2,311,800 B shares. The AGM resolved to authorise the Board of Directors to repurchase a maximum of 8,700,000 shares in Peab AB during the period prior to the next AGM. This authorisation was not exercised during the year.

Since the AGM, Peab has divested 102,000 B-shares, as part of the purchase price of a company acquisition. Peab's holding of own shares as at 31 December 2004 amounted to 2,209,800 B-shares, equivalent to 2.5 per cent of the total number of shares. The holding has been repurchased for SEK 90 million at an average price of SEK 40.75.

Uneven lots

In January 2005, shareholders in Peab AB were offered the opportunity to purchase or sell brokerage-free the number of B-shares required to attain a holding corresponding a stock exchange holding which at present amounts to 200 shares. Of Peab's total 15,200 shareholders the offer was made to 8,389 owners of odd holdings. Of notifications 2,477 involved purchases and 860 involved sales. The overall result of submitted notifications amounted to a net purchase of 154,839 shares.

Data, per share

	2004	2003	2002
Earnings, SEK	5.10	2.70	5.80
Adjusted equity, SEK	29.50	26.70	33.00
Cash flow, SEK	3.00	-4.50	9.60
Share price at year-end, SEK	65.00	43.60	49.40
Share price/adjusted equity, %	220	163	150
Ordinary dividend, SEK ¹⁾	2.50	2.20	2.20
Extra dividend, SEK	—	—	5.60
Yield, % ²⁾	3.8	5.0	4.5
P/E ratio ²⁾	13	16	8

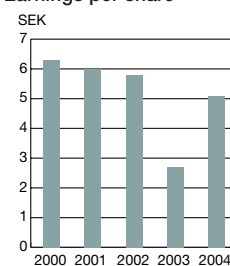
1) For 2004, proposed by the Board to the AGM

2) Based on closing price at year-end

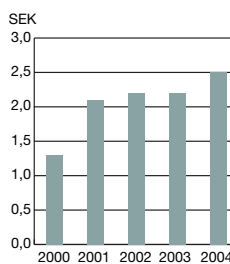
Changes in share capital between 1974 and 2004

Year		Change, MSEK	Total, MSEK
1974	New issue	0.1	0.1
1978	Bonus issue 9:1	0.9	1.0
1983	Bonus issue 7:1	7.0	8.0
1986	Split 10:1	—	8.0
1986	Bonus issue 1:4	2.0	10.0
1987	New share issue 1:2	5.0	15.0
1989	Bonus issue 2:1	30.0	45.0
1992	Directed new share issue	63.0	108.0
1993	Directed new share issue	25.0	133.0
1994	New share issue 3:1	398.9	531.9
1997	New share issue 3:10	159.6	691.5
2000	Conversion	148.7	840.2
2000	Subscription	1.2	841.4
2002	Subscription	30.6	872.0

Earnings per share



Ordinary dividend per share



1) For 2004, proposed by the Board to the AGM

List of shareholders 28 February 2005

Shareholder	A-shares	B-shares	Total no. of shares	Prop. of capital, per cent ¹⁾	Prop. of votes per cent ¹⁾
Erik Paulsson with family and company	3 487 890	3 699 358	7 187 248	8.2%	22.0%
Mats Paulsson with company	2 799 967	4 295 000	7 094 967	8.1%	18.4%
Mohammed Al-Amoudi with company		18 854 865	18 854 865	21.6%	10.7%
Fredrik Paulsson with family and company	1 186 429	1 045 137	2 231 566	2.6%	7.4%
Stefan Paulsson with family and company	1 186 430	1 029 803	2 216 233	2.6%	7.3%
Svante Paulsson with family and company	478 838	738 880	1 217 718	1.4%	3.2%
Sara Karlsson with family and company	508 040	347 687	855 727	1.0%	3.1%
Karl-Axel Granlund with company		4 025 000	4 025 000	4.6%	2.3%
AMF Pension funds		1 738 000	1 738 000	2.0%	1.0%
LKAB		1 576 200	1 576 200	1.8%	0.9%
Robur funds		1 062 245	1 062 245	1.2%	0.6%
SHB/SPP funds		932 455	932 455	1.1%	0.5%
Other	158 108	35 835 812	35 993 920	41.3%	21.3%
Total outstanding shares	9 805 702	75 180 442	84 986 144		
Peab AB ²⁾		2 209 800	2 209 800	2.5%	1.3%
Total registered shares	9 805 702	77 390 242	87 195 944	100.0%	100.0%

Source: SIS Ägarservice AB, Peab

1) Of total registered shares

2) As per 28 February 2005 a total of 2,209,800 B-shares had been repurchased at an average price of SEK 40.75

Shareholder agreement

As far as the Board is aware, there are no shareholder agreements between Peab AB shareholders.

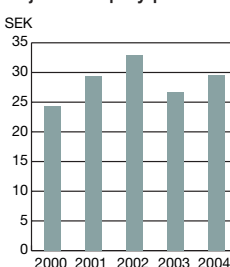
Distribution of shareholdings 28 February 2005

Number of shares	Number of shareholders	Number of shareholders, per cent	Proportion of capital, per cent	Proportion of votes, per cent
1– 1 000	11 284	73.7	5.4	2.8
1 001– 5 000	3 194	20.9	8.8	4.4
5 001– 50 000	726	4.8	11.0	5.7
50 001– 100 000	36	0.2	2.9	2.4
100 001–	70	0.4	71.9	84.7
	15 310	100.0	100.0	100.0

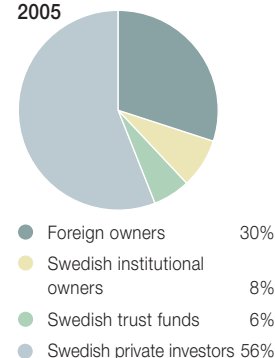
Shares and votes per class of share 28 February 2005

Share class	Number	Number of votes	Proportion of capital, per cent	Proportion of votes, per cent
A	9 805 702	10	11.2	55.9
B	77 390 242	1	88.8	44.1
	87 195 944		100.0	100.0

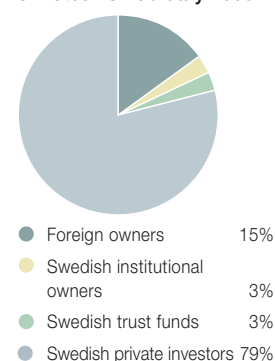
Adjusted equity per share



Owner categories, proportion of capital 28 February 2005



Owner categories, proportion of votes 28 February 2005





Business concept

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

The implications of the business concept

- Peab is today an out-and-out **construction and civil engineering company**. The Group accommodates the entire chain of production resources required to manage the construction process from wheat ear to finished loaf. Business within the Industry business sector provides access to raw materials and services for our construction and civil engineering business. Through Peab's network of subcontractors and subsuppliers we underpin our position as a stable and independent company within the Nordic construction market.
- To offer and supply **total quality** at all stages of the building process is an important instrument in the competitive arena where Peab is active. We are eager for our customers to see the relationship between price and quality that we offer as being the best alternative available. Our ambition is to be a company in the vanguard of quality assurance and we intend the Peab brand to be universally regarded as being synonymous with good quality.
- Building methods and building materials are developing rapidly and it is important to maintain a well-reasoned balance between the old and familiar on the one hand and the **innovative** on the other. Together with our customers we concentrate on being far forward both in planning and project engineering. By developing logistic solutions an increased room for decreased end costs is obtained while quality is maintained. The concrete element factory at Katrineholm is a good example of how we develop our ideas on decreasing production costs while supplying quality products.
- The end product which our customers are entitled to demand requires our employees to possess a high level of **professional skills**. It is important for us to offer our employees opportunities for personal development and training. Professional expertise and professional pride are a matter of honour at Peab. We are determined to stand out as an attractive company, not least as an employer, and therefore we train all managers in Peab's basic values and leadership.
- The basic concept behind our trust-based contracts is to carry out our assignments in collaboration with the customer. In this way the customer participates in the entire planning and production process and this mutual trust often creates long-term customer relationships. We wish our relations with the customer to be permeated by sensitivity and creativity. Our aim is to always attempt to surpass the expectations of the **client**. This is very important for us, as a happy customer promotes the Peab name better than any other form of marketing.
- Our ambition is to be a company that prioritises sustainable development and good environmental knowhow. For us **building for the future** means that what we build today must also meet tomorrow's ethical requirements and demands for well thought-through environmental work. The strength of the Peab brand is evaluated based on our ability to build for the future.

Those who intend to be linguists in Lund will pass through this bright entrance hall every day. The picture is from Geologen, and Akademiska Hus i Lund AB was the customer.



Multihallen in Åre is a conference hall for up to 1,000 people. It includes spa facilities, a swimming pool, a golf simulator, a bowling hall, climbing walls and other facilities. The complex also have a hotel with 150 rooms. The customer was Holiday Club Sweden together with the Municipality of Åre and the local Åre business community.



Skandinaviska Byggelement in Katrineholm manufactures various types of prefabricated elements for among others residential housing construction. The plant came into use in autumn 2003.





Peab's business

Peab is a producing construction and civil engineering company with strong traditions dating back to the master builders of old. The measures which are undertaken, the strategic decisions taken and the business agreements signed are all based on Peab being and remaining a construction company. This also involves there being strong links with customers. In Peab we describe our relation with our customers by bringing out concepts as dedication, decisiveness, long-term vision and trust. These concepts guided Peab when it was a small company of master builders nearly 50 years ago and they still do today, now that the company has grown into one of the biggest in the Nordic countries.

Production focus

What sets Peab apart is its unambiguous focus on production. Our participation in other parts of the building chain varies from project to project, but the common thread is always our responsibility for construction and civil engineering works which is Peab's core business.

We know that our customers first and foremost look at the relationship between end product and end price, and therefore it is important for us in the Group to have access to a major share of the components required in the building process, to develop our production methods and to have competent staff available. We seek to be regarded as a stable and attractive employer both by our present and our future employees.

What sets Peab apart is the fact that company growth is always based on creating the best possible conditions for our production units. Concentrating clearly upon the production link in the building process provides the best basis for meeting our customers' expectations and expanding further on long-term relationships.

Costs culture

Peab is characterised by its strong costs culture. We believe that simplicity in combination with common sense counteract trends towards costly administration and bureaucracy. Within Peab we seek to do things in a simpler and thus also more economical manner. One example of tradition, long-term vision and cost consciousness is that from the very beginning the company's head office has been located in Förslöv in north west Skåne. And it is still there today. One of the reasons for this is that rental costs are much lower than in any of the areas around the large towns and cities, but another is that the company's roots are in a region where people tend to count their pennies and that is also an important part of the company culture.

Our parsimony and simplicity is also intended to benefit the customer. It must be simple to deal with and get in touch with Peab. Peab must also be a partner who works together with the customer to cut costs. The term trust-based contract involves the customer and Peab sitting down at the same side of the table and discussing how to do the work and not sitting on opposite sides of the table arm-wrestling. Peab is on the customer's side, a partner and not just a supplier.

The picture shows a small amphitheatre for the children of Svalebo school in Veberöd. The house, which dates from the beginning of the twentieth century, has undergone total conversion. The customer was Lundafastigheter.



Since November 2004, the Hard Rock Café has been located on the fashionable Avenyn in Gothenburg, where modern architecture and American style meet in true Hard Rock spirit. Besides the restaurant, bars and night club, Peab also built the modern bowling alley on the top floor. Large space was produced in a fairly short time and Peab was the general contractor.



Peab has built 277 apartments for Brf Sjöstaden 1 and 2. The quality is high and they are located close to green areas, water and communications. The apartments are airy and light because of the generous ceiling height and wide windows. Parquet floors and broadband IT connections are standard.



Lambertsson is a total supplier of everything from sheds, scaffolding and cranes to machinery and electrical equipment for both large and small building projects. With more than 300 cranes and lifts in operation, Lambertsson's crane company is one of northern Europe's leading crane companies. Here is a view from Tranebergs Bridge in Stockholm.



Peab completed the renovation of the A6 shopping centre in Jönköping for Alecta. During the entire time when the renovations were underway, all 70 shops in the mall remained open. The contract took two years to complete had a value of just over SEK 200 million.



Peab has started on a new and converted hospital in Trelleborg. The contract will be completed in three stages. The new building has 13,100 square metres of floor space. It has been designed with a view to the greatest possible flexibility and consists of two circular buildings on four floors with two outpatients departments and four care departments and a single floor building with a new main entrance and rehab centre. The conversion part consists of 7,000 square metres and consists of technical installation rooms and outpatients units with ambulance entrances.



Trust-based contract

An important part of Peab's long-term strategy in the market and towards customers is to build up long-term and trusting relationships. This is increasingly taking the form of trust-based contracts which involve the customer and Peab together setting up as good and as cost-effective construction projects as possible. The way of working is distinct from traditional relations between customers and contractors in the construction industry where the customer employs architects and consultants to produce an order base, on the basis of which the builder submits an offer for what it will cost to implement the work.

In Peab's experience the project has already at this early stage started to generate unnecessary costs. Peab is often able to propose alternative solutions for saving money from its perspective as builder without any deterioration in functionality or standard of completed work. But many decisions have already been taken and it is expensive to make late changes in the project. Peab's solution to the traditional tender arrangements is to at a very early stage - the earlier the better - sit down with the customer to together create the best possible conditions for the future project. By getting the various parties involved including customer, architect, consultants, subcontractors and builder to cooperate rather than attempt to put pressure on each other to make various concessions, we create the preconditions for a more cost efficient and more rapid end result.

Peab and customers have found trust-based contracts highly effective. The number of disputes which must be later decided through the courts has declined drastically, construction work is less expensive, the quality is higher, as is also profitability. In southern Sweden where Peab has been working longest with trust-based contracts, this type of partnership accounts for about half of all orders. During coming years we will establish this way of working throughout the rest of Sweden and in Norway and Finland. However, it is important to control the pace. Successful trust-based contracts require both Peab's staff and the customer and collaborating consultants to understand and be able to work in accordance with this model. However, the benefits for all parties concerned are so great that it almost goes without saying to continue down this route.

Industrialised building

Increased collaboration on trust-based contracts is one way of decreasing building costs. Yet another is to increase industrialised building. With the likes of the car industry in mind, Peab is seeking to standardise the building process without standardising the finished product - the home. Instead of customers, architects and builders having to reinvent the wheel every time a new housing block is to be built, it is possible to build homes according to a predetermined standard, but where each home is still adapted to the respective apartment purchasers' or tenants' individual wishes and preferences, with regard, for example, to division of space, colour schemes and kitchen equipment.

Peab's newly built concrete element factory in Katrineholm was commissioned in 2003 and is now running double shifts. Its location in Katrineholm means it is close to the major market in Stockholm/Mälardalen while it is still possible to transport elements to Peab's other markets in a cost-effective manner. The factory is highly automated and incorporates the latest technology for producing elements at the lowest possible price. By thinking along more mass produced lines in the building process, costs will be reduced while the quality is better than a block produced using traditional technology. Industrial mass production will result in shorter construction times, which will, for instance, involve less exposure to bad weather, thereby reducing the risk of damp and fungus attack.

Purchasing

Yet another way to reduce building costs is to increase the efficiency of the purchasing process. In 2005, Peab's purchasing procedures will start to change. Hitherto, Peab, like the construction industry in general, has had an extremely peripheral purchasing organisation. Practically every construction site has dealt with its own purchases, often through local builders' suppliers. In some ways this has worked well and has been a

rational way of dealing with things, but as IT communications expand and increase in speed, new opportunities for efficiency enhancements and reducing purchasing costs open up. It is a question of reducing the number of suppliers and finding new ones who can offer lower prices and higher quality, and it is about benefiting from Peab's purchasing volume to obtain low prices through increased volumes and improved logistics. Over the next couple of years, Peab reckons on reducing the number of suppliers from today's 28,000 to about 5,000.

Internal resources – Industry

The companies in the Industry business segment are an important complement to the construction and civil engineering activities, which on the one hand guarantee capacity relative to major projects and on the other press prices in certain sub-markets. The Industry companies comprise the concrete and rock company Swerock, Skandinaviska Byggelement, which manufactures concrete elements and through S:t Erik's also floor slabs and plates, Peab Asfalt which manufactures and lays asphalt, and the plant hire company Lambertsson, which works with the hire of machinery, cranes and other construction aids.

Collaboration between the Group's construction sector and its industry companies is good, but could be better. One example is the transport company within Swerock, which is named Clifton and is mostly established in southern Sweden. Here there are broad opportunities for expanding the company's area of operation to the north, a measure facilitated by improved internal communications. There are excellent prospects that this type of increased return on knowledge, increased internal purchasing confidence and experience benefits will further increase the Group's profitability. The work of underpinning these opportunities takes various forms, among other things within the framework of the new purchasing system and in the drafting of a new bonus system for middle managers in the organisation.

Internal resources – Human Resources

Peab is one of Sweden's largest employer of construction workers, and its ambition is also to be seen as the best. Several different programmes for strengthening management and internal career opportunities have been launched. Just over one thousand managers from the MD and down have been through the "Best Workplace in the Sector" course. Important aspects of the course are:

- Common fundamental values
- Clear and recognised goals
- Leadership
- Dedicated staff
- Customer focus throughout the organisation

In recent years, staff health has become increasingly important to employers. Peab has taken the question of absence through illness extremely seriously, and this too as part of its strategy to become the best workplace in the sector. From the second day that an employee is written sick a doctor calls the employee to assess the illness and decide whether he/she should give or arrange for additional assistance. The company's ambition is to reduce absence through illness through early intervention.

The bonus system for regional managers and works managers is being reworked, among other things in order to further increase collaboration between the various parts of the Group. In contrast to the situation today when most of the bonus is included in the results of one's own unit, in future the whole of Group results and various soft variables will also affect bonus calculations.

Peab also runs training schemes for future building site works managers. One problem that affects the industry and Peab too is the uneven age distribution and the fact that the number of training places in today's schools is too low, and as a result it is hardly going to be possible to maintain a pace of new recruitment that can keep up with retirements. We are threatened by a serious lack of managers and skilled craftsmen within

Peab is building a new six-storey research block at Astra Zeneca's research unit in Mölndal outside Gothenburg. The exterior will have the same characteristic façade and roofing in aluminium as the unit's other buildings. The contract is worth SEK 50 million and we estimate work will be ready for inspection in February 2006.



Lund University Library incorporates all language and literature departments within the same 5,800 square-metre building. For Peab the work consists of three conversions and a new library section. The façade is largely of glass with elements of patented Rheinzink. The modern interiors are of birch and concrete and the floors are tiled or linoleum covered. The contract excl. installations and land is worth SEK 40 million and is divided into several contracts.



Peab has renovated the Rolfsbron Bridge in Kungsbacka for the Swedish National Road Administration through a so-called performance contract. The southern arch of the old stone arch bridge is of rough stone, witness to the bridge's probable seventeenth century origins. The renovation work was performed by experienced masons from Hunnebostrand, who have long experience of similar work. The top of the bridge consists of cobblestones set in sand. The actual pedestrian and cycle paths over the bridge have a top layer of compacted gravel. Special lighting will be installed to illuminate the bridge in the evening.



The popular Brf Cementbrännaren in Klagshamn consists of fifty 100-128 square-metre terraced houses. The area has a pleasant provincial town feel to it with seven rows of houses framing a central courtyard with playground and community hall. Polished distinctly coloured facades are combined with carefully designed details such as projecting roofs and variegated façade shapes on 2-3 floors. Each apartment has its own green oasis with patio and lawn for the children to play and adults to get together.



In Stockholm's archipelago, Peab is building a new and unique residential area with incomparable views in proximity to the natural world. The unique district of Ljung on the island of Värmdö consists of 47 detached and semi-detached houses with sea views, sun roofs, carports and access to individual moorings. Most of the houses are already completed and residents are moving in.



ten years. One part of the solution could come from increased industrialisation of the construction process, thus decreasing the human resource requirement at the building site. Nevertheless, we are still threatened by a shortage, and therefore imported labour, for example from the new EU countries, may be a solution. Peab takes a positive view of this development, but believes it must take place in collaboration with the Swedish unions and, not least, with the understanding of customers.

Residential housing

One of Peab's focus areas has always been residential housing construction and over the years it has acquired broad expertise and increased market shares. House building in Sweden has been at low levels for almost ten years. Thus there is a pent-up need for more apartments, especially in the major cities and university towns. Peab aims to supply this demand as far as people on ordinary incomes are concerned. We are convinced that there is a great demand for new efficient housing at reasonable prices. In future, the growing awareness of the importance of energy costs to total living costs will boost the demand for energy efficient buildings. Peab will actively participate in this process.

40 years ago, the so-called million programme started. To deal with the housing shortage at that time around a hundred thousand residential houses were built per year for ten years. By way of comparison, in Sweden about 27,000 residential houses were started in 2004. It is beginning to be time for these areas to be renovated and re-equipped, but also to be adapted to today's recycling and energy efficiency requirements. A huge amount of construction work is needed to deal with this work, which has almost the nature of new building. Peab will be participating in this extensive work with all the skills the company possesses.

Civil Engineering

Peab's civil engineering activities are organised in a nationwide division. These activities are coordinated organisationally with the Industry business segment, thus providing us with a competitive advantage in the case of major civil engineering works, as several of the Industry companies supply input goods directly to the projects. For the Group to incorporate all production resources is important from the standpoint of supply and delivery, and boosts stability in the organisation.

From its beginnings, Peab expanded its business from being a local civil engineering company on the Bjäre Peninsula. At the beginning of the seventies, the company's largest contracts were various road and civil engineering contracts, and since then Peab has been contributing to the development of Swedish civil engineering works. Our civil engineering activities comprise much more than road and railway projects. One important area is local public works contracts connected with the outdoor environment and parks, often in conjunction with residential housing projects.

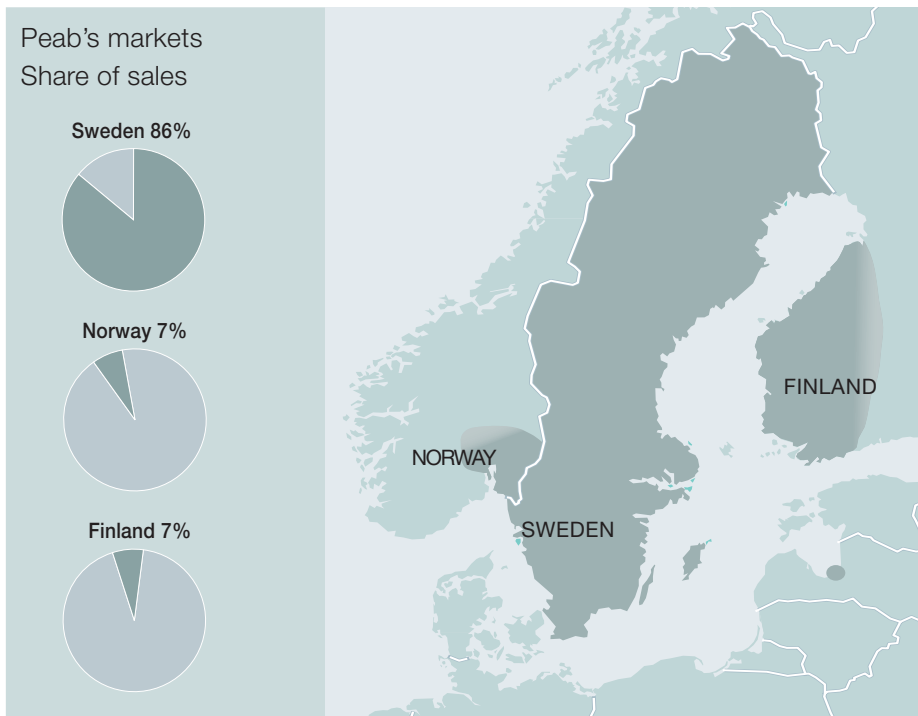
In recent years, orders received have remained at a high and stable level. The risk profiles of the assignments we take on are analysed thoroughly. We have refrained from bidding for several major projects based on the results of the risk analyses we always carry out.

Usually, the largest civil engineering projects are of prolonged duration and they have made a major contribution to Peab's order backlog during recent years.

Project development

In recent years much work has been done on refining Peab's structure. The largest and most public step was taken in 2003 with the distribution of the shares in the property company Brinova to Peab's shareholders, thus fulfilling the strategic decision that Peab should not own investment properties and in that way not compete with its customers.

However, part of Peab's business concept still involves the acquisition of land and development properties in order to secure employment for the production department and provide returns on investor's capital. As



In Järntorget square in Gothenburg, Peab has built the Respekt Brasserie and nightclub in exclusive Scandinavian design with furnishings and fittings supplied by a series of well known designers, such as Alvar Aalto, Eero Koivisto and Philip Starck.



To the north of Nynäshamn, in Södertörn landscape, Peab is building a new housing project in a secure children-friendly environment. Peab's Lidatorp consists of 120 detached, semi-detached and terraced houses in harmony with the surrounding meadows and woods. Lidatorp is well set between the countryside and the town, as close to the sea and the archipelago as it is to the shops and municipal services.



part of these projects we often insource expertise which we do not ourselves possess or which we wish to build up. One example is the exploitation of the Dockan area, formerly parts of the Kockum industrial estate in Malmö. Partners in this major project include JM with regard to cooperative apartments and Wihlborgs with regard to the district's commercial properties, while Peab is construction and civil engineering contractor for the whole district. The players possess equal parts in the project company.

In many cases in the Stockholm area, Peab cooperate with HSB and Riksbyggen in housing projects. KF is a partner in several shopping complex sites.

In general, Peab will not start construction of a property unless it already has a final purchaser, normally a user or a financial player, for example an insurance company, a property company or a property trust. With regard to cooperative apartment projects, a considerable percentage of apartments must be sold before construction work starts, which minimises the risk of Peab having major resources tied up in difficult to sell or low yield apartment holdings.

The Nordic construction market

Peab has established its own subsidiaries in Norway and Finland, one important reason being that the Nordic construction market is undergoing a process of integration, largely as a result of Swedish, Norwegian and Finnish companies setting up in neighbouring countries. Examples would be various store chains such as Elgiganten, K-Rauta and Mekonomen. We have built for Norwegian Steen & Ström in Norway and followed up with the company when it wished to set up business in Sweden. We believe this state of affairs will continue.

The housing market in the respective countries is more local but certain experience and knowledge can be transferred from one country to another, even if various regulations hinder more extensive integration of the actual production process.

Yet another important reason for acting in the Nordic market is because of the special skills required for implementing large complex projects. For example large bridges which require a larger market in order for resources to be exploited rationally.

As general contractor, Peab is renovating the Traneberg Bridge between the island of Kungsholmen and Alvik in Stockholm. Of the old local railway and road bridge dating from 1934, only the concrete bridge arches are to be preserved. The pillars and the bridge floor have been demolished and replaced by new ones. Today, 75,000 vehicles cross the bridges and the amount of traffic is increasing. During the entire construction work four vehicle lanes and one pedestrian and cycle path were kept open over the sound, except at night. No additional lanes will be added but the lanes will be widened. More room has also been made for pedestrians and cyclists.



To meet the requirements for high quality and cost-effective imaging diagnosis Malmö General Hospital is mastering expertise within imaging diagnostics and physical and technical medicine in a Diagnostics Centre. Peab has been given the job of constructing a new five storey building with cellars covering a total of 20,000 square metres. The contract is worth SEK 290 million.



Peab's Finnish subsidiary Peab Seicon is currently building offices and laboratories, including the extension building to Vik's University Campus in Helsinki. The customer is the government-owned Senaattikiinteistö, Finland's largest property owner. The contract is worth around SEK 155 million. The work started in November 2004 and is estimated to be ready in April 2006.

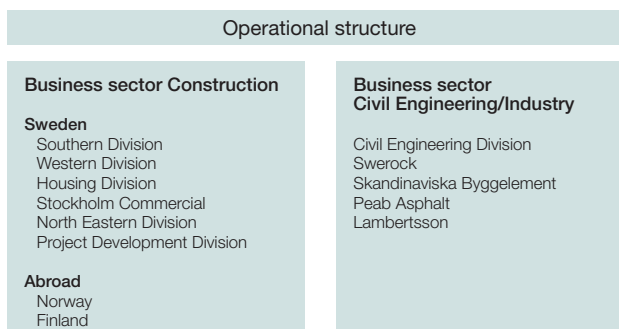


In one of the oldest inhabited areas of the Stockholm region, Järla Sjö, which over the centuries has been owned by Sten Sture the Elder, Gustav Vasa and the company AB de Laval's Ångturbiner, is an extremely large and unique housing project. The old industrial estate is being converted into a living town with a unique blend of workplaces (in converted factory premises) and newly built homes. The project comprises 500 apartments and is a total contract commissioned by HSB and Riksborgen.



Operational structure

In order to increase the co-ordination and thereby diminish costs while maintaining high quality and market presence, the Group has an operational organisation. Focus is on production, which is why support functions and support resources are located as far out in the organisation as possible.



Reporting structure

The Group reports in three business areas: Construction and Civil Engineering, Industry, Trust/Management. In order to receive a comparable reporting for products and markets, the Group's activities are reported according to the following.

Net sales and operating profit per business area

MSEK	Net sales			Operating profit			Operating margin		
	2004	2003	2002	2004	2003	2002	2004	2003	2002
Construction and Civil Engineering									
Sweden	16 503	15 687	15 658	402	345	664	2.4%	2.2%	4.2%
Abroad	2 775	1 914	1 769	2	-194	-177	0.1%	-10.1%	-10.0%
Total	19 278	17 601	17 427	404	151	487	2.1%	0.9%	2.8%
Industry									
Swerock/Asphalt	3 550	3 118	2 798	157	154	160	4.4%	4.9%	5.7%
Plant/Cranes	580	579	599	123	122	140	21.2%	21.1%	23.4%
Total	4 130	3 697	3 397	280	276	300	6.8%	7.5%	8.8%
Trust/Management	64	96	171	-159	-122	-151			
Elimination	-1 424	-1 308	-1 177						
The Group	22 048	20 086	19 818	525	305	636	2.4%	1.5%	3.2%

Financial objectives



The last time Peab modified the financial objectives was in 1999 in conjunction with the initiation of the refinement process. After phasing out non-core activities, in particular the Brinova distribution, Peab is now a dedicated construction and civil engineering company. The implemented changes to Peab's structure and the introduction of new accounting principles from 2005 onwards have resulted in an adjustment of targets.

New financial objectives

- Return on capital employed should amount to at least 12 per cent (unchanged)
- Return on equity should amount to at least 15 per cent (unchanged)
- Equity/assets ratio must exceed 25 per cent (previously 30 per cent)
- Dividend to shareholders should amount to at least 50 per cent of profit after tax (previously 35-45 per cent)
- Cash flow before financing should be positive and rising (unchanged)

Profitability is the overriding objective of the Group. Expressing profitability in the form of return on capital employed, takes the differences in tied up capital in the Group's operations and the differences in tied up capital depending on the type of project into consid-

eration. For internal control, this objective is complemented by profitability requirements in the form of operating margin targets.

Return on capital employed amounted to 13.3 per cent in 2004 (9.2).

Return on equity is used as a key ratio at Group level and amounted to 18.6 per cent in 2004 (9.2).

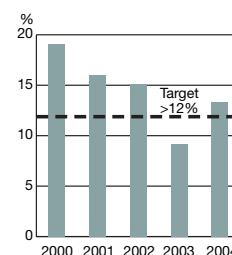
The equity/assets ratio target is 25 per cent, which is a suitable capital structure for Peab after refinement of the company to an out-and-out construction and civil engineering company. If the equity/assets ratio is expected to exceed this level on a permanent basis, the capital should be transferred to the shareholders in the appropriate form. As at 31 December 2004, the equity/assets ratio totalled 22.5 percent (21.8).

Dividend should be in a reasonable proportion to the development of Peab's profits and consolidation requirements. An increased dividend of SEK 2.50 per share (2.20) is proposed for 2004. Calculated as a share of the Group's reported profit after tax, the proposed dividend amounts to 49 per cent (82).

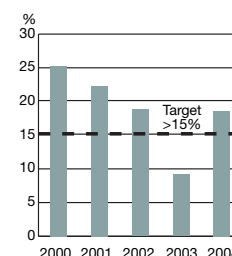
Cash flow before financing should be positive and rising. The cash flow should either be reinvested in the business or distributed to shareholders. Annual cash flow before financing amounted to SEK 255 million (-379 million). The improved cash flow stems from improved profitability and a normalised level of investment.

Seen from an investor's perspective, it is Peab's objective that shareholders enjoy a high return, partly as dividends and partly in the form of value growth on invested capital.

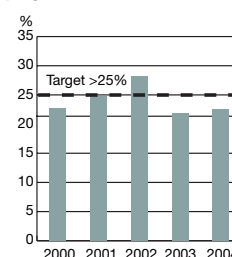
Return on capital employed



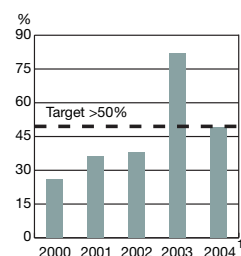
Return on equity



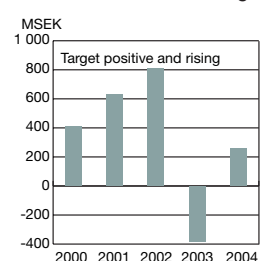
Equity/assets ratio



Dividend/profit after tax



Cash flow before financing



	Target	2004	2003	2002	2001	2000
Return on capital employed	>12%	13.3	9.2	15.1	16.0	19.1
Return on equity	>15%	18.6	9.2	18.8	22.3	25.3
Equity/assets ratio	>25%	22.5	21.8	28.2	24.8	22.7
Dividend ¹⁾	At least 50% of profit after tax	49	82	38	36	26
Cash flow before financing, MSEK	Positive and rising	255	-379	808	633	411

1) For 2004, proposed by the Board to the AGM



Peab and the world around it

The Nordic construction market

The construction markets in the Nordic countries usually progress differently from country to country. This is partly a consequence of the differences in business structure from country to country, a reason also why they are located at different parts of the economic cycle, but is also a result of the different general election years and of the fact that differences in the strength of public finances affect public works in the individual countries.

However last year, 2004, was an exception in this regard. The construction market made positive progress in Finland, Norway and Sweden alike. The outlook is still bright for all countries in the forthcoming years.

Sweden

In Sweden the construction market rose drastically in 2004 after the 3 per cent decline in 2003. The upswing mainly stemmed from an increase in residential housing starts, but also from a rising conversion market in the single family home sector. Other parts of the construction market, civil engineering works and other house building continued to be weak. In total, it is estimated that construction investment has risen by 5 per cent.

Indicators for 2005 and 2006 mostly indicate continued good construction market conditions in Sweden. Low interest rates and a generally favourable economic climate are contributing to continuing reasonably rapid and stable growth of around 3 to 4 per cent per year. As in 2004, residential housing construction will be the main driving force behind the construction sector in 2005. Investment in new residential building starts is expected to increase by 13 per cent and overall housing investment by 9 per cent. During 2006 residential housing construction is expected to slow in time with a slow rise in interest rates, but the rate of increase is nevertheless expected to be a comfortable 3 per cent. We estimate that there will be just under 30,000 new home starts in 2005 and about 28,000 homes the year after. On the other hand, in 2006 civil engineering projects is expected to take over as the locomotive behind the construction market.

Norway

In Norway, residential housing construction rose quickly in 2004. The number of new homes increased by just over 30 per cent to just under 30,000. However, measured by floor space the upturn was no more than 20 per cent, i.e. many of the new homes were relatively small. Other types of house building and civil works investments made positive progress in 2004.

Growth in building in Sweden

Sector	Investment volume SEK billion 2003	Outcome 2003	Percentage change in fixed prices		
			Forecast 2004	Forecast 2005	Forecast 2006
Residential housing	51.7	0	22	9	3
New constructions	31.8	6	30	13	3
Conversions	19.9	-9	8	3	3
Other non-residential building	50.5	-7	-6	-5	0
Private	29.0	-4	-7	-6	-1
Public	21.5	-11	-4	-4	0
Industry	9.4	-8	0	-10	0
Civil Engineering	49.2	-1	-2	4	10
Private	25.0	-7	-5	6	7
Public	24.2	7	1	2	12
Total building investments	160.8	-3	5	3	4

Source: Swedish Construction Federation

Architect Pelle Sandwall in Värnamo decided to make a dynamic lobby for the offices of Huskvarna Prototyper in Jönköping. The construction work was completed in May 2004 and includes 6,600 square meters of offices and 6,000 square meters production facilities. The client was Protototal Fastighets AB in Mullsjö and the contract amount was approximately SEK 25 million.



Peab has together with HSB completed a project in central Växjö, in the Nordstjärnan neighbourhood. The building consists of 21 co-op apartments, a dental office, and a small shop. The project began in 2003 and the move-in took place in August 2004. Olof Thedin of Arkitektbolaget in Växjö was the architect.



Most observers believe that progress will continue in 2005 and 2006. A generally good economic climate and low interest rates are also contributing to the increase in private and business building in Norway too. The civil engineering market is also expected to increase both as a consequence of increased investment in roads with private financing and of increased public investment in prolongation of the national transport plan which is to be implemented.

Finland

2004 was a good year for the building industry with a rise of about 3 per cent. Industrial investment and office block building recovered. The demand for residential housing remains at a high level in Finland's growth centres. Growth is expected to continue at the same rate in 2005. It has been estimated that overall building production will grow at an average of 2.7 per cent from 2003 to 2008. The increase in new building and renovation work is contributing to good demand in the market.

Structural and political differences

If we now turn to examining structural differences and likenesses, there are a number of common factors affecting e.g. Nordic housing policies. In all countries these have gradually become more market oriented, though the pace of development varies. Overall subsidies to the construction and residential sector have declined in all the countries.

Sweden is the country where public intervention in the housing market is greatest. This was reflected (up until the 1980s) in a comprehensive subsidy system (partly direct subsidies, and partly through tax breaks), which both private owners and tenancy right holders enjoyed. However, there have been drastic curbs on this subsidy system, which now remains in place only for certain types of rental properties. Nevertheless, the proportion of newly built apartments which receive public subsidies is still greater in Sweden than in any of the other Nordic countries. Yet another characteristic trait is the extremely large number of publicly owned companies (i.e. the public housing sector) in the rental market.

In Norway, ownership of apartments and houses is predominantly in private hands. As with most of the other countries public financing accounted for more than half of the total during most of the post-war years. However, the subsidisation integrated into interest rate fixing, etc was drastically reduced during the 1990s and public financing is now largely subject to market terms. One extremely characteristic feature of the Norwegian scene is the tax break owners financing new homes enjoy when renting out part of their homes.

During the post-war years Finland started from a relatively poorer housing situation than the other Nordic countries. Therefore, the focus of housing policy came to rest on the production of own homes and freehold apartments. Most home financing has come from the ordinary banking system, but a certain state financing of first-time freehold apartments and from 1970 for rental apartments and renovations has also been available. At present, public financing, which has a certain element of subsidy to it, concentrates on various types of social housing. Finland stands out from the other countries in that most rented apartments are scattered about buildings containing freehold apartments. The previous rent regulations ended during the 1990s.

Resources – Human Resources

Continuous recruitment

Peab is continually recruiting qualified staff. During recent years, this recruitment work has underpinned the company policy that in future the company will develop through its staff. It is of crucial importance that recruitment is carried out in accordance with Peab's standards and that the employee is really informed of what it means to work for Peab.

The company is facing widespread staff depletion through retirement during forthcoming years and therefore it is important that Peab continue recruitment at local level and that we coordinate Group units in HR matters too. There is much interest among job seekers to enrol with Peab and we find that the evaluation of

Peab's civil engineering division carries out all types of work on terrain. Cobblestone laying is an old craft which requires much knowledge of soil and substrata.



Peab's Foreman Programme is intended for craftsmen with some years' professional experience who would like to try out the role of foreman. The purpose of the programme is to provide structured support for the learning of new professional skills. Having completed training, the aim is that participants should have the necessary skills needed for the work of foreman. The programme stretches over two years and during this time participants must take a number of external and internal training courses based on individual self improvement plans.



During 2004, Peab acquired the site of the old air wing F18 in Tullinge just outside of Stockholm. The area is strategically placed from a communications perspective, and according to the plans a new suburb, Riksten, will be developed on the site of the old airport and its surroundings. Within the next 10-15 years, approximately 2,500 new housing units and industrial properties will be built on the 370 hectare site. In the area today there is already approximately 30,000 square meters of existing built space.



Peab has received the contract to build the "Fifth Wing" at the Jönköping High School. Högskolefastigheter AB in Jönköping ordered the project, which was carried out as a general contract. The picture below shows Munksjön lake and at the far left we can just see the future Atollen quarter, which was the subject of a developer competition won by GE Capital in collaboration with Peab. The project will be implemented between 2006 and 2008 and is worth SEK 500-600 million.



Peab Leisure (Fritid) is more than traditional health and fitness. The thinking is that the programme should contribute to a quality, active leisure time for all of Peab's employees. The investment comprises three parts. Within the framework of Sport & Motion, there are sport clubs, training agreements and training centre subsidies. Moreover, each year a physical exercise campaign is organised with a prize ceremony as a carrot for those who want to get started with regular daily exercise sessions. Under Fritid & Hobby, there exists clubs at the workplace, senior clubs, subsidized massage and partial payments for Weight Watcher courses. Activities are also organised, for example fishing outings and family days. Within Culture & Entertainment, there are art clubs and opportunities for theatre visits and trips to the circus. All aim to increase the job satisfaction at the workplace as well as general wellbeing for the benefit of the employee.



many young people is consistent with our values. We believe there are good opportunities for recruiting skilled labour to replace the forthcoming losses through retirement. In the short-term it may be necessary to employ foreign subcontractors. However, our objective is that Peab should be such an attractive company to work for that most new recruitment comes from the domestic market.

Employee health

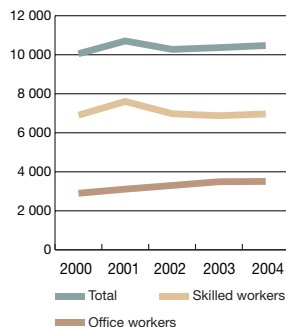
For many years, Peab has been developing a unique, nationwide partnership with Previa. The wellbeing and satisfaction of employees while at work moves the focus from absence through illness to a focus on Peab's employees being healthy. There are frequent contacts with Previa in connection with lifestyle and business analyses, rehab, counselling during illness, work environment assessments and crisis support. During 2004, Peab embarked upon collaboration with Vårdpartner which ensures that when employees need help with certain types of rehabilitation they will receive treatment immediately so they can return to work. The absence through illness in the Group was in 2004 5.3 per cent. The average value in Sweden for absence through illness is about 6 per cent in the private sector.

Peab Leisure (Fritid) is another unique aspect of the Group's decentralised organisation. Peab Leisure provides employees with opportunities for active leisure activities, both with workmates and family. Peab provides structures and financial support for physical fitness activities, culture and entertainment. Peab Leisure's commitment stems from the company's employees and all those burning with enthusiasm within this area. Job satisfaction and solidarity within the company is an important objective for Peab.

Skills development a part of the business

Total skills in the company are crucial to Peab's success and competitiveness, and therefore it is important that skills development should be viewed both from the organisational and individual perspectives in order to develop and bring in additional skills which benefit both staff and Peab. The development interviews between managers and employees are the very core of employee development at work. By examining Peab's business plan, each manager can plan long-term development for his or her activities. A fundamental part of this development concerns the skills needed to deal with future production and building. Following a special system future skills requirements can be analysed and broken down at individual and Group level. During the development interview these skills requirements are coordinated with the employee's wishes for personal development at work. Peab continues to operate a long-term and much sought-after skills development programme within production technology, the construction process, management, finances, purchasing, IT, work environment and the environment.

Number of employees in the Peab Group



Personnel structure

At year-end 2004/2005, Peab employed about 10,000 distributed as below.

	Sweden	Norway	Finland	Total
Number of employees	9 335	382	753	10 470
- of which women	649	41	72	762
- of which office workers	3 008	214	284	3 506
- of which skilled workers	6 336	168	460	6 964
- of which below 30 years	24%	25%	38%	25%
- of which older than 57 years	20%	26%	14%	20%
- of which Construction and Civil Engineering	7 624	382	737	8 743
- of which Industry	1 673		16	1 689
- of which Central	38			38

Cooperation for One Peab

There is potential for increased efficiency in our way of working through even better collaboration between Peab's various companies and units. By exploiting the strengths and advantages of the whole team Peab's goal is to be the Best workplace in the sector.

Environment

"Peab builds for the future. We wish to be the leading and most attractive construction and civil engineering company in Sweden. We build to create added value for our customers, suppliers and ourselves, and to contribute to the sustainable development of society. Good financial profitability is a precondition of our success". These are the words of the preamble to Peab's company policy and they are a good description of our environmental and sustainability work. As an important player in the construction and civil engineering sector we have an important role to play in creating the society of the future, a society that must be sustainable.

A part of our way of working

Our work towards sustainable development in society has been founded on the integration of environmental issues into our way of working. Our company policy incorporates the environment, sustainable development, quality, work environment and human resource issues. We have also developed a Business Management System where we have integrated environmental issues in our processes.

The Business Management System is based on the requirements of ISO 14001. For many years we have attached great importance to integrating environmental issues into our way of working. We know that is what we bring about in our projects which is of importance to our customers and for coming generations.

Identifying hazardous substances

The identification and removal of hazardous chemical substances from building materials is one of the priorities of our environmental work and consequently Peab plays an active part in the BASTA project. BASTA is a coordinated project in the construction industry which receives support from the EU life fund. BASTA focuses on environmental and harmful properties and is intended to phase out the most hazardous substances. BASTA's requirements are in line with the requirements of the Swedish Chemicals Inspectorate, national environmental targets and coming European legislation. More information about BASTA can be found at www.bastaonline.se

Together with a number of property owners Peab also participates in the development of Milab, which is an environmental assessment system for building materials. Environmental assessments are based on criteria with regard to specific materials' environmental impacts during their entire life cycle. Milab provides us access to user-friendly tools and aids useful in the choice of good building materials from the environmental standpoint. Through our participation in the development of Milab we also contribute to creating a common approach to environmental requirements and assessment of building materials within the industry. More information about Milab can be found at www.milab.nu

Preventive work

Skills development and environmental support are important parts of our internal environmental work. The crucial factor in deciding whether we are successful or not in our environmental work is what happens everyday out in our projects, and therefore Peab works constantly on skills development. Yet another important aspect is risk elimination. We analyse and document risks involved in our projects and take preventive measures to minimise risks. Before submitting an offer we analyse the environmental aspects of each project in order to ensure that environmental requirements are being complied with and identify factors that are important from the environmental standpoint.

Our most important values

Today Peab has a staff of 10,000, a factor that makes it even more important to gather around a number of fundamental values; reliable, personal, down-to-earth and developmental.



RELIABLE

Our customers must feel secure in entrusting work to Peab. Consequently, our work must reflect good business ethics, competence in what we do and professional expertise. We must plan well, we must act correctly right from the start to eliminate risks and meet promised deadlines. We must comply with laws and requirements, choose the best possible building techniques, prioritise renewable resources and avoid environmentally harmful substances.

PERSONAL

We wish to be the personal company. We must seek to create and maintain long-term good relations with our customers and suppliers through honest and confidence-inspiring dialogue. We must work towards reconciling our work assignments with family and leisure-time interests. We wish Peab to be pervaded by good communications, a happy atmosphere and respect for the individual.

DOWN-TO-EARTH

We wish to work close to our customers. Before taking on an assignment we need to be sure we have access to the resources required to do a good job. We seek to be recognised for our down-to-earth way of working with short decision-making pathways, and to be sensitive to the interests of our customers.

DEVELOPMENTAL

We must be innovative, flexible and constantly improving ourselves. We must appreciate our employees' skills and provide good opportunities for development, further education and training, transport and preventive healthcare. We wish our employees to be dedicated, to take an active part in the company and to contribute to its growing success. At Peab we must have opportunities to influence our work situation.

The first stage of Rydebäck's new centre was ready by autumn 2004. The sculptural building Västana with white plaster and rich reds contains 56 co-op apartments with a varied view over the coastal plain and Öresund. This phase of the building is asymmetric and the two upper levels are somewhat "indented," which gives generous terraces and gives the building a varied and exciting feel. On the ground floor facing the square, there is Rydebäck's new library and a small building with meeting rooms. Planning and development continues now with the buildings Östan and Punkthuset, that will contain a further 50 co-op apartments and more enterprises in Rydebäck's new centre.



Tegelmästaren in Svedala has been a cost-effective project thanks to the prefabricated building elements from Peab's factory in Katrineholm. The annual rent has been calculated to be less than SEK 1,100 per square metre and year. Tegelmästaren comprises a total of 8,000 square metres of living space divided among six buildings in two blocks. The two blocks or apartments together with the four Groups of terraced houses add to the variegated nature of the district. The use of prefabricated building elements has in no way affected the flexibility of the project. On the contrary, customers have a wide range of options to choose from. While building is in progress, tenants can for example choose kitchen equipment and floors using a computer program which keeps a check on future rents according to each option selected.



Continued work

We will continue the work of raising levels of skills with regard to environmental issues in order to comply with future requirements for sustainable building which respects both man and the environment. The number of projects with high environmental requirements in which we are able to participate is evidence of the fact that we are on the right track.

Corporate governance

Peab's owner management is based on the Swedish Companies Act, other relevant legislation, the listing agreement with Stockhomsbörsen, the recommendations of the Swedish Industry and Commerce Stock Exchange Committee and the articles of association. Peab has given consideration to the Code group's work of producing a Swedish code of corporate governance and will apply the code's principles at the latest by the time the application of the code has been approved. Shareholders choose board members, auditors and the nomination committee at the AGM.

The Board of Directors and its work

In 2004, the Board of Directors consisted of seven AGM elected members and three employee representatives with two alternates. Of the AGM elected members, three members represented the company's largest owners and four were independent. Officials of the company take part in meetings of the Board to carry out reporting and administrative functions. The work of the Board of Directors follows an agenda intended to ensure that its information needs are satisfied, and is drawn up based on the special rules of procedure established by the Board on a yearly basis relative to the division of work between the Board of Directors and the Managing Director.

The matter concerning the establishment of an audit committee has been examined by the Board of Directors. Considering that the Board of Directors in Peab is so few in number, the Board decided that the control questions would be best managed by the Board of Directors as a whole, which thereby also have the function of an audit committee. The auditor participates at the Board of Directors meetings at least twice a year, where review and follow-up of audit questions are conducted.

The Board of Directors has a remuneration committee which under the leadership of the Chairman of the Board deals with salaries and conditions of employment for the Managing Director and draws up guidelines for others in the Group management.

The Board of Directors also has a finance committee which between meetings of the Board can take decisions concerning foreign exchange, interest rates, raw materials and investment positions, etc. The finance committee accounts for its decisions at the next meeting of the Board of Directors.

During the year, the Board of Directors held five ordinary and seven additional meetings.

Group management

The Managing Director leads the company in accordance with the framework established by the Board of Directors and is responsible for day-to-day control of the company. By working with one management forum throughout the Group, more effective decision-making and improved communication is achieved. The management forum is divided up into the Executive Management and the Management Group.

The Executive Management consists of the MD and Deputy MDs of Peab AB. Meetings are held once a month and deal with issues relating to strategy and development for improved profitability.

The Management Group consists of the Executive Management, operational managers and support functions. Meetings are held once a quarter and deal with issues focused on structure and co-ordination.

Management of business units

Peab's organisation is characterised by production focus with clear decentralisation and delegation of powers and responsibility with a view to obtaining efficient management and control within the respective business units. The support functions support the activities of the entire Peab Group.

Competitors

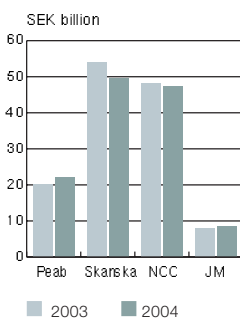
The list below shows the construction business net sales, operating profits and operating margins of the four largest Swedish construction companies. The information comes from the companies' 2004 Year-end reports. In order to obtain a relevant yardstick for comparison between the business areas of the companies we have used the following method of calculation:

- Peab** The Construction and Civil Engineering and Industry business areas. Sales excluding internal sales between these business areas.
- Skanska** The business unit Construction services in markets in Sweden, Norway, Denmark and Finland. The business unit Residential Project Development services on the Nordic market. The business unit Commercial Project Development service in Sweden.
- NCC** The sum of NCC's total business areas.
- JM** The Group total excluding joint Group costs.

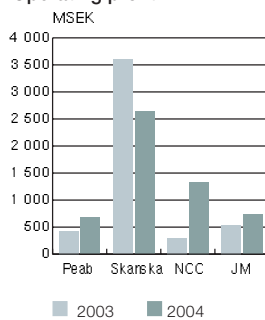
The construction business

	Peab		Skanska		NCC		JM	
	2004	2003	2004	2003	2004	2003	2004	2003
Net sales, MSEK	22 045	20 068	49 481	53 871	47 259	48 025	8 414	7 787
Operating profit, MSEK	684	427	2 640	3 597	1 336	299	728	540
Operating margin, %	3.1	2.1	5.3	6.7	2.8	0.6	8.7	6.9

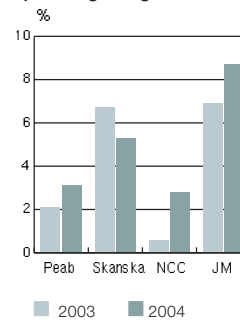
Net sales



Operating profit



Operating margin



Under the trademark Clifton, Swerock offers effective solutions within anything concerning transportation and construction machinery.



Peab has been awarded a total contract to construct, manufacture and mount 6,200 inner roof elements (100,000 sq. m.) for the road tunnels. The total length of the tunnel with roof elements is 16 km and the assembly height is 6-9 metres above the road surface. The roof elements are manufactured at Skandinaviska Byggelement's factory in Uppsala. The surface of the elements is subject to high quality requirements. Elements may not vary in size by more than about 5-10 mm in height and width. This means that the accuracy of hole boring for the bolts is many times higher than that normally required for rock drilling. To deal with this Peab has designed and built its own drilling rigs together with SMTE, Borlänge.





Directors' Report

Peab AB (publ). Swedish Corporate ID Number: 556061-4330

The Board of Directors and the Managing Director of Peab AB (publ) hereby submit the following annual report and consolidated accounts for the 2004 financial year.

Operations

Peab is one of Scandinavia's leading companies in the field of Construction and Civil Engineering. The Group primarily operates in Sweden, but also in Norway and Finland. Peab operates throughout Sweden, in Norway operations are concentrated to the Oslo region and in Finland to the Helsinki region and in the south of Österbotten. In addition, and principally in Sweden, operations include complementary construction related Industry companies in the areas of ready-mixed concrete, concrete products and pre-fab, rock and gravel, transport, manufacturing and laying of asphalt, and plant and crane hire.

Sales

In 2004, the Group's net sales amounted to SEK 22,048 million (20,086). Of net sales for the year, SEK 3,027 million (2,089) corresponded to sales and production carried out outside Sweden, of which Norwegian production amounted to SEK 1,434 million (1,055) and Finnish to SEK 1,582 million (917).

Profit and financial position

Operating profit amounted to SEK 525 million, compared to SEK 305 million the previous year. Operating profit in foreign activities in 2004 amounted to SEK 2 million, compared to SEK -194 million in 2003.

Shares in the profits of joint ventures are booked in accordance with the equity method. The year's share of profits in joint ventures before tax amounted to SEK 4 million (8).

2004 profit after financial items amounted to SEK 475 million compared to SEK 240 million the previous year. Net financial items amounted to SEK -50 million (-65). Net interest income amounted to SEK -65 million (-52). The annual effect of valuing financial instruments at fair value is recognised in net financials at SEK 32 million, see note 2. Other financial items amounted to SEK -17 million net (-13).

Return on capital employed in 2004 amounted to 13.3 per cent, compared to 9.2 per cent for 2003. Return on equity amounted to 18.6 per cent, compared to 9.2 per cent for 2003.

Annual tax costs amounted to SEK -41 million (-11), of which tax in joint ventures amounted to SEK -2 million (-7). Among the reasons for the low tax burden is the use of loss carryforwards in acquired Swedish companies where these loss carryforwards exceed the acquisition cost (so-called net asset acquisition).

Profit for the year amounted to SEK 432 million (226) and the profit per share after tax amounted to SEK 5.10 (2.70) calculated based on the average number of outstanding shares.

Net debt amounted to SEK 1,489 million, compared with SEK 1,331 million the previous year. The increase may be attributed to investment in project and development properties. The average interest rate in the loan portfolio at the end of the year amounted to 3.3 per cent (3.9).

The equity/assets ratio was 22.5 per cent (21.8). The Group's liquid funds amounted to SEK 3,635 million at the end of the period, compared to SEK 2,418 million as at 31 December 2003.

Cash flow

Cash flow from current operations before changes in working capital amounted to SEK 767 million (538).

Cash flow from investment activities was SEK -229 million (-829) and the decline is attributable to the strategic investments made in 2003 through the issue of convertible promissory notes in Brinova Fastigheter, the investment in the Katrineholm factory and the acquisition of subsidiaries.

Annual cash flow before financing amounted to SEK -255 million (-379).

Investments

Net investment in tangible and intangible fixed assets amounted to SEK 346 million (682) during the year. Investments for the year mainly comprise project and development properties. The net change in shares and participations amounted to SEK 20 million (-360). During 2004, SEK 499 million net was invested in project and development properties (net divestment of SEK 50).

Construction and Civil Engineering

The Construction and Civil Engineering business sector comprises the Group's resources concerning construction and civil engineering related services. The construction business is local by nature, and is much affected by changing circumstances in the various geographical areas. Peab engages in building and construction activities throughout Sweden, and in Norway mainly around Oslo and in Finland mainly around Helsinki and southern Österbotten.

Annual net sales in the Construction and Civil Engineering area amounted to SEK 19,278 million, compared to SEK 17,601 million the previous year, equivalent to a rise of 10 per cent. The increase can be attributed to the Swedish and Finnish businesses.

Operating profit amounted to SEK 404 million, compared to SEK 151 million the previous year. During 2003 profits were reduced by losses of SEK -194 million from foreign activities. The annual operating margin for the Swedish Building and Civil Engineering business was 2.4 per cent compared to 2.2 per cent in 2003. Norwegian and Finnish activities reported operating profit of SEK 2 million for 2004 (-194). This indicates a distinct turnaround in these businesses and is proof that Peab is on the right track in these countries.

Capital employed in Construction and Civil Engineering amounted to SEK 3,624 million (2,985). The increase is mainly attributable to acquisitions of project and development properties. Return on capital employed in 2004 amounted to 13.5 per cent, compared to 6.2 per cent for 2003.

Sweden

The order situation for Construction and Civil Engineering

gradually improved throughout the year. Market conditions in the important markets of Stockholm and Mälardalen are better than a year ago, whilst the country's other geographical markets are stable with certain regional differences.

Residential housing construction continued to increase with strong demand and is now the largest product segment for the Swedish business. Peab's policy of building reasonably priced housing has proved successful.

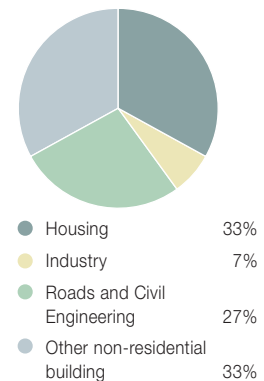
Within Peab there is a widespread conviction that by thinking along more industrialised building can be carried out more economically in the future while retaining quality. The element factory in Katrineholm, which is operated by Peab's subsidiary Skandinaviska Byggelement, is the first step in that direction. The investment of approximately SEK 200 million is the largest prefabricated building element initiative since the sixties, and is blazing the trail for a more efficient and rapid construction process. Today, the Katrineholm factory is a dedicated element factory, but Peab's ambition is to push matters a step further and create a common building system shared by the whole Group with matters well down the line towards the industrialisation of the building process.

The other high priority product segment in Sweden is road and civil engineering works and 2004 was a year of high capacity utilisation, good growth and improved profitability. Market conditions remain favourable with major road and railway projects planned for the whole country. Siljan Anläggning AB in Orsa was acquired during the year, thus reinforcing Peab's civil engineering activities in Dalarna. Peab also acquired Berg och Väg Maskin AB in Stockholm with operations in Stockholm and Södertälje.

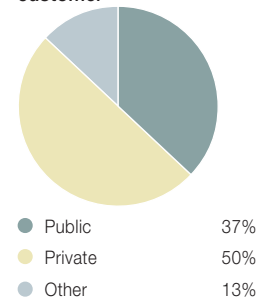
The commitment to trust-based contracts con-

Distribution of sales Construction and Civil Engineering

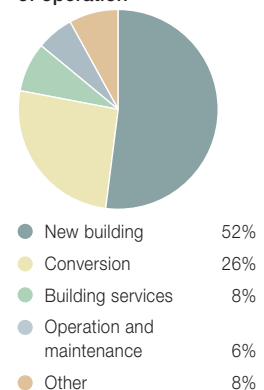
Net sales per product type



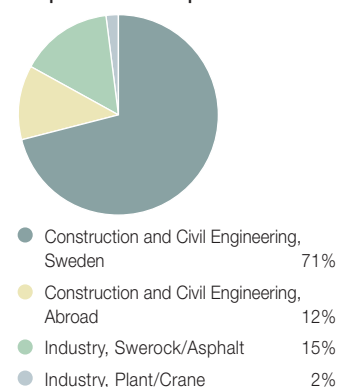
Net sales per type of customer



Net sales according to type of operation



Proportion of Group net sales



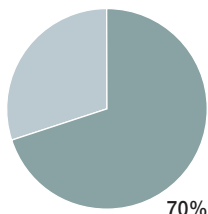
Net sales and operating profit per business area

MSEK	Net sales			Operating profit			Operating margin		
	2004	2003	2002	2004	2003	2002	2004	2003	2002
Construction and Civil Engineering									
Sweden	16 503	15 687	15 658	402	345	664	2.4%	2.2%	4.2%
Abroad	2 775	1 914	1 769	2	-194	-177	0.1%	-10.1%	-10.0%
Total	19 278	17 601	17 427	404	151	487	2.1%	0.9%	2.8%
Industry									
Swerock/Asphalt	3 550	3 118	2 798	157	154	160	4.4%	4.9%	5.7%
Plant/Cranes	580	579	599	123	122	140	21.2%	21.1%	23.4%
Total	4 130	3 697	3 397	280	276	300	6.8%	7.5%	8.8%
Trust/Management									
Elimination	64	96	171	-159	-122	-151			
	-1 424	-1 308	-1 177						
The Group	22 048	20 086	19 818	525	305	636	2.4%	1.5%	3.2%

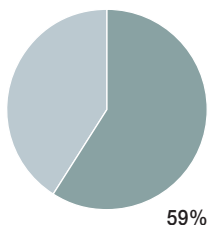
DIRECTORS' REPORT

Construction and Civil Engineering Sweden's share of

Group net sales

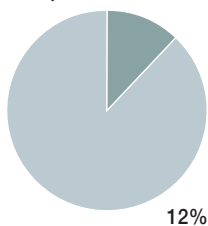


The construction business operating profit

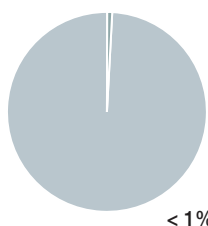


Construction and Civil Engineering Abroad's share of

Group net sales



The construction business operating profit



tinues. Total project costs are lower when we work together with customers towards a common goal. Engaging in open dialogue with our customers is important and therefore we are continuing to train our managers in this way of working.

During the year, the Swedish organisation was strengthened with a division dedicated to long projects with those specialised skills needed for such projects.

A number of large and interesting construction projects were acquired during the year. Among the most important are a commission to build a conference/concert hall for the Municipality of Uppsala worth SEK 311 million, a police station in Kalmar for SEK 172 million, a new shopping centre and housing project called Mitt i City Karlstad for SEK 212 million and Partille Shopping Centre for Steen & Ström for SEK 515 million. The company was commissioned to carry out a number of housing projects and these include a commission to build 175 rental apartments in Örebro ordered by the Swedish Church in Örebro for a contract sum of SEK 163 million, 129 new apartments in the Concordia district of central Malmö ordered by Riksborgen and worth SEK 215 million, and two sheltered housing projects, one in Stockholm and one in Gothenburg with SEB Trygg Liv as customer for a total contract sum of about SEK 300 million. In addition, Peab was commissioned to build 93 new rental apartments in south west Stockholm for Familjebostäder for a contract sum SEK 148 million. The work on the expansive Dockan area in the western harbour in Malmö continues. Peab has been commissioned to build 75 new apartments in the Piren tenant-owners' housing cooperative for JM, a contract worth SEK 110 million. On the civil engineering side, Peab continues to build for the Botnia railway and during the year was commissioned to build a railway terrace and two railway bridges just south of Örnsköldsvik. The customer is Botniabanan AB and the contract is worth SEK 131 million. In addition, Peab has been awarded operating and maintenance agreements with the Malmö Highways Department worth SEK 160 million.

Construction and Civil Engineering Sweden

Key figures

	2004	2003	2002
Net sales, MSEK	16 503	15 687	15 658
Operating profit, MSEK	402	345	664
Operating margin, %	2.4	2.2	4.2
Number of employees	7 624	7 568	7 841

Norway

2004 was a good year for Peab in Norway from the standpoint of sales and financial results. The company focused particularly on quality, enhancing the efficiency of production, improved risk management, the choice of the right customers and projects and improved customer orientation.

Important projects during the year included the Marienlyst Park housing project comprising 255 homes for a contract sum of NOK 437 million and Bjærkelangen hospital for NOK 51 million, which is one of three projects nominated for the Norwegian Construction Industry's 2004 quality prize. The order situation has improved and during the year several projects from public bodies were received, including a school in Søndre Nordstrand for NOK 250 million and Ullevål hospital for NOK 135 million. Building in Norway is expected to undergo steady growth during forthcoming years.

Finland

The process of coordinating Seicon with Peab's other business in Finland was carried out with a view to creating a uniform and profitable organisation working in accordance with the Group's guidelines and procedures. The two companies were merged at the end of 2004. Peab in Finland is acting within a larger market than previously with its point of gravity in the Helsinki region and Southern Österbotten.

Market conditions for home building, especially in the Helsinki region, are still positive and during the year the company invested in several project and development properties. We assess project development of residential housing will be an important segment for the Finnish business in the future.

Many orders were received during the year. Peab Seicon has been commissioned to carry out part of the extension building to Vik's University campus in Helsinki. The customer is the government-owned Senaattikiinteistö and the contract is worth EUR 17 million. Yet another major project is one to build an office block for training and research in Åbo. The cus-

Construction and Civil Engineering Abroad

Key figures

	2004	2003	2002
Net sales, MSEK	2 775	1 914	1 769
Operating profit, MSEK	2	-194	-177
Operating margin, %	0.1	neg	neg
Number of employees	1 119	1 103	806

tomer is Turku Science Park and the contract sum amounts to EUR 21 million.

The Finnish building and construction market is expected to show stable growth in coming years.

Order backlog and orders received

Orders received by Construction and Civil Engineering during 2004 amounted to SEK 21,559 million (18,339), which is a rise of 18 per cent.

The order backlog at the end of the year amounted to SEK 15,899 million, compared to SEK 13,590 million last year. This represents an increase of 17 per cent. Of the total order backlog, 26 per cent (26) is expected to be produced in 2006 and after. Construction projects accounted for 74 per cent (67) of the order backlog. Swedish operations accounted for 84 per cent (88) of the backlog.

Project development

Within its contracting operations, Peab also engages in internally developed construction of housing, comprising tenant-owner rights and single homes sold directly to the end customer. At the end of the year, 1,520 (1,285) internally developed homes were under construction, 73 per cent (63) of which were sold. Under normal circumstances, Peab has an undertaking to purchase from the tenant-owners' cooperatives any tenant-owner rights that have not been sold six months after the final inspection. At the end of the year, 59 (23) tenant-owner rights to a book value of SEK 115 million (22) were repurchased. Repurchased tenant-owner rights are recognised in the balance sheet as project and development properties. The total holding of project and development properties in Construction and Civil Engineering amounted to SEK 1,605 (1,106 million). As a result of the increased volume of internally developed projects, the amount of capital tied up in project and development property has been raised to SEK 2000 million.

As at the end of the year Peab's project portfolio contained 171 projects (151) corresponding to building

rights over a total of approximately 1.5 square metres (1.6). The majority of these building rights were in the growth regions of Malmö, Gothenburg, Stockholm, and Mälardalen.

Industry

The Industry business segment comprises Swerock, Skandinaviska Byggelement, Peab Asphalt and Lambertsson, which are all independent companies with their own strong brands. From the standpoint of organisation the companies are coordinated with the civil engineering activities.

After a number of years on the offensive, 2004 was a year of consolidation for Peab's construction-related companies and a fortunate year for the Industry companies. The ongoing infrastructure projects, which together with a good market for local civil engineering activities and a strong demand for housing, benefited the Industry companies greatly.

Net sales for Industry amounted to SEK 4,130 million (3,697), which is an increase of 12 per cent. Operating profit amounted to SEK 280 million (276). Of the business segment's overall net sales, external invoicing accounted for 70 per cent. Capital employed in the Industry business sector amounted to SEK 1,848 million (1,825). Return on capital employed in 2004 amounted to 14.8 per cent, compared to 15.1 per cent for 2003.

Swerock

Peab's concrete and rock company Swerock with total solutions for the construction and civil engineering industry is, with its three nationwide regional offices, one of Sweden's leading suppliers of ready-mixed concrete, rock and gravel and of transport services. It mainly sells in Sweden. Swerock has three business segments:

Rock and Gravel

Swerock operates 300 rock quarries and gravel pits distributed throughout Sweden. The high supply ca-

Peab has been exclusively commissioned to build a new police station in Helsingborg. The building, which will cover 22,000 square metres, is divided into several sections: a high part of six storeys and a basement, and a low part with basement and ground floor. The high part will incorporate administration, the detention cells, suspect interview rooms and changing rooms. The low part will contain a parking area and garage, shooting range, sports facilities, entrance halls, duty courts and cafeteria. The two building sections will be linked by a glass-covered walkthrough which runs from the main entrance and ends in the vehicle park and detention entrance in the north.



Commissioned by Riksbyggen, Peab started construction of the Concordia project, which is to comprise 129 apartments, two shop premises and 102 parking spaces in the very centre of Malmö. Concordia is being built in two units with a building overlooking the street and a tower block at the back. The architecture above all follows the new classicist lines which characterised Malmö in the 1920s. The block was named as far back as 1929 after a textile factory called Concordia, which was founded in the district in 1798. A parking garage which went by the name of Centralgaraget was opened on the Concordia block in the 1920s and remained there until the construction of today's housing cooperative started. When it was built, during the infancy of the motorcar, the future of the new invention was still very much in doubt, and therefore to be on the safe side half of the garage was reserved for horse-drawn cabs.



**Construction and Civil Engineering
Order backlog to produce and orders received**

MSEK	2004	2003	2002
Coming financial year	11 757	10 089	9 153
Next financial year	3 210	2 632	2 925
Thereafter	932	869	774
Total order backlog	15 899	13 590	12 852
Orders received	21 559	18 339	19 121

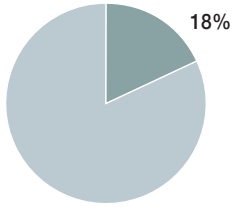
**Construction and Civil Engineering
Building rights**

Thousand of sq-metres	2004	2003	2002
Housing	1 018	985	742
Commercial premises	361	405	423
Industrial premises	161	163	125
Total	1 540	1 553	1 290
Number of projects	171	151	124

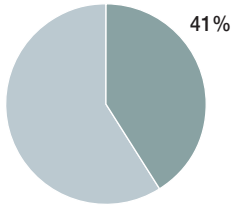
DIRECTORS' REPORT

Industry's share of

Group net sales



The construction business operating profit



capacity provided by such a large number of quarries enhances competitiveness and guarantees close contact with the customer, for example in the case of major infrastructure projects. Swerock works actively on the opening of new quarries, especially within the regions around major towns and cities.

Ready-mixed concrete

Swerock has slightly more than 40 concrete factories and is Sweden's leading supplier of factory concrete.

Transport and Plant

In southern Sweden under the Clifton trademark the company supplies all transport and plant hire needs.

In this business area, you will find the Group's overall transport and plant machinery resources and expertise. This business complements rock and gravel activities and the objective is to continue consolidating the company's position in the areas around major towns and cities.

The business 2004

In 2004, Swerock continued to make positive progress with good growth and stable profitability.

Peab's major civil engineering projects for which Swerock supplies both rock and gravel and ready-mixed concrete constituted a sound foundation for the company. During the year, Swerock acquired full ownership of the previously partially owned company Byggbetong in Norrland and Svealands Betong-pumpning.

Skandinaviska Byggelement

Skandinaviska Byggelement is a total supplier of concrete building frames from concept to finished delivery. This includes everything from individual products, such as walls and flat concrete base courses to customised solutions for housing production. The company will intensify its focus on housing and infrastructure, including bridge systems. It also manufactures prefabricated elements for infrastructure and slabs for ground paving and environmental construction in the S:t Erik's subsidiary.

Building element factory in Katrineholm

In 2003, Skandinaviska Byggelement completed the construction of a plant for the manufacture of shell walls, solid concrete walls and flat decks in Katrineholm. The plant is the most modern of its kind in Europe. The investment is an important cornerstone in the development of a "Peabwide System Concept", the so-called PGS system (in Swedish, Peab gemensamt systemkoncept). Experience and expertise are linked together and result in an end product for which Peab can provide long-term guarantees both as regards quality and functionality.

S:t Eriks

S:t Eriks is Sweden's market leading supplier of ground paving and slabs and works towards the establishment of a holistic concept for the outdoor environment and with product development. The company has a large number of supply agreements with chains of builders' suppliers. Within this company too there is comprehensive internal collaboration with Peab's civil engineering resources, working constantly towards developing enhanced products and production methods.

The business 2004

Profits were burdened by start-up costs associated with the Katrineholm factory. The factory operates double shifts. The increase in building in forthcoming years is expected to result in a shortage of manpower and an increased demand for mass produced building. Intense focus on the trimming of work at the Katrineholm factory is intended to result in good capacity utilisation and thus future profitability.

S:t Eriks has increased both its sales and profit compared to previous years and in future demand is expected to continue increasing. There is a strong trend towards focusing on an attractive outdoor environment.

Peab Asphalt

Peab Asphalt is Sweden's third largest company dedicated to the production and laying of hot, warm and cold asphalt. Peab Asphalt owns 12 stationary asphalt factories and 3 mobile asphalt plants. Through acquisitions and organic growth Peab Asphalt has become an important player in the Swedish asphalt market. About 80 per cent of sales are external.

Product development activities both from the point of view of finishing and composition of surfacing materials are continuing and Peab Asphalt leads the

Industry Key figures	2004	2003	2002
Net sales, MSEK	4 130	3 697	3 397
Operating profit, MSEK	280	276	300
Operating margin, %	6.8	7.5	8.8
Number of employees	1 689	1 647	1 597

market within the areas of cold and hot mixing and recycling. During the year the most important project was the E4 Örkelljunga by-pass, the E20 in Strängnäs and hot laying for the Swedish National Road Administration in Mälardalen.

The business 2004

Peab Asfalt is displaying good growth based firmly on the major infrastructure projects for which Peab is contractor. Side by side with these the year saw much focus on laying projects in local markets and market shares of maintenance agreements with local authority customers has increased.

Lambertsson

The machinery, electricity and crane business is organised into three divisions:

Plant

Plant and machinery activities are run from 12 depots in Sweden and involve the hire of such items as work sheds, scaffolding, building and civil engineering machinery and accessories, and the sale of materials for these activities. Norwegian and Finnish plant and machinery activities are coordinated with activities in Sweden.

Electricity

On the electricity side Lambertsson carries out work on temporary electricity installations on building and civil engineering sites. The hire of electrical equipment and materials and generators is also part of the business. Expertise within the area of temporary electricity installations is a strategically important resource for the company, where its knowhow is applied to such work as the establishment of asphalt plants and crushed stone plants. Electricity activities are run from 16 depots in Sweden.

Cranes

With more than 300 cranes and lifts in operation, Lambertsson's crane activity is one of northern Europe's leading crane companies. The company is dedicated to the hiring and sale of building cranes, building lifts and mobile cranes. In Sweden the business is run from Stockholm, Gothenburg, Malmö and Skellefteå and has nationwide geographical coverage. There are also crane activities in Finland.

The business 2004

Lambertsson continues to utilise capacity well and make good profits. The coordination of the company's management, marketing organisation and depots is now beginning to result in lower costs. The provision of advanced crane services for the construction of Turning Torso in Malmö played an important role in 2004. Lambertsson's sales and market conditions are expected to improve during 2005.

Trust/Management

The Trust/Management business sector comprises the main company, certain subsidiaries and joint ventures and other holdings. The central company mainly consists of the parent company Peab AB, whose activities comprise Group management and joint Group responsibilities. The internal bank Peab Finans handles the Group's liquidity and debt management, and financial risk exposure. The company is also a service function for the subsidiaries and draws up solutions with regard to internal loans and placings, project-related financing and currency risk hedging.

2004 operating profit amounted to SEK -159 million (-122). Joint Group costs were recognised at a total of SEK -116 million (-119).

Since the acquisition in 1998 of Uppsala-based AZ-Bygg AB, Peab has pursued activities in Latvia on a small scale. The acquisition included an operation in Riga. The company's last construction project is completed and Peab is winding down its construction activities in Latvia. The overall cost of phasing out activities including feared customer losses is assessed at SEK 26 million, which has burdened the annual profit. Peab intends to retain some resources in Latvia for purchasing in the Baltic region and for manpower issues.

Operational and financial risks

Peab's operating activities are sensitive to changes in among other things volume and margin. The Group is also exposed to financial risks, for example changes in net debt and interest rate levels. For further information about financial risks, see note 2.

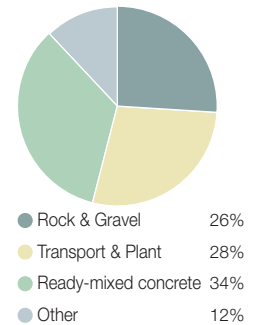
The sensitivity analysis describes how profit after financial items is influenced by changes in any of the important variables for the Group.

Trust/Management

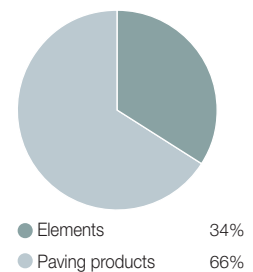
Key figures	2004	2003	2002
Net sales, MSEK	64	96	171
Operating profit, MSEK	-159	-122	-151

Net sales per operation

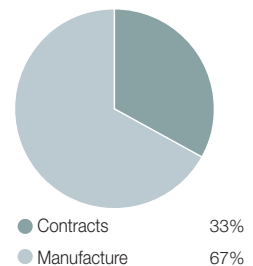
Swerock



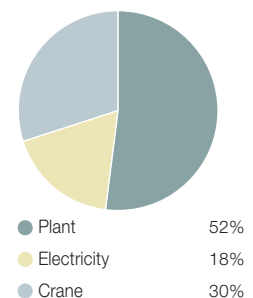
Skandinaviska Byggelement



Peab Asfalt



Lambertsson



Peab Asfalt is Sweden's third largest company dedicated to the production and laying of asphalt. Through acquisitions and organic growth Peab Asfalt has become an important player in the Swedish asphalt market. About 80 per cent of sales are external. Peab Asfalt owns 12 stationary asphalt factories and 3 mobile plants for the recycling of asphalt. The company leads the market within the areas of cold and hot mixing and recycling.



Peab in Norway has built a new housing area on the outskirts of western Oslo as a total contract. The Marienlyst Park district comprises 5 blocks with 255 apartments with total floor space of 27,000 square metres.



During 2002-2004 one of the largest and most comprehensive building projects ever to be completed in the Stockholm district of Södermalm was carried out. Atrium och Fabege as half-owners of the property Fatburssjön 5 converted the old delicatessen factory into modern, light offices clearly influenced by twentieth century Bauhaus architecture. Wingårdh Architects were responsible for the design of the block while Peab was general contractor with a contract sum of SEK 675 million.



Sensitivity analysis

MSEK	Calculation base	Change	Effect on profit
Construction and Civil Engineering			
Volume (operating margin constant)	19 300	+/- 10%	+/-40
Operating margin (volume constant)	2.1%	+/- 1%	+/-193
Material and sub-contracts	16 500	+/- 1%	-/+165
Industry			
Volume (operating margin constant)	4 100	+/- 10%	+/-28
Operating margin (volume constant)	6.8%	+/- 1%	+/-41
Finance			
Net debt (interest rate constant)	1 500	+/- 10%	-/+5
Interest ¹⁾ (net debt constant)	3.5%	+/- 1%	-/+12

¹⁾ The calculation has been based on the assumption that approx. SEK 1,260 million of net liabilities has a fixed interest term that is less than 1 year, and will therefore relatively soon be influenced by a change in market interest rates.

Important events during the financial year

Peab acquired all the shares in Siljan Anläggning AB in Orsa. The company had sales of SEK 75 million in 2003 and employs a staff of 30. The acquisition has broadened the customer base and boosted Peab's civil engineering activities in Dalarna.

Peab has acquired all the shares in Berg och Väg Maskin AB in Stockholm. The company had sales of SEK 126 million in 2003 and employs a staff of 50. The acquisition has reinforced Peab's civil engineering operations in Stockholm and Södertälje.

Peab has acquired the former F18 air force wing in Tullinge in the Municipality of Botkyrka. The seller was the government-owned property company Vasallen. According to the plans, a new suburb, Riksten, is to be established on the old airfield area. About 2,500 new homes and business premises are expected to be built on the almost 370 acre site over the next 10 to 15 years.

Peab has established a loan programme for commercial papers. Under the programme, Peab is able to issue commercial papers up to a maximum amount of SEK 1.5 billion. The borrower is Peab Finans AB with guarantees from Peab AB.

Peab has signed bilateral loan agreements totalling SEK 3 billion with eight banks. The new loan agreements are not subject to amortisation and run until September 2009. They replace five bilateral loans totalling SEK 2.7 billion which originally were due to mature in December 2005.

Relative to the lawsuit, on 7 September 2004 the Swedish Market Court presented an interlocutory judgement, in which it established that the Swedish National Road Administration is included in the plaintiff. In December 2004, Peab submitted its plea in the cartel case. The main proceedings are scheduled to be held during the spring of 2006. For further information, see note 47.

Environmental impact

Activities subject to licence and notification are carried out in the Swedish sub-groups Swerock, Skandinaviska Byggelement and Peab Asfalt.

The activities which must be licensed comprise rock and gravel pits, transport of waste and hazardous waste, and asphalt plants. These activities mainly affect the environment through the extraction of a finite land resource, they affect future land utilisation, and affect discharge into the atmosphere, water, waste and sewage. The licensable activities correspond to about 30 per cent of Swerock's net sales, and about half of the volume handled by Peab Asfalt. Swerock engages in the constant renewal and extension of licences.

Notification obligations apply to Swerock's concrete factories and Skandinaviska Byggelement's concrete goods factories. Notifiable activities account for 32 per cent of Swerock's net sales and the whole of Skandinaviska Byggelement's net sales.

Research and Development

Peab carries out constant development work aimed at enabling us to offer our customers improved products and services, while boosting the competitiveness of the Peab Group. Peab has no particular research and development organisation; instead this work is integrated into ongoing production. The most comprehensive development programmes in 2004 included:

- Peab's commitment to mass produced residential apartment building (Peab gemensamt systemkoncept, PGS) with the Katrineholm factory as production base for the new way of working. Our objective is to become that much more efficient in our working methods so as to reduce the price of new rented apartments and homes considerably below today's levels. In 2005, we will embark upon collaboration with the University of Linköping to further promote development.
- The SwePave concept, which is aimed at optimising the construction of a road in each

individual case with options for checking that the desired results are obtained directly in the field. The concept is characterised by the road construction materials being used optimally and the stabilisation of soil using lime, cement, merit or other stabilising agents.

The Board of Directors and its work

In 2004, the Board of Directors consisted of seven AGM elected members and three employee representatives with two alternates. Of the AGM elected members, three members represented the company's largest owners and four were independent. Officials of the company take part in meetings of the Board to carry out reporting and administrative functions. The work of the Board of Directors follows an agenda intended to ensure that its information needs are satisfied, and is drawn up based on the special rules of procedure established by the Board on a yearly basis relative to the division of work between the Board of Directors and the Managing Director.

The matter concerning the establishment of an audit committee has been examined by the Board of Directors. Considering that the Board of Directors in Peab is so few in number, the Board decided that the control questions would best be managed by the Board of Directors as a whole, which thereby also have the function of an audit committee. The auditor participates at the Board of Directors meetings at least twice a year, where review and follow-up of audit questions are conducted.

The Board of Directors has a remuneration committee which under the leadership of the Chairman of the Board deals with salaries and conditions of employment for the Managing Director and draws up guidelines for others in the Group management.

The Board of Directors also has a finance committee which between meetings of the Board can take decisions concerning foreign exchange, interest rates, raw materials and investment positions, etc. The finance committee accounts for its decisions at the next meeting of the Board of Directors.

During the year, the Board of Directors held five ordinary and seven additional meetings.

Holdings of own shares

At the start of 2004, Peab's holding of own shares amounted to 2,440,000 B-shares, corresponding to

2.8 per cent of the total number of shares. In May 2004, the AGM resolved to authorise the Board of Directors to repurchase a maximum of 8,700,000 shares in Peab AB during the period prior to the next AGM. In 2004, 230,200 class B-shares corresponding to a nominal value of SEK 2.3 million and 0.3 per cent of the share capital were divested as part of the purchase price of a company acquisition. No own shares were acquired in 2004. At the end of the year, Peab's holding of own shares amounted to 2,209,800 B-shares, corresponding to a nominal sum of SEK 22 million, which is 2.5 per cent of the total share capital. These shares were acquired for SEK 90.0 million.

Expectations concerning future developments

The prospects for the Swedish construction market continue to be optimistic for the forthcoming years. Demand continues to vary greatly from region to region. The improved economic climate is most notable in the regions around major towns and cities. Once again the rate of growth in the Stockholm and Mälardal region, which accounts for one third of the available Swedish construction market, is expected to exceed the average for the rest of Sweden. House building continues to grow steadily, with new projects mainly in the low and medium priced segment. The continuing low nominal interest rates are also helping to keep demand at a high level. Peab's concentration on reasonably priced homes means we see only limited risks of decreased demand as a consequence of possibly rising interest rates.

It is our opinion that the Swedish road and civil engineering business will continue its positive progress, particularly as a result of the major investments in the road and railway networks. High numbers of orders received for projects with long production times in civil engineering during the past year have created good capacity utilisation for the Group's civil engineering resources and for operations in the Industry business sector.

We assess that market conditions in Norway and Finland will also improve during the forthcoming years. Home building is especially strong.

Change of accounting principles

Recommendation RR 29, Employee Benefits, of the Swedish Financial Accounting Standards Council has been applied from 2004.

Peab has carried out the conversion work on the old Ford factory in Stockholm's free port area under the project name of OM Port. The developer is Wihlborgs Fastigheter AB. The project was awarded the Stockholm Building Contractors' Association's ROT Prize 2004. The building has been converted into a unique creation where great care has been put into preserving items of great historical-cultural importance, such as façades and double-glazed sections. The surface area of the building has nearly been doubled and amounts to almost 35,000 square metres with 1,800 office workplaces, together with auditorium, conference and training facilities. The most important tenant is OM HEX. The project also comprises an original old boiler house which has been converted to include a gym, a small ball game hall and changing rooms.



Peab has the total contract for a new 18-hole golf course outside Landskrona. Before excavations started comprehensive work on repairing and adding to existing drainage systems was carried out. This is important in order to extend the spring and autumn seasons as long as possible. To create life on this piece of land, the course architect Jan Sederholm has installed a water hazard system which runs beside most of the holes. The spoil from the pond excavations are used for building hills and undulations and for raising the tees and greens.



DIRECTORS' REPORT

Peab was awarded the contract for Telia Sonera's new office in Malmö. The contract was worth SEK 162 million. The offices are flexible with regard to the design of individual workplaces. The U-shaped building is on six storeys, floor space covers 17,100 square metres and there is a basement. Because of the short construction time, 19 months, construction work and planning have gone hand in hand while incorporating the user's wishes into the project. A special website for Telia's staff was set up so that all the customers could keep up with the project.



Ringsjödning 2, phase 3-5 between Brödåkra and Örbyfältet in north west Skåne, a mains water pipe 17.7 km long.



The Swedish National Property Board has been commissioned to build the Museum of World Culture and it will also administer the building. The building is of advanced construction with wide spans, a four storey high atrium with glass façades and a 20 metre wide staircase in the middle. The staircase leads from the entrance floor to Lilla Torget, an open meeting space surrounded by activity rooms, restaurants, etc. A 8 x 8 x 8 m cube today marks the site of the future museum. The project will be divided into several contracts. Peab's contribution involves the soil and excavations contract, which includes the felling of trees, clearing vegetation, excavations, rock excavations, pile-driving, embankment piling, bore holes for rock heating/cooling, construction of rock walls and construction of basements including joists.



The provisions of the Swedish Annual Accounts Act regarding derivatives and other financial instruments were changed as at 1 January 2004. As a result of the change financial instruments may be recognised at their fair value. As IAS 39, Financial instruments, were also adopted by the EU at the end of 2004 for application from and including 2005, the provisions of the Swedish Annual Accounts Act on valuation at fair value was applied to the 2004 accounts. All financial instruments have been valued. The items which have been impacted by the valuation are convertible promissory notes in Brinova Fastigheter AB and interest rate and currency derivatives.

Transition to reporting in accordance with the IFRS

From 1 January 2005 the Peab Group will present its reports in accordance with the IFRS (International Financial Reporting Standards). The effects of the introduction of the IFRS are described in Note 56.

The parent company

The activities of the Parent Group consist of Group management and common Group responsibilities.

Proposed allocation of profits

The following profits are at the disposal of the AGM:

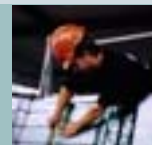
Profit carried forward	1 407 578 669
Profit for the year	668 880 759
	SEK 2 076 459 428

The Board of Directors and the Managing Director propose that profits be disposed of in the following manner:

Dividends distributed to shareholders	
87 195 944, shares at SEK 2.50 per share	217 989 860
Carried forward	1 858 469 568
	SEK 2 076 459 428

The Group's non-restricted equity according to the consolidated balance sheet amounts to SEK 1,268 million. Appropriation to restricted equity is not required.

Income statements



MSEK	Note	Group		Parent company	
		2004	2003	2004	2003
Net sales	3	22 048	20 086	62	73
Production and management expenses		-20 186	-18 459	—	—
Gross profit		1 862	1 627	62	73
Selling and administrative expenses		-1 368	-1 335	-99	-118
Participation in profit before tax of joint ventures		4	8	—	—
Result from participations in joint ventures sold		25	4	—	—
Result from participations in Group companies sold		2	1	—	—
Operating profit	4, 5, 6, 7, 8, 14	525	305	-37	-45
Result from financial investments					
Result from participations in Group companies	9	—	—	690	736
Result from participations in joint ventures		—	—	—	0
Result from securities and receivables accounted for as fixed assets	10	46	20	13	8
Other interest income and similar profit/loss items	11	39	82	9	181
Interest expenses and similar profit/loss items	12	-135	-167	-123	-159
Result after financial items	13, 14	475	240	552	721
Appropriations	15	—	—	114	—
Tax on profit for the year	16	-41	-11	3	7
Minority interest in profit for the year		-2	-3	—	—
Net profit for the year		432	226	669	728
Earnings per share, SEK	17	5.10	2.70		
Proposed cash dividend per share, SEK		2.50	2.20		



Balance sheet

ASSETS	MSEK	Note	Group		Parent company	
			31-12-2004	31-12-2003	31-12-2004	31-12-2003
Fixed assets						
Intangible assets						
Goodwill		18	331	328	—	—
Other intangible fixed assets		19	10	12	—	—
Total intangible assets			341	340	—	—
Tangible assets						
Buildings and land		20	563	627	—	—
Machinery and equipment		21	1 051	991	4	9
Total tangible assets			1 614	1 618	4	9
Financial assets						
Participations in Group companies		22	—	—	5 849	4 868
Participations in joint ventures		23	192	147	17	—
Other securities held as fixed assets		24	16	41	1	19
Interest-bearing long-term receivables		25	432	417	397	335
Deferred tax recoverables		16, 26	433	379	2	—
Other long-term receivables		27	33	38	1	1
Total financial assets			1 106	1 022	6 267	5 223
Total fixed assets			3 061	2 980	6 271	5 232
Current assets						
Project- and development properties		28	1 605	1 106	3	4
Inventories		29	226	220	—	—
Accounts receivable			3 539	3 221	0	1
Interest-bearing current receivables		30	175	260	51	57
Other current receivables		31	427	282	14	23
Income tax recoverables			56	51	1	1
Recognised but not invoiced income		32	1 761	1 811	—	—
Prepaid expenses and accrued income		33	184	188	3	2
Short-term investments		34	3	48	—	48
Cash and bank balances			85	206	0	0
Total current assets			8 061	7 393	72	136
Total assets			11 122	10 373	6 343	5 368

SHAREHOLDERS' EQUITY AND LIABILITES

MSEK	Note	Group		Parent company	
		31-12-2004	31-12-2003	31-12-2004	31-12-2003
Shareholders' equity	35				
Restricted equity					
Share capital		872	872	872	872
Restricted reserves		333	458	281	281
Non-restricted equity					
Non-restricted reserves		836	640	1 407	852
Net profit for the year		432	226	669	728
Total shareholders' equity		2 473	2 196	3 229	2 733
Untaxed reserves	36	—	—	—	114
Minority interests		30	63	—	—
Provisions					
Provisions for pensions	37	8	13	—	—
Provision for deferred tax	16, 26	—	—	—	0
Other provisions	38	88	82	—	—
Total provisions		96	95	—	0
Long-term liabilities	39				
Interest-bearing long-term liabilities	40, 41	927	1 847	3 087	2 484
Other long-term liabilities		10	—	—	—
Total long-term liabilities		937	1 847	3 087	2 484
Current liabilities					
Accounts payable		2 575	2 364	4	10
Interest-bearing short-term liabilities	42	1 257	415	—	3
Income tax liabilities		4	18	—	—
Invoiced income not yet recognised	43	1 538	1 575	—	—
Other current liabilities	44	607	413	6	11
Accrued expenses and deferred income	45	1 605	1 387	17	13
Total current liabilities		7 586	6 172	27	37
Total shareholders' equity and liabilities		11 122	10 373	6 343	5 368
Pledged assets	46	686	576	—	—
Contingent liabilities	47	1 035	852	6 724	7 115



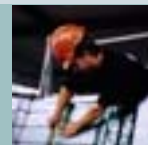
Change in shareholders' equity

Group MSEK	Share capital	Restricted reserves	Non-restricted reserves	Net profit for the year	Total Shareholders equity
Opening balance on January 1, 2003	872	593	797	488	2 750
Profit allocation transfer			488	-488	0
Cash dividend paid			-186		-186
Distribution of shares in Brinova Fastigheter			-581		-581
Disposal of own shares			20		20
Exchange rate differences			-33		-33
Transfers between restricted and non-restricted equity		-135	135		0
Net profit for the year				226	226
Shareholders' equity on December 31, 2003	872	458	640	226	2 196
Effect of changed accounting principle			17		17
Adjusted shareholders' equity on January 1, 2004	872	458	657	226	2 213
Profit allocation transfer			226	-226	0
Cash dividend paid			-187		-187
Disposal of own shares			10		10
Exchange rate differences			5		5
Transfers between restricted and non-restricted equity		-125	125		0
Net profit for the year				432	432
Shareholders' equity on December 31, 2004	872	333	836	432	2 473

Parent company MSEK	Share capital	Share premium reserve	Statutory reserve	Profit brought forward	Net profit for the year	Total Shareholders equity
Opening balance on January 1, 2003	872	198	83	1 836	-349	2 640
Profit allocation transfer				-349	349	0
Cash dividend paid				-186		-186
Distribution of shares in Brinova Fastigheter				-487		-487
Disposal of own shares				20		20
Group contribution received				26		26
Tax effect on group contribution				-8		-8
Net profit for the year					728	728
Shareholders' equity on December 31, 2003	872	198	83	852	728	2 733
Profit allocation transfer				728	-728	0
Cash dividend paid				-187		-187
Disposal of own shares				10		10
Group contribution received				6		6
Tax effect on group contribution				-2		-2
Net profit for the year					669	669
Shareholders' equity on December 31, 2004	872	198	83	1 407	669	3 229

Further information concerning shareholders' equity appears in Note 35.

Cash flow statements



MSEK	Note	Group		Parent company	
		2004	2003	2004	2003
Current operations					
Profit after financial items		475	240	551	721
Adjustments for non-cash items	49	319	328	-679	-904
Income tax paid		-27	-30	0	0
Cash flow from current operations before working capital changes	48, 50	767	538	-128	-183
Cash flow from changes in working capital					
Increase (-) /Decrease (+) project- and development properties		-403	-227	1	-
Increase (-) /Decrease (+) inventories		2	-27	-	-
Increase (-) /Decrease (+) current receivables		-412	-143	9	-9
Increase (+) /Decrease (-) current liabilities		530	309	-6	-44
Cash flow from changes in working capital		-283	-88	4	-53
Cash flow from current operations		484	450	-124	-236
Investment operations					
Acquisition of subsidiaries and line of business	51	-246	-305	-	-
Disposal and distribution of subsidiaries	52	37	69	-	-
Acquisition of intangible fixed assets		-	-8	-	-
Acquisition of tangible fixed assets		-237	-354	0	-6
Sale of tangible fixed assets		37	60	4	0
Acquisition of financial assets		-43	-311	-2 032	-1 039
Sale/reduction of financial assets		223	20	95	0
Cash flow from investment operations		-229	-829	-1 933	-1 045
Cash flow before financing		255	-379	-2 057	-1 281
Financing operations					
Repurchase of own shares		-	-	10	-
Disposal of own shares		-	-	-	19
Borrowings		-	609	2 234	1 464
Amortization of borrowings		-194	-	-	-
Cash dividend paid		-187	-189	-187	-186
Distribution expenses Brinova Fastigheter		-	-17	-	-17
Cash flow from financing operations		-381	403	2 057	1 280
Cash flow for the year		-126	24	0	-1
Cash at the beginning of the year		206	191	0	1
Exchange rate differences in cash		5	-9	-	-
Cash at year-end		85	206	0	0



Notes with accounting principles and comments on accounts

General accounting principles

The financial statements have been prepared in accordance with the Swedish Annual Accounts Act and the recommendations of the Swedish Financial Accounting Standards Council and the pronouncements of the Emerging Issues Task Force. Figures are in MSEK unless otherwise stated.

Registered office of the company

Peab AB (publ), ID No. 556061-4330, engages in business as a limited company with its registered office at Båstad. The postal address of the head office is SE-260 92, Förslöv.

Segment reporting

The business segments are the primary form of division, as the Group's internal reporting system has been structured with a view to following up on the return on the Group's services and goods.

Classification

Fixed assets, long-term liabilities and provisions principally consist of amounts which may be expected to be recovered or paid later than 12 months subsequent to the balance sheet date. Current assets and current liabilities principally consist of amounts which may be expected to be recovered or paid within 12 months of the balance sheet date. Any deviation from these principles in matters of payment or recovery will appear in the notes relevant to the balance sheet item affected.

Revised accounting principles

As of 1 January 2004 the below accounting principles are applied in the Group accounts which is a change in relation to the previous year.

RR 29 Employee Benefits

As of 1 January 2004, recommendation RR 29 of the Swedish Financial Accounting Standards Council, Employees Benefits is applied. The application of the recommendation means, among other things, that certain defined benefit pension plans in the group are presented and calculated according to other principles than has been applied earlier. The increase of the net reported pension obligations as a result of the principle change, has with the transition to RR 29 been accounted against shareholders equity. In accordance with the recommendation, the comparison year does not need to be recalculated concerning defined benefit pension plans. The Swedish Financial Accounting Standards Council's Emerging Issues Task Force statement, URA 43, concerning special employer's contribution and tax on returns has been taken into consideration.

As of 1 January 2004, the impact of the revised accounting principle is that provision for pensions increased by of SEK 1 million, deferred tax recoverables increased by SEK 8 million, and provision for employer's contribution increased by SEK 5 million. The net effect on opening shareholders equity is an increase of SEK 2 million.

Valuation of financial instruments according to Annual Accounts Act

The revised law entered into force 1 January 2004, and means that derivative instruments and other financial instruments may be accounted at their fair value. The fair value is established on the basis of the instrument's market value. As IAS 39, Financial Instruments, has been adopted by the European Commission at the end of 2004 for application from 2005, the rules of the Annual Accounts Act concerning valuation at fair value have been applied in the Group statement of accounts for 2004. The items that have been impacted by the change of principles are convertible promissory notes and interest rate and currency derivatives. The increase/reduction of the value of these financial instruments as a result of the change of principles has at the beginning of the year been applied against shareholders equity. The comparison year has not been recalculated.

The effect on opening shareholders equity as of 1 January 2004 with the application concerning convertible promissory notes and interest rate and currency swaps is an increase of SEK 15 million. Long-term interest bearing receivables increased by SEK 22 million, deferred tax recoverables by SEK 3 million and other long-term liabilities by SEK 10 million. The results from financial items during 2004 increased by SEK 32 million. As the change in the value of the convertible promissory notes is judged to not have any tax impact, deferred tax on the revaluation to fair value has not been accounted.

Consolidated accounts

Consolidated accounts are prepared in accordance with recommendation RR 1:00 of the Swedish Financial Accounting Standards Council.

Subsidiaries

Subsidiaries are companies in which the Parent Company directly or indirectly through subsidiaries holds more than 50 per cent of the votes or otherwise exercises a controlling influence in operational and financial management. Subsidiaries are recognised in accounts using the purchase accounting method, i.e. the acquisition of the subsidiary is regarded as a transaction through which the Parent Company indirectly acquires the subsidiary's assets and takes over its liabilities. The acquired company's income and costs, identifiable assets and liabilities, and any acquired positive or negative goodwill are recognised in the consolidated accounts from the date of acquisition. Divested companies are included in the consolidated accounts until the date of divestment.

Goodwill

Group goodwill arises when the acquisition value in connection with the acquisition of shares in subsidiaries exceeds the fair value of the acquired company's identifiable net assets. Goodwill is recognised at acquisition value deducted for accumulated depreciation and any relevant write-downs.

Adjustment of acquisition analysis

The acquisition analysis of the Finnish company Seicon Oy acquired at the end of 2003 has been adjusted during 2004. After the acquisition, a

more detailed review of the company's situation showed that certain aspects in the acquisition analysis not was possible to quantify and the enterprise was complicated which is why it was not possible to establish in a reliable way the fair value of the acquired assets and liabilities until 2004. The adjustments concern the situation that existed at the time of acquisition but was not known. The effects of the adjustment amount to the following:

Increase of fixed assets including deferred tax	SEK 8 million
Reduction of current assets	SEK -1 million
Increase of short-term liabilities	SEK -22 million
Increase of goodwill	SEK 15 million

The amortization of goodwill has been calculated as if the total value of the goodwill had applied from the acquisition time. Adjustments of accumulated amortizations have as a whole burdened the result of 2004.

The final purchase price for the acquisition has not yet been established which is why the value of the goodwill may be changed.

Joint ventures

A joint venture is a business enterprise that is operated by two or more parties whose co-operation is regulated by agreement. The agreement provides that the two or more parties have joint decision-making authority in the enterprise. The holdings in joint ventures is accounted for using the equity method. The equity method involves the Group having participations in the joint ventures equity and any residual surplus or deficit values which correspond to the share in the Group book value of those joint ventures. The Group's share in these companies profits after financial income and expenses adjusted for any depreciation on or dispersal of acquired surplus or deficit values is recognised in the consolidated income statement under "Participations in profits before tax of joint ventures". The Group's share of the taxes of joint ventures is entered to the Group's tax expenses. Participations in profits accumulated after the acquisition of joint ventures which have not yet been realised through distribution are allocated to the equity method reserve, which is part of the Group's restricted equity to the extent it is not eliminated through consolidation of sub-groups. The holding result is reported one quarter in arrears.

Joint ventures in the form of a consortium, in other words enterprises operated as an ordinary company where there is a joint ownership of assets, which were formed for the purpose to carry out significant specific construction projects together with other construction companies, is treated in the accounting according to the Proportional Method. The Proportional Method means that a consortium is included in the Group accounting with the Group's holding consisting of the share of the consortium's assets, provisions and liabilities, revenues and costs.

In the parent company, the holdings in joint ventures are accounted at their acquisition value.

Elimination of transactions between group companies

Internal Group receivables and liabilities and transactions between companies in the Group along with the related unrealised gains are eliminated in their entirety. Unrealised gains arising from transactions with

joint ventures are eliminated relative to the Group's participation in the company. Unrealised gains arising from transactions with joint ventures are eliminated against holdings in the joint venture. Unrealised losses are eliminated in the same way as unrealised gains, provided there is no need for writing down.

Translation of foreign subsidiaries

All foreign subsidiaries are classified as independent companies. Thus the current method has been applied to the translation of their year-end accounts in accordance with RR 8 of the Swedish Financial Accounting Standards Council, involving the balance sheets of foreign subsidiaries being translated to Swedish kronor (SEK) based on the exchange rate at the end of the year, and income statements being translated at average rates for the year. Translation differences arising are recognised directly in shareholders' equity.

In the case of independent foreign subsidiaries being sold off, the accumulated translation differences attributable to the company are realised in the consolidated income statement.

Valuation principles, etc

Assets, provisions and liabilities are valued at acquisition value unless otherwise stated below.

Business income – construction contracts

Current construction contracts are recognised in accordance with RR 10 of the Swedish Financial Accounting Standards Council, Construction Contracts, applying the industry recommendation of the Swedish Construction Confederation. The recommendations entail the application of the percentage of completion method to all contracts where the outcome can be satisfactorily calculated. In case of contracts where the outcome cannot be satisfactorily calculated, income is calculated in proportion to costs defrayed. Calculated losses are charged to income when these are known. Income and costs are entered to the income statement in proportion to the percentage completion of the contract. The percentage completion of the contract is determined based on the defrayed project costs in proportion to the project costs corresponding to the project income for the whole contract. The same principle is also applied to housing projects for sale.

In the balance sheet, construction contracts are entered gross project by project either as Recognised but not-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.

Business income – other

Other income excluding construction contracts is recognised in accounts in accordance with RR 11 of the Swedish Financial Accounting Standards Council. Income is recognised as material risks, and benefits associated with the product supplied are transferred to the purchaser.



Notes with accounting principles and comments on accounts

Employee benefits

Employee benefits is accounted in the consolidated accounts according to The Swedish Financial Accounting Standards Council's recommendation RR 29, Employee Benefits, which is applied from 1 January 2004.

Employee benefits after the term of employment

In the consolidated accounts, defined pension plans up to and including 2003 have been adopted in accord with local rules and regulations without considering of common principles. Through the application of RR 29 from 1 January 2004, the defined benefits pension plans are accounted in the Group reporting of accounts according to common principles and accounting methods.

As of 1 January 2004, the pension obligations have been calculated in accordance with RR 29. The difference compared to the pension accounting presented as of 31 December 2003 has influenced the details of the opening shareholders equity for 2004.

Within the Group, there are both defined contribution pension plans and defined benefits pension plans. The defined benefits plans consist of the ITP plan for employees in Sweden which is guaranteed by insurance issued by Alecta, pension plans for a few individuals in management positions in Sweden and Norway, AFP pensions in Norway and TEL pensions in Finland.

In the defined contributory plans, the company pays a pre-determined amount to a separate legal entity and has no obligation to pay additional amounts. The Group's results are charged for costs at the time these benefits are earned.

In the defined benefits pension plans, compensation is paid to employees and former employees based on salary at retirement date and number years employed. The Group assumes the risk that the promised compensation will be paid out. The defined benefits pension plans are both funded and unfunded. In those cases where the plans are funded, the assets have been segregated. These assets held in trust can only be used to pay compensation according to the pension agreement. On the balance sheet, the amount is accounted net of estimated present value of the obligations, and the fair value of the assets held in trust which is either a provision or a long-term financial receivable. In the event of a surplus in the plan is not be used in its entirety, only the portion of the surpluses which the company can recover by means of decreased future contributions or repayments will be accounted.

The pension costs and the pension obligations for defined benefit pension plans are calculated according to the so-called Projected Unit Credit Method. The method distributes the costs for pensions in line with that the employees who provide services for the company increase their rights to future compensation. The company's obligation is calculated annually by an independent actuary. The obligation is calculated at the present value of the expected future payments. The discount rate that is used corresponds to the interest rate for high-grade corporate bonds, or alternatively government bonds with a term that corresponds to the average term for obligations in that currency. The most important actuarial assumptions are stated in note 37. When determining the obli-

gation's present value and fair value of the trust assets it can occur that book profits and losses occur. These arise either because the actual results deviate from the previously made assumptions, or that the assumptions are changed. That part of the accumulated book profits and losses, at the conclusion of any year, that exceed 10 per cent of the largest of the obligation's present value and the trust assets fair value are accounted in the results over the assumed average remaining term of employment for those employees who are covered by the plan.

The accounting principles described above are applied only in the Group accounting. The parent company and the subsidiary companies report defined benefit pension plans according to the local rules and regulations in their respective countries.

Obligations for old-age pension and family pension for employees in Sweden are guaranteed by insurance issued by Alecta. According to a recommendation from the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council, URA 42, this is a defined benefits plan that covers several employers. For the financial year 2004, the company did not have access to sufficient information to make it possible to report this plan as a defined benefits plan. The pension plan according to ITP which covers the employees by insurance issued by Alecta is presented therefore as a defined contribution plan. The year's premiums for pension insurance that are issued by Alecta amounts to SEK 100 million (94). Alecta's surpluses can be distributed to the policyholder and/or the beneficiary. At the end of 2004, Alecta's surpluses amounted to 128 per cent (120) in the form of the collective consolidation level. The collective consolidation level consists of the market value of Alecta's assets as a percentage of the insurance obligations calculated according to Alecta's technical calculations for insurance assumptions, which does not comply with RR 29.

As the TEL pension in Finland at the end of 2004 was reset to zero and the entire pension obligations consist of an insignificant amount, this plan is not evaluated.

Impairment of assets

The recognised value of some of the Group's assets, according to recommendation RR 17 of the Swedish Financial Accounting Standards Council, are checked each balance sheet day to ascertain whether there is a writedown requirement. Should such be indicated, the asset's recovery value is calculated as the highest of either the value in use or the net selling price. The asset is written down if the recovery value is inferior to the book value. With the calculation of the value in use, the future cash flow is discounted to an interest rate percentage before tax which is considered to take into account the market's judgement of a risk free interest rate and risk associated with the specific asset. An asset which is dependent on other assets is considered to not generate any independent cash flow. Such an asset is assigned instead to the least cash-generating unit where its independent cash flow can be determined.

Borrowing costs

Borrowing costs are charged against profits during the period to which

they refer except to the extent that they are included in an 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. Capitalisation of borrowing costs is carried out in accordance with the alternative principle in the Swedish Financial Accounting Standards Council's recommendation RR 21.

Tax

The company and the Group apply recommendation RR 9 of the Swedish Financial Accounting Standards Council, Income Taxes. Total tax consists of current tax and deferred tax.

Taxes are charged to the income except when the underlying transaction is charged directly to shareholders' equity, in which case the relevant tax is charged to equity. Current tax is tax to be paid or received during the current year. This also applies to the adjustment of current tax attributable to previous 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. The sum is calculated based on the expected elimination of temporary differences applying the tax rates and tax regulations resolved upon or of which notice has been given as applying on balance sheet date. Temporary differences are ignored in Group goodwill, as are also differences attributable to participations in subsidiaries and joint ventures which are not expected to be taxed within the foreseeable future.

Untaxed reserves including deferred tax liabilities are recognised under corporate entity. In the Group accounts, untaxed reserves are divided between deferred tax liabilities and shareholders' equity.

Deferred tax recoverables in deductible temporary differences and loss carry forwards are only recognised to the extent they are likely to entail a reduction in tax payments in the future.

Leasing - lessees

The Group applies recommendation RR 6:99 of the Swedish Financial Accounting Standards Council. Leasing is classified either as financial or operational leasing in the consolidated financial accounts. 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, operational leasing applies.

Substantial financial leasing agreements are accounted for as a fixed asset initially valued to the present value of the minimal leasing charges at the beginning of the contract. On the liabilities side, the present value is accounted for by the remaining future leasing payments as interest-bearing long-term and short-term debts. The assets are depreciated over the utilization period and with any residual value taken into account at the termination of the lease period. Write-down requirements are checked with RR 17. Leasing payments are entered under interest and amortisation of liabilities.

Operational leasing entails the leasing charge being expensed over the term of the lease based on usage.

In the Parent Company all leasing agreements are recognised according to the rules for operational leasing.

Intangible assets

Intangible assets which have been acquired are accounted at their acquisition cost minus accumulated depreciation and write-downs. Expenditures for internally generated goodwill and trademarks are accounted in the profit and loss statement as costs in the period they occur.

Additional expenditures

Additional expenditures for an intangible asset are included in their acquisition value only if they increase the future economic advantages which exceed the original assessment and the expenditure can be calculated in a reliable way. All other expenditures are expensed in the period they occur.

Costs for research and development

Expenditures for research and development are accounted in accordance with RR 15 Intangible assets. In Peab, there is no special organisation for research and development but rather this work is integrated in the ongoing production, and this is the reason why the Group's direct costs for research and development are limited. These costs are expensed in the period they occur.

Depreciation

Depreciation is taken according to the plan based on the original acquisition cost reduced by any residual value. Depreciation is made linearly over the expected usage period of the asset and is accounted as an expense in the profit and loss statement. The depreciation period are utilized:

Acquired intangible assets

Trademarks	10 years
Site leasehold agreement	The term of the option
Goodwill	10 years

As for the goodwill and trademarks, this applies when the respective enterprise has determined that they have a duration of at least 10 years and this constitutes the best assessment of the utilization period by the enterprise.

Tangible assets

Tangible assets are accounted at their acquisition cost. Included in the acquisition cost is the purchase price including custom charges or other taxes, as well as costs that are directly attributable to the asset in order to transport it and put it in the condition where it can be used in accordance with its intended purpose of acquisition. The purchase price has been reduced with product discounts, etc. Examples of directly attributable costs that are included in the acquisition cost are shipping and handling, installation, permits, consultant services and legal fees. Expenditure for repair and maintenance are charged as operating costs. Additional expenditures are included only if they generate economic advantages that exceed the original performance of the asset.

Real estate

Real estate holdings are divided as follows for the purpose of financial reporting:



Notes with accounting principles and comments on accounts

- Buildings and land entered under tangible assets
- Project and development properties are entered under current assets

Properties used in the Group's own operations consisting of office buildings and warehouses (operational properties) are entered as buildings and land under tangible fixed assets. Valuation is made in accordance with recommendation RR 12 of the Swedish Financial Accounting Standards Council – Property, Plant and Equipment – at acquisition value deducted for accumulated depreciation and possible writedowns and with the addition of possible revaluations.

Direct and indirect holdings of undeveloped land and redeveloped tracts for future development, developed investment properties for project development, refinement and subsequent sale are entered as project and development property under current assets. Valuation is made in accordance with recommendation RR 2:02 of the Swedish Financial Accounting Standards Council, Inventories, at the lowest of either acquisition value or net sales value.

Depreciation principles applying to tangible fixed assets

Depreciation of tangible fixed assets according to plan is based on the original acquisition price reduced by the calculated residual value. Depreciation is made linearly over the useful life of the asset.

Buildings (operating properties)	25-100 years
Land improvements	25-50 years
Vehicles and construction plant	5-6 years
Personal Computers	3 years
Other machinery and equipment	5-10 years

Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency are translated at the year-end exchange rates in accordance with RR 8 of the Swedish Financial Accounting Standards Council. Exchange rate differences on operating accounts receivable and payable are recognised in operating profit, whilst differences in financial accounts receivable and payable are recognised under financial items.

Inventories

Inventories, valued in accordance with recommendation RR 2:02 of the Swedish Financial Accounting Standards Council, Inventories, have been valued at the lowest of either acquisition value or net sales value. In the case of own wholly and semi manufactured products, the acquisition value consists of the direct manufacturing costs and a reasonable share of manufacturing overheads.

Financial instruments

A financial asset or financial debt is accounted in the balance sheet when the Group becomes a party to the instrument's contractual conditions. Accounts receivables are included in the balance sheet when the invoice has been sent. Accounts payables are included when the invoice has been received.

A financial asset is removed from the balance sheet when the rights in the agreement are completed, are due, or the Group loses the control over them. The same applies for a part of a financial asset. A financial liability is removed from the balance sheet when the obligation in the agreement is fulfilled or in another way is extinguished. The same applies for part of a financial liability.

Financial instruments that are accounted in the balance sheet on the asset side include cash and liquid assets in the bank, short-term investments, accounts receivables, securities held, loan assets, and derivatives. On the debt side, there are accounts payables, loan debts and derivatives. Classification of financial assets and debts is provided in note 2.

Cash and bank balances

Cash and bank balances encompass cash and immediately available bank balances. Items which carry a fixed rate of interest are valued at their accrued value.

Financial investments

Financial instruments that are intended to be permanently held by the enterprises are classified as fixed assets.

Convertible promissory notes in Brinova Fastigheter AB have been valued at their fair value in parts. The convertibles have been divided up to the conversion right and the financial receivable. The receivable part is classified as loans and receivables and valued at its amortised cost which is calculated based on the security's implied interest rate derived from the option valuation on the date of issuance. The implied interest rate afterwards is the basis for the periodic discount interest rate at the occasions it is valued. The right of conversion is classified as a financial asset held for trading and valued at fair value based on market development for the underlying share. Profit with the change in value of the security is accounted as Other Interest Income and the change in value of the rights of conversion is accounted as Results from Securities and Assets that are fixed investments.

Interest bearing securities which were acquired with the intention of holding until maturity, are classified as Financial fixed assets. These are classified as loans and receivables and are valued at amortised cost after any eventual write-downs to adjudged recovery value. The determination of whether there is a need to write down the asset is made individually by each by item.

Short-term investments are classified as financial assets which are held for trading and are valued at fair value according to the market value on the year end with change in value through the Income statement. The market value is based on the market price on the close of books.

Interest bearing receivables

Interest bearing receivables concern loans granted that are not taken for trade purposes but rather to carry them until their date of maturity. The receivables are valued to amortised cost. Any over or under face value at the time of acquisition is amortized over the term of the instrument.

Accounts receivable

Accounts receivable are accounted at the amount that is expected to be received, after deductions for uncertain accounts, which have been individually assessed. The expected term of customer accounts receivable is short, which is the reason why the value has been stated at face value without discounting.

Accounts payable

Accounts payable have an expectation of a short term, and are carried at their stated amounts without discounting them.

Loans

Loans are reported initially at the amount received after deductions for transaction costs. After the acquisition date, the loans are valued according to amortised cost, based on the effective interest rate method. The accrued acquisition value is determined on the basis of the effective interest rate that was calculated when the loan was initiated. Loans where the acquisition value deviates from the nominal value, are accounted to the amortised cost, where the rate is above the market rate or under the market rate, is amortized to duration of the length of the instrument to maturity.

Derivative instruments

Derivative instruments consist of interest rate and currency derivatives that are used in order to cover the risks of currency exchange rate changes and for the exposure related to interest rate risks. The derivative instruments are classified as financial assets or debts held for trading and are valued at their fair value on the close of books. Hedge accounting has not been applied, which means that changes in value are accounted for in the income statements.

Interest rate fixing

To maintain a desired interest rate fixing structure, interest rate swaps have been undertaken. The interest rate swap market value is calculated with the assistance of the discounted cash flow. Gains or losses with changes in the actual value are accounted in the income statements as Other Interest Income or other interest expenses.

For more information on the accounting principles and the management of the financial risk, see note 2, Financial Instruments and Financial Risk Management.

Provisions

Provisions are entered in the balance sheet in accordance with recommendation RR 16 of the Swedish Financial Accounting Standards Council whenever the company has a formal or informal undertaking as a consequence of the occurrence of events which are likely to require resources to resolve the undertaking and a reliable assessment of the amount required can be made.

Contingent liabilities

A contingent liability is entered as a memorandum item whenever there exists:

- a possible undertaking stemming from occurred events and whose existence is only confirmed by one or more uncertain future events, which are also outside the company's control, happening or failing to happen, or
- an undertaking resulting from events occurred but which are not entered as liabilities or provisions since it is unlikely that resources will have to be used to resolve the undertaking, or because the size of the undertaking cannot be precisely calculated.

An accounting is not required when the probabilities of the outflow of resources are extremely low.

Government grants

Government grants are entered in the balance sheet and the income statement where there is a reasonable probability that the conditions attached the grants will be satisfied and the grant will be awarded. Grants are amortised systematically in the same way and over the same periods as the costs that the grants are intended to offset. Government grants awarded as compensation for costs which have already been expensed against profits for previous financial accounting periods are recognised in the period when the claim against the government arose. Government grants related to assets are recognised in the balance sheet through a reduction of the accounted value of the asset by the amount granted.

Group contribution and shareholders' contribution

The Parent company recognises the Group's and shareholders' contributions in accordance with the pronouncement of the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council, URA 7.

The Group contribution is recognised in accordance with its financial impact, namely to reduce the total tax of the Group. Therefore, since the Group contribution does not constitute payment for services rendered, it is recognised directly against retained earnings after a deduction for its tax effect. Shareholders' contribution is recognised directly against equity for the recipient and is capitalised in shares and participations at the contributor to the extent writedowns are not required.

Cash flow statements

Cash flow statements are carried out in accordance with recommendation RR 7 of the Swedish Financial Accounting Standards Council, Cash Flow Statements, applying the indirect method. Accounting shows the company's payments received and disbursements divided up under current operations, investment operations and financing operations.



Notes with accounting principles and comments on accounts

Note 1 Information concerning business segments and geographic areas

Business Segments

The Group consists of the following Business segments.

Construction and Civil Engineering: including the operations new construction, reconstruction, building services, production and maintenance, and others.

Operations are also divided into product types: housing, industry, roads and civil engineering, and other house building.

Industry: consists of industrial operations related to construction in concrete and prefab, rock/gravel, transports, asphalt, plant- and crane hire and temporary electricity.

Trust/Management: includes central companies with Group management and joint Group functions, certain subsidiaries and joint ventures, as well as other holdings.

Business segments constitute the primary basis for segments in the Group.

MSEK	Construction and Civil Engineering		Industry		Trust/Management		Elimination		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Income										
External sale	19 196	17 501	2 850	2 568	2	17			22 048	20 086
Internal sale	82	100	1 280	1 129	62	79	-1 424	-1 308	0	0
Total income	19 278	17 601	4 130	3 697	64	96	-1 424	-1 308	22 048	20 086
Operating costs	-18 907	-17 448	-3 851	-3 435	-220	-219	1 424	1 308	-21 554	-19 794
Participations in joint ventures	6	-2	4	8	-6	2			4	8
Result from participations in joint ventures/subsidiaries	27		-3	6	3	-1			27	5
Operating profit	404	151	280	276	-159	-122	0	0	525	305
Interest income									85	102
Interest expenses									-135	-167
Tax expense for the year									-41	-11
Minorities									-2	-3
Net profit for the year									432	226
Other information										
Assets	7 726	7 036	2 523	2 421	625	706	-376	-354	10 498	9 809
Participations in joint ventures	99	62	45	50	53	40	-5	-5	192	147
Non allocated assets									432	417
Total assets	7 825	7 098	2 568	2 471	678	746	-381	-359	11 122	10 373
Liabilities and provisions	5 948	5 465	902	770	1196	372	-364	-340	7 682	6 267
Non allocated liabilities									937	1 847
Liabilities and provisions	5 948	5 465	902	770	1 196	372	-364	-340	8 619	8 114
Investments	161	49	341	479	7	6				
Depreciations	90	78	257	214	1	5				
Non-cash items excluding depreciations	5	13	18	4	1	0				

Geographic areas

Group segments are divided into the following Geographical Sectors, Sweden, Norway, Finland and Other Markets. Within the Geographic areas operations are conducted in Construction and Civil Engineering, as well as in Industry. Geographic areas constitute the Group's secondary basis for segments.

The information presented concerning segment income refers to the Geographic areas grouped according to where customers are located. The information concerning segment assets and investments for the period in tangible and intangible fixed assets is based on Geographic areas groups according to where the assets are located.

MSEK	Sweden		Norway		Finland		Other markets		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
External sale	19 021	17 997	1 434	1 055	1 582	917	11	117	22 048	20 086
Assets	9 522	9 030	769	672	819	665	12	6	11 122	10 373
Investments	457	512	10	7	42	15	0	0		

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

Profits, assets and liabilities (including provisions) for segments include directly referable items and items that can be allocated to the segments in a reasonable and reliable manner. Non-allocated items consist of interest bearing long-term receivables and interest bearing long-term liabilities.

Investments in tangible and intangible fixed assets for the segments included all investments, with the exception of investments in short-term inventories and inventories of minor value.

Note 2 Financial instruments and financial risk management

Finance management

The Group's finance management is managed in accordance with the applicable finance directions established by the Board of Directors of Peab. Centralised finance management ensures excellent control and efficient handling of the Group's cash flow and financial risk exposure. The Group's competence within the financial area is concentrated at one level in the company which through active intervention in the capital markets creates contact interfaces and optimises the Group's conditions. The Economy/Finance support function and the group's internal bank Peab Finans AB manage coordination of the Group's financial activities.

Financial risks

The Group is exposed to a variety of financial risks such as exchange rate, interest rate, financing and credit risks. In accordance with Peab's financial directions, the Group must seek to minimise all financial risks. Risks relative to exchange rate, interest rate, financing and financial credit risks are managed by Peab Finans, whilst credit risks relative to current operations are assessed and managed in the respective subsidiaries in accordance with current credit policy.

Currency risks

Financial exposure

The Group's business borrowing is made in local currencies to decrease operational currency exposure. Assets and liabilities in foreign currency are converted at the rate applying on balance sheet date. Of interest-bearing liabilities as at 31 December 2004, business borrowing including leasing but exclusive of currency derivatives was as follows

	Local currency in millions	MSEK
SEK	1 945	1 945
EUR	23	208
NOK	28	31
Total		2 184

Currency swaps have been entered to minimise risks associated with liquidity requirements in Peab's foreign businesses. The terms of currency swaps are often less than three months. When drawing up annual accounts, currency swaps are accounted at fair value and the change in value is recognised as interest income or interest expenses in the income statement and as short-term receivables and liabilities in the balance sheet. At the end of the year the Group held the following outstanding currency swaps

	Bought (+) / Sold (-) Local currency in millions
EUR	-11
NOK	-40

Exchange rate differences in the net financials item from financial exposure during the year amounted to SEK -4 million (1).

Exposure of net assets in foreign currency

Currency exposure which arises from investments in foreign net assets can be hedged by taking out loans in foreign currency or through hedge instruments. During 2004 and 2003 there were no such hedge instruments.

Foreign net assets

Local currency in millions	31-12-2004	31-12-2003
NOK	254	186
EUR	21	12
PLN	2	2
LVL	1	1

Annual exchange rate differences in equity (net assets in foreign subsidiaries) amounted to SEK 5 million (-33).

Commercial exposure

International purchases and sales of goods and services in foreign currency are limited in scope but may be expected to increase in time with the Group's expansion and the increasing competition surrounding the purchasing of goods and services. Contracted or budgeted currency flows can be hedged for the following 6 months. At the end of the year there was no commercial exposure hedging.

Interest rate risks

As at 31 December 2004 net debt amounted to SEK 1,489 million (1,331). Total interest-bearing liabilities amounted to SEK 2,184 million (2,262), of which SEK 1,257 million (415) were short-term. Under the finance directions, the average fixed interest period on total borrowing must not exceed 24 months. At the end of the year, the average fixed interest period excluding derivatives on exercised credits was 2 months (4), on non-exercised credits it was 0 months (0), and on total conceded credits it was 1 month (2).

Fixed interest period on exercised credits excluding derivatives as at 31-12-2004

Fixed interest period	Amount, MSEK	Average interest rate, per cent	Share, per cent
2005	2 155	2.9	99
2006	—	—	—
2007	—	—	—
2008	19	5.0	1
2009 –	10	5.0	0
Total	2 184	2.9	100

Interest rate swaps have been entered to obtain the fixed interest period required. As at 31 December 2004 outstanding terms were distributed as follows

Fixed interest period	Amount, MSEK	Average interest rate, per cent
2005	200	6.0
2006	100	4.1
2007	—	—
2008	100	4.4
2009 –	—	—
Total	400	5.2

Peab pays fixed interest and receives floating rates (Stibor 3 months) on interest rate swaps. The swap agreements have been accounted at fair value in annual accounts and the effects are recognised as interest income in the income statement and as other long-term and current liabilities in the balance sheet.

As the table below shows, SEK 1,955 million of the Group's total interest-bearing liabilities including derivatives have fixed interest periods of less than 1 year. All interest-bearing assets items amounting to a total of SEK 695 million have short fixed interest periods, with the result that SEK 1,260 million of the Group's net debt including derivatives have fixed interest periods of less than 1 year and are thus relatively immediately susceptible to changes in market interest rates.



Notes with accounting principles and comments on accounts

Fixed interest period on exercised credits including derivatives as at 31-12-2004

Fixed interest period	Amount, MSEK	Average interest rate, per cent	Share, per cent
2005	1 955	3.2	90
2006	100	4.1	5
2007	—	—	—
2008	119	4.4	5
2009 –	10	5.0	0
Total	2 184	3.3	100

Financing risk

According to the finance directions the Group's authorised lending ceiling should mainly be medium term, i.e. between 12 and 60 months, due to the fact that construction and civil engineering activities tie up relatively little capital while the company's financial assets are considerable. At the end of the year, the average loan period on exercised credits was 21 months (27), on non-exercised credits it was 48 months (18), and on total conceded credits it was 37 months (20).

During 2004, Peab signed bilateral loan agreements totalling SEK 3 billion with eight banks. The new loan agreements are not subject to amortization and run until September 2009. They replace five bilateral loans totalling SEK 2.7 billion which originally were due to mature in December 2005. The loan agreements have the same basic documentation and contain certain financial key figures that the Group must comply with, which is normal for this type of loan agreement.

In 2004, Peab established a loan program for commercial papers. Under the program, Peab is able to issue commercial papers up to a maximum amount of SEK 1.5 billion. The borrower is Peab Finans AB with guarantees from Peab AB.

The total authorised lending ceiling excluding non exercised leasing lines and excluding that part of the certificate program which has not been exercised amounted to SEK 5,737 million (4,477) as at 31 December 2004.

Loan period on exercised credits 31-12-2004

Loan period	Amount, MSEK	Share, per cent
2005	1 426	65
2006	—	—
2007	361	17
2008	—	—
2009 –	397	18
Total	2 184	100

Credit risk

Credit risk refers to the risk of losing money due to the counterparty failing to meet his commitments. In the construction industry credit losses are normally small due to an extremely large number of projects and customers. All the Group's subsidiaries work according to a centrally established credit policy which enables them to determine the financial soundness of their customers and suppliers. Total credit losses within the construction industry amounted to SEK 5 million (54). In 2003, the Group suffered two major credit losses of SEK 50 million in total. The credit risks experienced by financing activities are extremely small, as Peab deals with counterparties of high credit rating. In 2004, Peab suffered no financial credit losses.

Fair value

The provisions of the Swedish Annual Accounts Act regarding derivatives and other financial instruments were changed as at 1 January 2004. As a result of the change, some of the financial instruments may be recognized at fair value. As IAS 39, Financial Instruments, was also adopted by the EU at the end of 2004 for application from and including 2005, the provisions of the Swedish

Annual Accounts Act on valuation at fair value were applied to the 2004 consolidated accounts. Those items which were the object of revaluation were convertible promissory notes in Brinova Fastigheter AB and interest rate and currency swaps. The effect on opening equity as at 1 January 2004 of the application of these rules was an increase of SEK 15 million. Interest bearing long-term receivables increased by SEK 22 million, deferred tax recoverables by SEK 3 million and other long-term liabilities by SEK 10 million. The results from financial items in 2004 increased by SEK 32 million. As the change in value of convertible promissory notes are not assessed to have any tax effect, deferred tax on the revaluation to fair value was not accounted.

When calculating the fair value of the convertible promissory notes in Brinova Fastigheter AB, an option assessment model was used based on the official market price of the Brinova Fastigheter B class shares. When computing the fair value of interest rate swaps future cash flow was discounted to the listed market interest for the remaining term to maturity and when computing the value of currency swaps spot rates on balance sheet day were used.

Financial instruments

Group

Assets MSEK	Accounting value 31-12-2004	
	Financial assets held for trading	Loans- and receivables
Interest-bearing long-term receivables	72	360
Other long-term receivables	—	33
Accounts receivables	—	3 539
Interest-bearing short-term receivables	—	175
Other short-term receivables	—	294
Short-term securities holdings	3	—
Cash and bank balances	85	—
Total	160	4 401
Fair value*	160	4 403
Effect in the income statement 2004	31	—

* Differences between amortised cost and fair value for Loans and receivables refer to Interest-bearing long-term receivables with SEK 1 million and Interest-bearing short-term receivables with SEK 1 million.

Liabilities MSEK	Accounting value 31-12-2004	
	Financial liabilities held for trading	Other liabilities
Interest-bearing long-term liabilities	—	927
Other long-term liabilities	4	—
Accounts payable	—	2 575
Interest-bearing short-term liabilities	—	1 257
Other short-term liabilities	6	89
Total	10	4 848
Fair value*	10	4 849
Effect in the income statement 2004	1	—

* Differences between amortised cost and fair value for Loans and liabilities refer to Interest-bearing long-term liabilities with SEK 1 million.

Note 3 Net sales distributed by type of income

Net sales distributed by essential income item

MSEK	Group		Parent company	
	2004	2003	2004	2003
Revenues from contracting business	20 358	18 487	—	—
Crane and plant rental	178	175	—	—
Sale of goods	1 020	968	—	—
Services	419	433	—	—
Other	73	23	62	73
Total	22 048	20 086	62	73

Note 4 Wages, salaries, other remuneration and social security costs and employees

MSEK	Wages, salaries and other remuneration		Social insurance costs (of which pension costs)	
	2004	2003	2004	2003
Parent company	25	23	26	27
			(16)	(18)
Subsidiaries	3 340	3 139	1 208	1 259
			(287)	(288)
Group total	3 365	3 162	1 234	1 286
			(303)	(306)

Of the Parent company's pension expenses, SEK 13 million (14) refer to the group of Managing Director and Deputy Managing Directors. The corresponding amount for the subsidiaries is SEK 6 million (6). There are no outstanding pension commitments for these. In the Parent Company bonuses have in certain cases been paid as one-off pension premiums to the group of Managing Director and Deputy Managing Directors to the amount of SEK 3 million (4). To other employees have no bonuses been paid as one-off pension premiums (previous year SEK 1 million).

Wages, salaries and other remunerations distributed by country and between the Board of Directors, etc and other employees

MSEK	Board of Directors and MD (of which bonuses, etc.)		Other employees	
	2004	2003	2004	2003
Parent company	11	11	15	12
	(1)	(1)		
Subsidiaries in Sweden	15	14	2 913	2 772
	(1)	(2)		
Subsidiaries outside Sweden				
Norway	4	4	201	210
	(-)	(-)		
Finland	4	5	200	127
	(-)	(-)		
Other countries	0	1	3	6
	(-)	(-)		
Total in subsidiaries	23	24	3 317	3115
	(1)	(2)		
Group total	34	35	3 332	3127
	(2)	(3)		

Board of Directors

At the annual general meeting in 2004 it was decided that remuneration to the Board of Director's external members would amount to a maximum of SEK 800,000 (800,000). Of this amount, the Chairman has received SEK 250,000 (250,000). Remuneration to other external members consists of fixed and flexible remuneration. The fixed remuneration amounted to SEK 70,000 (70,000) per member and the flexible remuneration to SEK 10,000 (10,000) per member and attended ordinary board meeting

During the year, payment of remuneration to the Board of Directors amounted to SEK 850,000 (720,000). Of the remuneration paid out during the year SEK 50,000 concerned remuneration for the financial year 2003.

Remuneration is not paid to board members who are permanently employed in the Group. There are no agreements on future pension/redundancy payments for either the Chairman or other board members, with the exception of the Managing Director.

Preparation and decision-making process for remuneration

The Remuneration Committee appointed by the Board of Directors consists of the board's chairmen Ulf H Jansson, board member Jan Segerberg and the Managing Director Mats Paulsson. The Remuneration Committee, with the exception of the Managing Director, negotiates and reaches an agreement with the Managing Director concerning his remuneration, after which the decision is reported to and confirmed by the Board of Directors. Based on recommendations from the Managing Director, the Remuneration Committee decides upon the remuneration to other Senior management.

Bonuses for the Managing Director and other Senior management are related to achievement of profit targets for the Group. Bonuses for the financial year 2004 could have been a maximum amount of SEK 2,200,000 (2,200,000) for the Managing Director and SEK 4,250,000 (4,888,000) for other Senior management.

Bonuses are paid the year after they are earned and can be paid either as salary or one-off payments of pension premiums. In the case of payment as a one-off pension premium there is a certain adjustment so that the total cost for Peab remains neutral.

The Managing Director

The Managing Director in Peab AB has received for 2004 salary and other remuneration, including benefits, a total of SEK 3,324,000 (3,134,000). In addition, a bonus for 2004 has been paid out in the amount of SEK 1,575,000 (800,000).

The Managing Director has commitments for an early retirement pension from 60 to 65 years of age amounting to 75 per cent of the salary. That pension commitment is earned successively and is paid to the full amount if employment continues until the agreed pension age. For the 65 year pension, the amount of the pension premium amounts to 35 per cent of the pensionable salary, however a maximum of 10 income base amounts. The pensionable salary consists of the basic salary and the average of the three latest years' bonus. The pension premiums paid in regard to the Managing Director have amounted in total to SEK 6,070,000 (4,259,000). Of this year's premium, SEK 1,629,000 is for on-going pension premiums to 30 April and SEK 4,441,000 is for a final settlement of the pension that is paid between 60 and 65 years of age and for the pension from 65 years of age. With the final settlement, all pension obligations for the Managing Director are for defined contribution pension plans. All pension benefits are vested.

As of 1 May 2004, when the Managing Director reached 60 years old, no pension premiums are being paid out. Withdrawal of benefits from the contracted pension from 60 years of age has been postponed until the Managing Director leaves his position.

In the event of notice of termination of employment given by the company, the Managing Director has the right to retain the contracted pension. If notice of resignation of employment is given by the Managing Director, the period of notice is six months.

Other Senior management

Other Senior management refers to the five Deputy Managing Directors in Peab AB, who together with the Managing Director constitute the Group management.

Salaries and other remuneration, including bonuses, to Senior management amounted to SEK 8,680,000 (6,777,000). In addition, bonuses have been paid to an amount of SEK 2,688,000 (1,050,000).

The other Senior management have commitments for early retirement pensions. All pension benefits are vested.

For one Senior manager this implies a commitment for a pension from 60 to 65 years of age amounting to 75 per cent of the salary. That pension commitment is earned successively and is paid to the full amount if employment continues until the agreed pension age. That pension is a benefits pension. For the 65 year pension the amount of the pension premium amounts to 35 per cent of the pensionable salary, however a maximum of 10 income base amounts. That pension is a contribution pension. The pensionable salary consists of the basic salary and the average of the three latest years' bonus.

For the additional four other Senior management pensions there are com-



Notes with accounting principles and comments on accounts

commitments which result in a pension from 62 to 65 years of age. For this commitment annual pension premiums are paid, which are based on a percentage of the salary at different age intervals for the respective Senior manager. For the 65 year pension the amount of the pension premium amounts to 25 per cent of the pensionable salary, however a maximum of 10 income base amounts. The pensionable salary consists of the basic salary. These pensions are contribution pensions.

The pension premiums paid during the year in regard to the other Senior management have amounted in total to SEK 3,847,000 (2,811,000).

In the event of notice of termination of employment given by the company, a senior manager is entitled to the equivalent of two year's salary, with reduction for salary from the new employment. If notice of resignation of employment is given by the Senior manager, the period of notice is six months.

Incentive programme

In the Peab Group there are no commitments for share-related or options-related remuneration to employees.

Average number of employees

	No. Of employees 2004	of whom men 2004 per cent	No. Of employees 2003	of whom men 2003 per cent
Parent company				
Sweden	30	67	33	67
Subsidiaries				
Sweden	9 838	94	9 687	94
Norway	387	89	370	90
Finland	608	89	457	95
Poland	4	50	4	50
Latvia	40	95	67	91
Total in subsidiaries	10 877	94	10 585	94
Group total	10 907	94	10 618	94

Distribution of Board of directors and Group management by gender

	31-12-2004 Percentage of women	31-12-2003 Percentage of women
Parent company		
The Board of Directors	10%	10%
Senior management	0%	0%
Group total		
The Board of Directors	10%	10%
Senior management	0%	0%

Absence due to illness, Parent company

Total absence due to illness during 2004 (previous year 1 July – 31 December), as a proportion of ordinary working hours amounted to 0.4% (0.1) and refers to the age group 30–49 years 0.3% (-) and 50 years or older 0.4% (0.1). There has been no consecutive absence due to illness of 60 days or more. Absence due to illness amounted to 0.4% (0.1) for men, and 0.3% (0.2) for women.

Note 5 Fees and cost remuneration to auditors

MSEK	Group		Parent company	
	2004	2003	2004	2003
KPMG				
Auditing assignments	7	7	1	1
Other assignments	2	5	1	3
Other				
Auditing assignments	0	0	—	—
Other assignments	—	0	—	—
Total	9	12	2	4

Note 6 Operational lease contracts

Group	MSEK	
Assets held via operational lease contracts	2004	2003
Minimum lease payments	66	67
Contingent rent	5	7
Total	71	74

The nominal value of future leasing charges fall due to payment as follows

MSEK	2004	2003
Within a year	64	71
Between one and five years	62	86
Later than five years	—	—
Total	126	157

Leasing income referring to objects that are further rented only amount to marginal amounts.

Agreements concerning company cars, home PCs and office equipment are classified as operational lease contracts.

Note 7 Government Grants

Government grants received as compensation for costs amounted in 2004 to SEK 15 million (5), and have reduced costs in the income statement.

Note 8 Depreciation and write-downs of intangible and tangible fixed assets

MSEK	Group		Parent company	
	2004	2003	2004	2003
<i>Depreciation according to plan distributed per asset</i>				
Goodwill	68	54	—	—
Other intangible assets	1	1	—	—
Buildings and land	24	18	—	—
Machinery and equipment	254	224	1	3
Total	347	297	1	3
<i>Depreciation according to plan distributed per function</i>				
Production and management expenses	261	231	—	—
Selling and administrative expenses	86	66	1	3
Total	347	297	1	3
<i>Write-downs distributed per assets</i>				
Goodwill	1	—	—	—
Buildings and land	1	2	—	—
Total	2	2	—	—
<i>Write-downs distributed per function</i>				
Production and management expenses	2	—	—	—
Selling and administrative expenses	—	2	—	—
Total	2	2	—	—

Note 9 Result from participations in group companies

MSEK	Parent company	
	2004	2003
Dividends	1 644	1 339
Write-downs	-954	-603
Capital gain on sale	0	—
Total	690	736

Note 10 Result from securities and receivables accounted for as fixed assets

MSEK	Group		Parent company	
	2004	2003	2004	2003
Interest, external	22	20	14	8
Capital gain on sale	-1	—	-1	—
Write-downs	-1	—	—	—
Change in value conversion rights convertible promissory notes	26	—	—	—
Total	46	20	13	8

Note 11 Other interest income and similar profit/loss items

MSEK	Group		Parent company	
	2004	2003	2004	2003
Interest incomes, external	32	51	4	6
Change in value receivable part convertible promissory notes	5	—	—	—
Change in value interest rate swaps	1	—	—	—
Exchange rate differences	0	1	0	144
Reversal of write-downs	0	30	0	30
Other items	1	0	5	1
Total	39	82	9	181

Note 12 Interest expenses and similar profit/loss items

MSEK	Group		Parent company	
	2004	2003	2004	2003
Interest expenses, external	119	124	1	2
Interest expenses, Group	—	—	113	156
Exchange rate differences	4	—	9	1
Write-downs of short-term receivables	8	43	—	—
Other items	4	0	—	—
Total	135	167	123	159

During the year no borrowing costs were included in the acquisition value of assets, the previous year a total of SEK 8 million was included in the acquisition value of assets.

External interest expenses for the Group included the interest part of leasing fees for financial lease contracts, which amounted to SEK 13 million in 2004, and to SEK 14 million in 2003.

Note 13 Write-down of financial assets and short-term investments

The sum of write-downs and reversals of write-downs of financial fixed assets and short-term investments amounted to SEK -1 million (30) for the Group and SEK -955 million (-573) for the Parent Company.

Note 14 Exchange rate differences affecting the result

MSEK	Group		Parent company	
	2004	2003	2004	2003
Exchange rate differences in the operating profit	0	0	0	0
Financial exchange rate differences	-4	1	-9	143
Total	-4	1	-9	143

Note 15 Appropriations

MSEK	Parent company	
	2004	2003
Resolution of tax allocation reserve	114	—
Total	114	—

Note 16 Tax on profit for the year

MSEK	Group		Parent company	
	2004	2003	2004	2003
Current tax expense/ tax receipt				
Tax expense for the year	-11	-8	1	7
Adjustment of tax relating to previous year	2	3	0	0
	-9	-5	1	7
Deferred tax expense/ tax receipt				
Temporary differences	40	33	2	
Tax amount capitalised in loss carry-forwards during the year	45	38	—	
Utilisation of tax amount previously capitalised in loss carry-forwards	-120	-69	—	
Revaluation of reported amounts of deferred tax recoverable	5	-1	—	
	-30	1	2	—
Tax on participations in joint ventures	-2	-7	—	—
	-2	-7	—	—
Total reported tax expense/ tax receipt	-41	-11	3	7

Reconciliation of effective tax

Group MSEK	2004	%	2003	%
Reported profit before tax	475		240	
Tax according to current tax rate for the Parent company	-133	28.0	-67	28.0
Differing tax rate in foreign operations	-3	0.6	—	—
Amortization of goodwill for the Group	-16	3.4	-13	5.4
Other non-deductible expenses	-30	6.3	-75	31.3
Income not subject to tax	35	-7.4	13	-5.4
Deductible non profit-influencing items	17	-3.6	—	—
Revaluation of previous years' reported value of deferred taxes	-4	0.8	-1	0.4
Utilised but not capitalised loss carry forwards	6	-1.3	12	-5.0
Tax relating to previous year	2	-0.4	3	-1.3
Increase in loss carry forwards without corresponding capitalisation of deferred tax recoverable	-5	1.1	-1	0.4
Utilised acquired loss carry forwards where the utility value exceeds the acquisition cost	96	-20.2	123	-51.3
Changed tax rate in foreign operations	-6	1.3	—	—
Deviant effective tax rate on participations in the profit/loss of associated companies and joint ventures	0	0.0	-5	2.1
Total reported tax expense/ tax receipt	-41	8.6	-11	4.6



Notes with accounting principles and comments on accounts

Parent company MSEK	2004	%	2003	%
Reported profit before tax	666		721	
Tax according to current tax rate for the Parent Company	-186	28.0	-202	28.0
Non-deductible expenses	-272	40.8	-174	24.1
Income not subject to tax	461	-69.3	383	-53.1
Total reported tax expense/ tax receipt	3	-0.5	7	-1.0

Change in deferred tax in temporary differences and loss carry forwards

Group	Amount on 1 January	Reported in income statement	Acquired and sold companies	Changed accounting principles	Exchange rate differences	Amount on 31 December
2004 MSEK						
Loss carry forward	483	-72	86			497
Untaxed reserves	-101	40	-6			-67
Intangible fixed assets	4	-4				0
Tangible fixed assets	4	6	-6			4
Excess value for the Group	-37	7	-9			-39
Current receivables	31	-37				-6
Ongoing production	-17	16	6			5
Pensions	1	2		8		11
Other	11	12	3	2		28
Total	379	-30	74	10		433
2003 MSEK						
Loss carry forward	225	-30	305		-17	483
Untaxed reserves	-111	11	-1			-101
Intangible fixed assets	6	-1			-1	4
Tangible fixed assets	5	-6	5			4
Excess value for the Group	-97	5	55			-37
Current receivables	0	33	1		-3	31
Ongoing production	-17	-10	8		2	-17
Pensions	1					1
Other	8	-1	3		1	11
Total	20	1	376¹⁾		-18	379

1) Of which distribution of Brinova Fastigheter SEK 64 million.

In the Parent Company, current tax is reported in group contribution received at SEK 2 million (8) directly against equity.

Note 17 Earnings per share

	Group	
	2004	2003
Earnings per share		
Net profit for the year, MSEK	432	226
Average no. of outstanding shares, million	84.9	84.7
Earnings per share, SEK	5.10	2.70

Repurchased shares are not included in the calculation.
Peab has no outstanding share-related instruments.

Note 18 Goodwill

MSEK	Group	
	2004	2003
Acquisition values brought forward	620	493
Purchases	82	147
Sales/disposals	-47	-
Reclassifications	-4	-
Translation differences for the year	0	-20
Accumulated acquisition values brought forward	651	620
Amortization brought forward	-278	-233
Accumulated amortization in acquired companies	-	-1
Sales/disposals	29	-
Reclassifications	-2	-
Amortization for the year ¹⁾	-68	-54
Translation differences for the year	0	10
Accumulated amortization carried forward	-319	-278
Write-downs brought forward	-14	-18
Sales/disposals	14	-
Write-downs for the year ²⁾	-1	-
Translation differences for the year	0	4
Accumulated write-downs carried forward	-1	-14
Book value carried forward	331	328

1) Amortization for the year by income statement item

Production and management expenses	-29	-10
Selling and administrative expenses	-39	-44
	-68	-54

2) Write-downs for the year by income statement item

Production and management expenses	-1	-
------------------------------------	----	---

Note 19 Other intangible fixed assets

MSEK	Group	
	2004	2003
Acquisition values brought forward	16	6
Purchases	0	12
Sales/disposals	-1	-2
Accumulated acquisition values brought forward	15	16
Amortization brought forward	-4	-4
Accumulated amortization in acquired companies	0	-1
Sales/disposals	0	2
Amortization for the year ¹⁾	-1	-1
Accumulated amortization carried forward	-5	-4
Book value carried forward	10	12

1) Amortization for the year by income statement item

Selling and administrative expenses	-1	-1
-------------------------------------	----	----

Note 20 Buildings and land

MSEK	Group	
	2004	2003
Acquisition values brought forward	827	636
Purchases	48	242
Sales/disposals	-23	-7
Reclassifications	-68	-40
Translation differences	-1	-4
Accumulated acquisition values brought forward	783	827
Depreciation brought forward	-189	-167
Accumulated depreciation in acquired companies	-4	-6
Sales/disposals	7	2
Reclassifications	-2	-
Depreciation for the year	-24	-18
Accumulated depreciation carried forward	-212	-189
Write-downs brought forward	-11	-10
Reclassifications	4	-
Write-downs for the year	-1	-2
Translation differences	0	1
Accumulated write-downs carried forward	-8	-11
Book value carried forward	563	627
Residual value according to plan of properties in Sweden	446	488
Tax assessment value of buildings in Sweden	138	176
Tax assessment value of land in Sweden	153	147
Capitalized interest is included in the acquisition value with	4	4
Of which land		
Accumulated acquisition values carried forward	95	101
Accumulated write-downs carried forward	-5	-5
Book value carried forward	90	96

Note 21 Machinery and equipment

MSEK	Group		Parent company	
	2004	2003	2004	2003
Acquisition values brought forward	2 282	2 000	23	17
Purchases	379	347	0	6
Sales/disposals	-170	-88	-16	0
Reclassifications	6	36	-	-
Translation differences	0	-13	-	-
Accumulated acquisition values brought forward	2 497	2 282	7	23
Depreciation brought forward	-1 289	-1 120	-14	-11
Accumulated depreciation in acquired companies	-37	-32	-	-
Sales/disposals	136	78	12	0
Depreciation for the year	-254	-224	-1	-3
Translation differences	0	9	-	-
Accumulated depreciation carried forward	-1 444	-1 289	-3	-14
Write-downs brought forward	-2	-2	-	-
Accumulated write-downs carried forward	-2	-2	-	-
Book value carried forward	1 051	991	4	9
Capitalized interest is included in the acquisition with	4	4	-	-

Financial lease contracts

Amount of residual value accounted for by machinery and equipment possessed through financial lease contracts

307	268	-	-
-----	-----	---	---

Future payments concerning financial leasing obligations were entered as liabilities under interest bearing short-term and long-term liabilities in the Group.

Investments in machinery were mainly financed through financial leasing agreements. The Group has a large number of individual leasing agreements as per standard market conditions.

Note 22 Participations in group companies

MSEK	Parent company	
	2004	2003
Acquisition values brought forward	5 680	5 055
Purchases	247	744
Shareholders' contribution	1 696	222
Sales	-12	-
Distribution of Brinova Fastigheter	-	-470
Reclassifications	0	129
Accumulated acquisition values brought forward	7 611	5 680
Revaluations brought forward	100	100
Accumulated revaluations carried forward	100	100
Write-downs brought forward	-912	-309
Sales	5	-
Write-downs for the year	-955	-603
Accumulated write-downs carried forward	-1 862	-912
Book value carried forward	5 849	4 868

Participations in Group companies have been written down in the Parent Company accounts to an amount of SEK 955 million (603). These write-downs refer to dormant companies or companies with negligible operations, where write-downs have been made to a value corresponding to equity. Writedowns for the year are reported in the income statement on the line "Result from participations in Group companies".

Specifications of Parent Company's holdings of shares and participations in Group companies

Company, Registered office, Corp. ID.no.	Share per cent ¹⁾	No. Of participations	Book value, MSEK	
			2004	2003
Peab Sverige AB Båstad, 556099-9202	100	1 000 000	1 472	1 462
Peab Finans AB Båstad, 556552-1324	100	1 000 000	1 616	116
Peab Invest AS Oslo, 981 704 665	100	2 000 000	1 137	1 137
Peab International AB Båstad, 556568-6721	100	2 900 000	348	348
Flygstaden Intressenter i Söderhamn AB Båstad, 556438-9665	90.9	10 000	247	-
Peab Seicon Oy Helsingfors, 851448	95	950	193	49
Peab Utvecklings AB Båstad, 556511-5408	100	6 150 000	192	192
Br Paulsson Peab AB Båstad, 556113-4114	99.9	7 654 215	157	157
Peab Skandinavien AB Stockholm, 556568-8784	100	1 000	138	138
Peab AS Oslo, 981 032 411	100	377 970	97	70
Byggservice & Vedlikehold AS Oslo, 986 346 384	100	124 320	88	88
Birsta Fastigheter AB Helsingborg, 556190-3765	100	280 600	60	129



Notes with accounting principles and comments on accounts

Peab Byggkonstruktion AB Stockholm, 556059-0910	100	1 000	58	58
Skåne Projektfastigheter AB Helsingborg, 556471-9143	100	1 375	36	893
Maintech Industripartner AB Helsingborg, 556114-9773	100	50 000	8	22
Peab Norden AB Stockholm, 556134-4333	100	400 000	1	1
Fastighets AB Skeppsdockan Ångelholm, 556563-0711	100	1 000	1	1
Lambertssons Maskin AB Mölnådal, 556145-7531	100	50 000	—	6
Other			0	1
Total			5 849	4 868

1) Refers to ownership part of capital, which corresponds to the proportion of votes for total number of shares.

A complete list of the Group's total holdings of shares and participation rights in group companies is sent to Bolagsverket and is also available from the company.

Information on the Group's acquisitions of subsidiaries during the year

Subsidiaries	Date of acquisition	Business
Peab Brunnshög AB	jan-04	Project and development
Siljan Anläggning AB	feb-04	Contracting
Karlstad Mandolinen AB	apr-04	Project and development
Riksten Friluftstad AB	jul-04	Project and development
Peab Boligutvikling AS	aug-04	Contracting
Berg & Våg Maskin AB	aug-04	Contracting
Ekuddens Exploatering och Parkerings AB	nov-04	Project and development
Flygstaden Intressenter i Söderhamn AB	dec-04	Project and development
Bearsden AB	dec-04	Project and development
JaCo AB	dec-04	Project and development
Markbyggen i Kalmar AB	dec-04	Contracting
Vilhelmina Cementvarufabrik AB	dec-04	Concrete

Acquired subsidiaries are consolidated according to the purchase accounting method.

Note 23 Participations in joint ventures

MSEK	Group		Parent company	
	2004	2003	2004	2003
Acquisition values brought forward	147	198	—	47
Purchases	25	48	—	—
Sales	-16	-36	—	—
Result from participations after tax reduced by dividend received	-4	-7	—	—
Reclassifications	40	-56	17	-47
Book value carried forward	192	147	17	0

Specifications of Group's holdings of shares and participations in joint ventures

Company, Registered office, Corp. ID.no.	Share per cent ¹⁾	No. Of participations	Book value	
			2004	2003
Dockan Exploatering AB Malmö, 556594-2645	33	1 000	41	41
Fastighets AB Medicinaren Huddinge, 556315-0399	40	4 000	35	35
Fastighets AB Solskensgården Stockholm, 556573-9330	40	401	18	—
AB Vendels Grustag & Co KB Uppsala, 917600-5636	49		16	16
Koy Alvar Aallonkatu Seinäjäki, 1575383-0	46		14	—
Brunnshögs Bostad AB Helsingborg, 556612-0852	50	50	10	—
Kungsörs Grus AB Kungsör, 556044-4134	50	5 000	10	12
Lime Column Method AB Göteborg, 556108-1646	50	500	—	11
F5 Ljungbyhed AB Klippan, 556545-4294	35	1 050	6	5
AB Vendels Grustag Uppsala, 556025-8383	50	600	6	6
Kolbotn Torg AS Oslo, 984 178 425	50		5	—
Svenska Fräs & Asfalts- återvinning SFA AB Markaryd, 556214-7354	30	2 063	5	6
Expressbetong AB Halmstad, 556317-1452	50	60 000	4	4
Fastighets AB Bryggeriet Göteborg, 556141-6115	50	500	4	3
HB Solrosen 7-8 Borås, 916897-4088	50		—	3
Briketten i Vrena AB Nyköping, 556553-6058	50	25 000	—	2
KB S:t Jörgen Göteborg, 916840-0407	20		—	2
Pilestredet Utsyn AS Oslo, 986 130 268	33	333 000	4	—
Deamatrix Förvaltning AB Stockholm, 556518-6896	50	500	3	-2
I Tolv AB Eksjö, 556513-2478	35	4 375	3	3
Ale Exploatering AB Ale, 556426-2730	50	1 500	2	2
Gottåsa Fastighets AB Alvesta, 556499-2948	50	500	2	2
Gruvgrus AB Gällivare, 556103-9933	50	500	—	1
Fastighets AB Grisen Stockholm, 556466-1055	50	1000	—	-7
HB Gladökrossen Uppsala, 969615-7917	50		1	—
Smiejordet AS Oslo, 984 930 011	50	50	1	—
Övriga ej specificerade innehav			2	2
Total			192	147

1) Refers to the ownership part of capital, which corresponds to the proportion of votes for the total number of shares.

The difference between book value in the Group and the Group's share in joint ventures equity amounted to SEK 8 million (-8).

Note 24 Other securities held as fixed assets

MSEK	Group		Parent company	
	2004	2003	2004	2003
Acquisition values brought forward	41	211	19	89
Assets added	4	41	0	12
Assets removed	-4	-74	-1	—
Reclassifications	-19	-136	-17	-82
Translation differences	0	-1	—	—
Accumulated acquisition values brought forward	22	41	1	19
Write-downs brought forward	0	-10	—	—
Assets removed	0	1	—	—
Write-downs for the year	-1	—	—	—
Reclassifications	-5	9	—	—
Accumulated write-downs carried forward	-6	0	—	—
Book value carried forward	16	41	1	19

Note 25 Interest-bearing long-term receivables

MSEK	Group		Parent company	
	2004	2003	2004	2003
Receivables from Group companies	—	—	134	72
Receivables from joint ventures	109	143	—	—
Other interest-bearing long-term receivables	17	21	10	10
Convertible promissory notes	306	253	253	253
Total	432	417	397	335

Receivables from Group companies

Acquisition values brought forward	—	—	72	1 043
Added receivables	—	—	125	63
Settled receivables	—	—	-63	-1 034
Book value carried forward	—	—	134	72

Receivables from joint ventures

Acquisition values brought forward	143	251	—	—
Added receivables	18	40	—	—
Settled receivables	-60	-148	—	—
Reclassifications	8	—	—	—
Book value carried forward	109	143	—	—

Other interest-bearing long-term receivables

Acquisition values brought forward	21	15	10	—
Added receivables	—	18	—	10
Settled receivables	0	-7	—	—
Reclassifications	-4	-5	—	—
Book value carried forward	17	21	10	10

Convertible promissory notes

Acquisition values brought forward	253	—	253	—
Changed accounting principles	22	—	—	—
Added receivables	—	253	—	253
Change in value	31	—	—	—
Book value carried forward	306	253	253	253

In 2003, Peab AB took out 4,600,000 Brinova Convertible promissory notes 2003/2008 at nominal SEK 55. The promissory notes mature on 15 June 2008 with an interest of 5.5 per cent. The interest is received quarterly in arrears. Every promissory note entitles the holder to convert one B class share in Brinova Fastigheter AB to SEK 55 in separate quarterly subdivided notification periods between 16 June 2004 and 30 March 2008.

The promissory notes are valued from and including 2004 at fair value (see altered accounting principles on page 36), where the receivable part is valued at amortised cost and the conversion right in accordance with an option value model based on the official listed price of the Brinova Fastigheters B class share. As the change in value of the convertible promissory notes is not assessed as having any effect on tax, conversion of deferred tax on revaluation to fair value has not been made.

Note 26 Deferred tax

Group 2004 MSEK	Deferred tax recoverable	Deferred tax liability	Net
Untaxed reserves	—	-67	-67
Tangible fixed assets	4	—	4
Excess value brought forward	—	-39	-39
Current receivables	—	-6	-6
Ongoing production	5	—	5
Pensions	11	—	11
Other	28	—	28
	545	-112	433
Set-off	-112	112	0
Net	433	0	433
2003 MSEK			
Loss-carry forward	483	—	483
Untaxed reserves	—	-101	-101
Intangible fixed assets	4	—	4
Tangible fixed assets	4	—	4
Excess value brought forward	—	-37	-37
Current receivables	31	—	31
Ongoing production	—	-17	-17
Pensions	1	—	1
Other	11	—	11
	534	-155	379
Set-off	-155	155	0
Net	379	0	379

Deferred taxes were valued on the basis of a nominal tax rate. An exception from this rule was made when future tax deductions were an essential part of a business negotiation, so called net asset acquisition, whereby the deferred tax value was based on the purchase price. If the deferred tax had instead been valued on the basis of the nominal tax rate the accumulated deferred tax recoverable for loss carried forward would have increased by SEK 200 million (296).

With the valuation of the deferred tax recoverables concerning loss carry-forwards, consideration been taken to the ongoing correspondence with the Swedish National Tax Board. Assessments has been made, together with external tax experts, on the tax deduction right for individual losses. The losses for which there is uncertainty if the right to the tax deduction exists, have not been accounted as an asset. As of 31 December 2004 the value of the deferred tax on these losses amounts to a nominal value of maximum SEK 350 million.

No temporary differences between reported and actual tax value of Swedish and Norwegian Group company holdings of business related shares would normally arise, i.e. neither disposal nor distribution since these events are not subject to tax. For this reason no deferred tax was reported on these holdings.

Non-reported deferred tax recoverables

MSEK	31-12-2004	31-12-2003
Loss-carry forwards	18	13

Deferred tax claims relative to loss carryforwards in the Polish and Latvian companies have not been entered in accounts. In the light of recent years' losses in these companies and the extremely limited activities in the future it is unlikely that loss carryforwards can be offset against future taxable gains.

Tax losses relative to investment shares and properties considered as fixed assets for tax purposes, so-called pen losses in Swedish, have not been recognised. These losses may only be offset against future gains to a very limited extent.

Parent company

2004 MSEK	Deferred tax recoverable	Deferred tax liability	Net
Other	2	—	2

The parent company's change from year to year has been entered as deferred tax revenue with the exception of those amounts entered directly against equity in accordance with Note 16.



Notes with accounting principles and comments on accounts

Note 27 Other long-term receivables

MSEK	Group		Parent company	
	2004	2003	2004	2003
Receivables from joint ventures	25	21	—	—
Other long-term receivables	8	17	1	1
Total	33	38	1	1
Receivables from joint ventures				
Acquisition values brought forward	21	17	—	—
Added receivables	11	7	—	—
Settled receivables	-8	—	—	—
Reclassifications	1	-3	—	—
Book value carried forward	25	21	—	—
Other long-term receivables				
Acquisition values brought forward	20	21	1	1
Added receivables	0	6	—	—
Settled receivables	-7	-5	—	—
Reclassifications	-2	-1	—	—
Translation differences	—	-1	—	—
Accumulated acquisition values brought forward	11	20	1	1
Write-downs brought forward	-3	-3	—	—
Accumulated write-downs brought forward	-3	-3	—	—
Book value carried forward	8	17	1	1

Note 28 Project and development properties

MSEK	Group		Parent company	
	2004	2003	2004	2003
Directly owned real estate held for resale	1 316	970	3	4
Advance real estate held for sale	8	—	—	—
Participations in real estate management companies	281	136	—	—
Total	1 605	1 106	3	4

Recovery

The amount whereby asset items are for example recovered through production start or sales after more than 12 months after the balance sheet day amounted to approximately SEK 1,000 million (702).

Note 29 Inventories

MSEK	Group	
	2004	2003
Raw materials and consumables	30	34
Products in progress	19	20
Finished products and goods for resale	177	166
Total	226	220
Of which inventories valued at net sales value	0	4

Note 30 Interest bearing current receivables

MSEK	Group		Parent company	
	2004	2003	2004	2003
Receivables from joint ventures	87	49	32	—
Other receivables	88	211	19	57
Total	175	260	51	57

Write-downs were made on interest bearing current receivables to an amount of SEK 8 million (43), which were reported in the income statement under the item interest expenses and similar profit/loss items. This write-down has been based on an assessed recovery value, which consists of the assessed net sales value.

Note 31 Other current receivables

MSEK	Group		Parent company	
	2004	2003	2004	2003
Receivables from Group companies	—	—	11	15
Receivables from joint ventures	124	23	—	—
Receivables from closely related legal entities	70	112	—	—
Other receivables	233	147	3	8
Total	427	282	14	23

Note 32 Recognised income not yet invoiced

MSEK	Group	
	2004	2003
Recognised income on uncompleted contracts	14 501	15 545
Invoicing on uncompleted contracts	-12 740	-13 734
Total	1 761	1 811

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

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

Note 33 Prepaid expenses and accrued income

MSEK	Group		Parent company	
	2004	2003	2004	2003
Accrued operating income	52	81	—	—
Accrued interest income	9	5	—	1
Accrued bonus from suppliers	44	40	—	—
Prepaid rents	24	20	1	—
Prepaid leasing fees	7	4	—	—
Prepaid overhead expenses	42	30	2	1
Other	6	8	—	—
Total	184	188	3	2

Note 34 Short-term investments

Group MSEK	2004		2003	
	Book value	Market value	Book value	Market value
Boliden AB	—	—	48	48
Other	3	3	—	—
Total	3	3	48	48
Parent company MSEK	2004		2003	
	Book value	Market value	Book value	Market value
Boliden AB	—	—	48	48
Other	—	—	—	—
Total	—	—	48	48

Note 35 Shareholders' equity

Restricted reserves

Restricted reserves may not be reduced through dividends to shareholders.

Share premium reserve

When shares are issued at a premium, i.e. more than the nominal amount is paid for shares, an amount corresponding to the receive amount over and above the nominal value of the shares shall be entered in the share premium reserve.

Statutory reserve

The objective of the statutory reserve is to save the part of net profit that is not used to cover loss brought forward.

Non-restricted equity

Consists of non-restricted equity for the previous year after allocation to statutory reserve and after dividends to shareholders, where appropriate. Consists together with profit for the year of total non-restricted equity, i.e. the amount available for dividends to shareholders.

	Number of issued fully paid shares	Nominal amount
A-shares	9 805 702	98 057 020
B-shares	77 390 242	773 902 420
	87 195 944	871 959 440

An A-share entitles 10 votes, and a B-share 1 vote.

In 2004 there were no repurchases of shares. During the year 230,200 shares, corresponding 0.3 per cent of the total number of share, divested as part of the purchasing price relative to company acquisitions. The shares were disposed at an average price of SEK 43.40. The total holding of shares amounted at the year-end to 2,209,800 B-shares (2,440,000) at a nominal amount of SEK 22,098,000 (24,400,000) and corresponds to 2.5 per cent (2.8) of the total number of shares.

Equity method reserves are included in restricted reserves to an amount of SEK 31 million (33).

Separate reporting of accumulated exchange rate differences in operations abroad has been made from the beginning of 1999.

Specification of the translation differences in equity

	2004	2003
Accumulated exchange rate differences at beginning of year	26	59
Exchange rate differences for the year in foreign subsidiaries	5	-33
Accumulated exchange rate differences at the end of the year	31	26

Effects on equity upon change of accounting principles

Recommendation RR 29, Employee Benefits, of the Swedish Financial Accounting Standards Council has been applied from 2004. This recommendation means that the present value of defined pension obligations and the fair value of plan assets must be recognised in accounts. Upon application of the recommendation the change in the opening value will be recognised directly in equity. As of 1 January 2004 the changed accounting principles will result in pension allocations increasing by SEK 1 million, deferred tax claims increasing by SEK 8 million and allocations for payroll tax increasing by SEK 5 million. The total effect on opening equity is a SEK 2 million increase.

The effect on opening equity as at 1 January 2004 of applying the Swedish Annual Accounts Act on the valuation of financial instruments at their fair value with regard to convertible promissory notes and interest rate and currency swaps is an increase of SEK 15 million. Long-term liabilities increase by SEK 22 million, deferred tax claims by SEK 3 million and other long-term liabilities by SEK 10 million. The results from financial items in 2004 increased by SEK 32 million. As the change in value of convertible promissory notes are not assessed to have any tax effect, deferred tax has not been accounted at fair value.

The Board of Directors and the Managing Director propose that from the profits at the disposal of the AGM, SEK 217,989,860 corresponding to 87,195,944 shares of SEK 2.50, are distributed to shareholders.

The specification of the change in equity in comparison to the previous year's balance sheet is indicated on page 34.

Note 36 Untaxed reserves

MSEK	Parent company	
	2004	2003
Tax allocation reserve	—	114
Total	—	114

Note 37 Provisions for pensions

Within the Group there are both defined contribution and defined benefit pension plans. The defined benefit plans consist of the Swedish ITP plan for salaried staff, which is secured through insurance with Alecta, pension plans for a small number of managerial staff in Sweden and Norway, AFP pension in Norway and TEL in Finland. 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 in accordance with URA 45 (see accounting principles page 38). As at the end of 2004 the TEL pension in Finland was set at zero and opening pension obligations were insignificant, this plan has not been included.

Defined benefit obligations and the value of plan assets, MSEK	Group 2004
Fully or partially funded obligations	
Present value of defined benefit obligations	14
Fair value of plan assets	-14
Total of fully or partially funded obligations	0
Present value of unfunded defined benefit obligations	7
Net obligations before adjustments	7
Adjustments	
Accumulated unrecognised actuarial gains (+) and losses (-)	1
Effect of limitation rule on net assets	0
Net amount in the balance sheet recognised as provisions for pensions	8
The net amount is distributed for plans in the following countries	
Sweden	1
Norway	7
Total	8
Pension expenses	
Defined benefit plans	
Expenses for pensions realised for the year	5
Interest charges	1
Expected return on plan assets	-1
Actuarial gains (-) and losses (+) recognised for the year	0
Losses (+) or gains (-) on reductions and settlements	3
Expenses, defined benefit plans	8
Expenses, defined contribution plans	295
Payroll tax and similar	65
Total costs for remuneration following completed employment	368
Expenses are recognised in the following items in the profit and loss statement	
Production and management expenses	240
Selling and administration expenses	128
Other interest income and similar profit/loss items	-1
Interest expenses and similar profit/loss items	1
Total	368
Reconciliation of net amount for pensions in the balance sheet	
Net amount in the balance sheet at 31-12-2003	13
Effect of changing accounting principles to RR 29, 01-01-2004	1
Net amount at 01-01-2004	14
Expenses, defined benefit plans	8
Payment of remuneration	-1
Receipts of contributions from the company	-2
Bond redemption	-8
Exchange rate differences	0
Reclassification	-3
Net amount in the balance sheet at 31-12-2004	8



Notes with accounting principles and comments on accounts

Returns, plan assets

Actual return on plan assets	0
Expected return on plan assets	1
Actuarial gains and losses for plan assets for the year	-1

Non own financial instruments or assets are included in plan assets.

Actuarial assumptions

The following actuarial assumptions were applied when computing commitments

Discount rate	5.00%
Expected return on plan assets	5.50%
Future pay increases	3.00%
Future increases in pensions	2.75%
Personnel turnover	3.00%

Non of the provisions are credit insured via FPG/PRI.

Assets pledged for pension obligations **None**

Note 38 Other provisions

MSEK	Group	
	2004	2003
Guarantee risk reserve	47	42
Close-down costs	1	1
Restructuring reserve	14	21
Re-establishment costs	22	18
Special employer's contribution on provisions for pensions	4	—
Total	88	82

Group	Guarantee risk reserve	Close-down costs	Restructuring reserve	Re-establishment costs	Special employer's contribution on provisions for pensions
31-12-2004					
MSEK					
Book value brought forward	42	1	21	18	
Effect of changed accounting principles					5
Provisions set aside during the year	10			6	0
Amounts requisitioned during the year	-6		-7	-2	-2
Reversed unutilized provisions during the year	1				
Reclassifications					1
Book value carried forward	47	1	14	22	4

Guarantee risk reserve

Refers to the calculated cost of remedying faults and deficiencies relative to finished projects which may occur during the term of the guarantee. Resources are consumed during the guarantee period of the project which is generally two years.

Close-down costs

Refers to the remaining calculated termination costs for the company in Poland.

Restructuring costs

Residual provisions that were allocated in companies acquired during 1999 relative to additional staff costs upon conversion of local government activities to independent subsidiary companies. Remaining amounts are expected to be used in 2005-2006.

Re-establishment costs

Refers to the calculated re-establishment costs for rock and gravel quarries after operations are wound up. The size of provisions increases with the quarried amount and is charged back after re-establishment has been carried out. The provision is expected to be used gradually once the break is complete. Restoration can take between 1 to 15 years.

Payroll tax on pension provisions

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

Note 39 Long-term liabilities

Shown below is the portion of the long-term liabilities that falls due for payment more than five years after the closing day.

MSEK	Group	
	2004	2003
Interest-bearing long-term liabilities	103	82
Total	103	82

Note 40 Interest-bearing long-term liabilities

MSEK	Group		Parent company	
	2004	2003	2004	2003
Liabilities to Group companies	—	—	3 087	2 484
Liabilities to credit institutions	669	1 591	—	—
Other liabilities	258	256	—	—
Total	927	1 847	3 087	2 484

Note 41 Financial leasing agreements

Liabilities concerning financial leasing agreements in the Group refer to the amortisation parts of future leasing charging referable to agreements under financial leasing. These fall due for payment as shown below

MSEK	Group	
	2004	2003
Within one year	77	60
Between one and five years	202	188
Later than five years	55	37
Total	334	285

Amortisations that fall due within one year are reported as short-term liabilities.

Note 42 Interest-bearing current liabilities

MSEK	Group		Parent company	
	2004	2003	2004	2003
Liabilities to credit institutions	187	163		3
Commercial papers	887	—		—
Overdraft facilities	107	192		—
Other liabilities	76	60		—
Total	1 257	415	—	3
Overdraft facilities granted	768	713	—	—

Note 43 Invoiced income not yet recognised

MSEK	Group		
	2004	2003	
Invoiced sales on uncompleted contracting project		18 808	15 153
Recognised income on uncompleted contracting projects		-17 270	-13 578
Total	1 538	1 575	

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

Contract assignments are reported in the balance sheet on the basis of gross project for project, either as Recognised but non-invoiced income in current assets or as Invoiced but non-recognised income in short-term liabilities.

Projects that have higher recognised incomes that what has been invoiced are reported as assets, while projects that have been invoiced for more than recognised income are reported as liabilities.

Note 44 Other current liabilities

MSEK	Group		Parent company	
	2004	2003	2004	2003
Liabilities to Group companies	—	—	1	10
Liabilities to joint ventures	2	12	—	—
Liabilities to closely related legal entities	1	10	—	—
Other liabilities	604	391	5	1
Total	607	413	6	11

Note 45 Accrued expenses and deferred income

MSEK	Group		Parent company	
	2004	2003	2004	2003
Accrued payroll expenses	718	689	10	5
Accrued social security expenses	364	292	6	4
Accrued production expenses	166	134	—	—
Accrued interest expenses	30	25	—	—
Accrued overhead expenses	225	192	1	4
Prepaid rental income	11	12	—	—
Other items	91	43	—	—
Total	1 605	1 387	17	13

Note 46 Pledged assets

MSEK	Group		Parent company	
	2004	2003	2004	2003
For own liabilities and provisions				
Related to long-term liabilities to credit institutions				
Real estate mortgages	281	282		
Floating charges	5	32		
Shares	12	28		
Assets with attached liens	140	121		
Restricted bank balance	3	3		
Other	—	2		
Related to current liabilities to credit institutions				
Real estate mortgages	82	0		
Shares	135	80		
Total related to own liabilities and provisions	658	548	—	—
For own contingent liabilities and guarantees				
Shares	0	15		
Other	15	13		
Total for own contingent liabilities and guarantees	15	28	—	—
Other				
Other	13	—		
Total, other	13	—	—	—
Total	686	576	—	—

Note 47 Contingent liabilities

MSEK	Group		Parent company	
	2004	2003	2004	2003
Shared obligations as part-owner in limited partnerships	159	14	—	—
Obligations in consortia for other part-owners' liabilities	1	5	—	—
Guarantees and contracting guarantees for Group companies	—	—	6 122	6 572
Guarantee liabilities in favour of joint ventures	78	39	59	20
Other guarantees and contingent liabilities	797	794	543	523
Total	1 035	852	6 724	7 115

Other guarantees and contingent liabilities refer in the main to commitments in relation to tenant owners' associations, guarantees to Brinova Fastigheter regarding deficit deductions for tax purposes and lawsuits in progress in the Group concerning competition damages charges.

In conjunction with the disposal of Brinova Fastigheter, Peab issued a guarantee that the tax related deficit of SEK 250 million incurred in Brinova Fastigheter during 2002 through the issue of Group contributions would be approved during taxation. The reported value of the deficit deduction amounted to SEK 70 million. In a petition to the County Administrative Court at the end of 2004, the tax authorities applying the law against tax evasion have urged that Brinova be denied deductions for SEK 250 million in tax losses which arose through payment of Group contribution. Brinova have petitioned the County Administrative Court to deny the petition of the tax authorities. If Brinova is refused the right to deduct the losses, Peab will have to honour the SEK 70 million guarantee submitted in accordance with the above while the loss deduction of SEK 250 million can be exercised by Peab. Thus Peab's results will not be affected.

In the current asphalt cartel suit the Swedish Competition Authority is demanding that the companies in question shall pay competition damages to an amount exceeding SEK 1.6 billion. The amount the Authority claims that Peab shall pay amounts to a total of SEK 227 million. The Stockholm City Court will in the first instance examine the claim concerning asphalt cartels and the magnitude of the damages. The lawsuit is due to be heard during the spring of 2006. In view of uncertainty concerning the outcome of this legal process it is not possible to make a reliable estimation of a possible commitment. The full amount of SEK 227 million has been reported as a contingent liability in accordance with the recommendation RR 16 of the Swedish Financial Accounting Standards Council.

Note 48 Interest paid and dividend received

MSEK	Group		Parent company	
	2004	2003	2004	2003
Dividends received	6	6	—	—
Interest received	82	85	23	14
Interest paid	114	120	115	157

Note 49 Adjustments for non-cash items

MSEK	Group		Parent company	
	2004	2003	2004	2003
Participation in profit of associated companies and joint ventures	-4	-8	—	—
Dividends received from joint ventures	6	6	—	—
Depreciation/amortization and write-downs	418	349	956	578
Unrealized exchange rate difference	1	7	8	-143
Gain on sale of fixed assets	-37	-26	1	—
Gain on sale of business/subsidiary	-28	-15	—	—
Provisions	-5	15	—	—
Change fair value financial instruments	-32	—	—	—
Dividends from subsidiaries	—	—	-1 644	-1 339
Total	319	328	-679	-904



Notes with accounting principles and comments on accounts

Note 50 Transactions involving no payments

MSEK	Group		Parent company	
	2004	2003	2004	2003
Acquisition of assets by financial leasing	120	120	—	—
Acquisition of assets by a liability being taken over	20	7	—	—
Acquisition of business with own shares	10	—	—	—

Note 51 Acquisition of subsidiaries and line of business

MSEK	Group	
	2004	2003
Fixed assets	100	266
Current assets	343	898
Liquid assets	201	34
Minority interests	2	-34
Provisions	-20	-6
Long-term liabilities	-64	-399
Current liabilities	-85	-413
Purchase prices	477	346
Part of purchase price not paid	-30	-7
Paid purchase price	447	339
Less: Liquid assets in acquired companies	-201	-34
Effect on liquid assets	246	305

Note 52 Disposal and distribution of subsidiaries

MSEK	Group	
	2004	2003
Fixed assets	74	434
Project- and development properties and inventories	74	790
Current receivables	17	79
Liquid assets	2	—
Minority interests	—	—
Borrowings	-63	-650
Current liabilities	—	-34
	104	619
Sales price	39	70
Part of not received purchase price	—	-1
Received purchase price	39	69
Less: Liquid funds in divested companies	-2	—
Effect on liquid funds	37	69

Note 53 Purchases and sales between group companies

Of the Parent companies total purchases and sales measured in SEK, 18 per cent (19) of purchases and 99 per cent (99) of sales relate to other companies in the Peab Group.

Note 54 Discontinuing operations

Peab's Board of Directors decided in 2002 to transfer the Group's investment properties to the shareholders through dividends in the form of shares in the recently formed Brinova Fastigheter AB. All the properties and real estate companies were transferred to this company in December 2002. At the general meeting of the shareholders on May 15, 2003 a decision was taken for the distribution. The total effect of the distribution amounted to SEK -581 million, which reduced Group equity during 2003.

The net result relating to Brinova's business during 2003 until the date of the dividend, amounted to SEK -4 million. The net sales amounted to SEK 9 million, the net operating profit/loss to SEK 0 million and the result after financial items SEK -5 million. The cash flow from current operations referable to the distributed operations amounted to SEK -4 million. This has been calculated as profit for the period after financial items adjusted for depreciation and participations from associated companies/joint ventures and tax. The impact on the cash flow concerning investments and financing in the distributed operations was insignificant.

Note 55 Related party disclosures

Close relationships which involve controlling influences

The Group

The Group is subject to the joint controlling influence of the Mats and Erik Paulsson brothers together with their families and company. As at 31 December 2004, these owned about 60 per cent of the votes in the parent company of the Group.

Parent company

Beside the close relationships stated for the Group, the parent company also has close relationships which constitute a controlling influence over the subsidiaries, see note 22.

Closely related transactions

Brinova Fastigheter

Peab has received income from contract assignments to an amount of SEK 91 million (52), and costs for principally rents and property management of SEK 7 million (6). In conjunction with the distribution in 2003 Peab subscribed to convertible promissory notes of nominal SEK 253 million in Brinova Fastigheter. As at 31 December 2004, convertible promissory notes were valued at SEK 306 million. Other current liabilities amounted to SEK 1 million (receivables of 8).

The Brinova Group is under the controlling influence of the brothers Mats and Erik Paulsson, together with families and companies. Mats Paulsson is also a member of the board in Brinova Fastigheter.

Mats Leifland, Deputy Managing Director of Peab AB, has during the period March 21, 2003 to January 30, 2004 been Managing Director of Brinova Fastigheter and has had a significant influence in Brinova Fastigheter. During the period October 1, 2003 to January 30, 2004 Mats Leifland was on leave from Peab.

Wihlborgs Fastigheter

During 2004 the Group received income from contract assignments for the Wihlborgs Group amounting to SEK 621 million (371), and costs for principally rents from the Wihlborgs Group amounting to SEK 18 million (20).

During the year project and development properties have been acquired from Wihlborgs for SEK 119 million (299). Properties have been sold to Wihlborgs for SEK - million (13). On December 31, 2004 there were short-term receivables of SEK 67 million (94).

Erik Paulsson is the Managing Director of Wihlborgs and has a significant interest.

Skistar

During 2004, the Group received income amounting to SEK 56 million (19) stemming from contract work for the Skistar group and costs of SEK 1 million (2). As per 31 December 2004 there was short-term receivables amounting to SEK 3 million (5).

The Skistar group is subject to the joint controlling influence of the Mats and Erik Paulsson brothers together with their families and companies. Erik Paulsson is Chairman of the Board and Mats Paulsson is a member of the Board in Skistar.

Total balances with related parties are indicated in note 31 and 44.

Senior management

For salaries and other remunerations, costs and commitments concerning pensions and other benefits, including agreements concerning severance pay, see note 4.

Joint ventures

During the financial year joint ventures have purchased contracts from the Group for SEK 186 million (106), and the Peab Group's purchases from these amounted to SEK 51 million (115).

Balances with joint ventures are indicated in notes 25, 27, 30, 31 och 44.

Transaction conditions

Transactions with related parties are considered to have been made as per market conditions.

Note 56 Transition to reporting in accordance with IFRS – International Financial Reporting Standard

From 1 January 2005 Group accounts must be drawn up in accordance with the IFRS standards adopted by the EU Commission. The report for the first quarter of 2005 will be the first financial report applying the IFRS and the first annual report to which the IFRS will apply will be that for the 2005 financial year.

Conversion of 2004 accounts has been made in accordance with IFRS 1, which regulates the way in which companies which are drawing up complete group reports in accordance with IFRS for the first time should deal with the transition to the new set of regulations. The principal rule is that all IFRSs applying to 2005 should be applied retroactively. Comparative figures for 2004 should be recalculated in accordance with the standards that will apply in 2005, since quarterly and annual reports contain comparative figures for the corresponding period the previous year. The recalculated income statements for the individual quarters of 2004 will be included in the quarterly report for 31 March 2005.

Below is a description of the most important effects of the transition. These effects are preliminary and may be altered depending on developments in the international interpretation of the accounting principles from the IASB. In addition, new or altered standards to be applied after 2005 may be applied early.

IAS 12 - Income Taxes

With the introduction of IFRS, the current Swedish recommendations on asset acquisitions in RR 9, Income taxes, will no longer apply. This means that for acquisitions which include deferred tax, the deferred tax must normally be valued at the nominal tax rate. Therefore acquired deferred tax receivables attributable to tax loss carry forward have been reassessed at nominal value, where previously they were recognized at acquisition value.

IAS 17 - Leases

Leasing agreements applying mostly to the leasing of motorcars were previously classified under operational leasing. These leasing agreements have been reclassified to financial leasing agreements.

IAS 11 - Construction Contracts

To adapt to the accounting principles from and including 2005 revenue from housing projects for sale will be recognized with regard to actual degree of sale based on binding contracts with house purchasers. Revenue will thus be recog-

nized on the percentage completion of the contract multiplied by the degree of sale. Previously, revenue was recognized based among other things on prior booking agreements. The regulations will be applied following the Swedish Construction Confederation's supplement to the industry recommendation concerning "Percentage-of-completion revenue recognition in housing projects for sale."

IFRS 3 - Business Combinations

Goodwill will cease to be depreciated according to plan. Instead, the need for possible writedowns must be examined at least once a year and in addition when the need for writedowns is indicated. Impairment loss must be carried out in those cases where the carrying amount is lower than the value in use or the net sales value. If applied in 2004 this would have involved reversed depreciation for SEK 69 million while impairment loss would have been recognized at SEK 15 million. Under the accounting principles applying in 2004, when testing the goodwill value after depreciation according to plan impairment loss was not necessary.

In the case of acquisitions the minority participation must be calculated based on equity and deficit and surplus values of identifiable net assets. Thus, 2004 acquisitions have been recalculated.

IAS 1 - Presentation of Financial Statements

Minority participations in annual profits are no longer recognized in the income statement. Results are instead specified in connection with the income statement divided between majority and minority interests.

IAS 27 - Consolidated and Separate Financial Statements

Minority interests are recognized under equity as a separate item.

IAS 39 - Financial Instruments

The accounting principles enters into force from 2005 and is not retroactive. The new regulations of the Swedish Annual Accounts Act on the valuation of financial instruments at fair value were applied during 2004. For Peab the changes in the Swedish Annual Accounts Act resulted in the application of the IAS 39 valuation rules already from 1 January 2004, with the result that they will have no effect on the opening balance for the 2005 consolidated accounts.

The effect the transition will have on 2004 income statements, balance sheets and certain key figures is shown in the tables below.

Balance sheet 01-01-2004 according to IFRS

MSEK	Present principles 31-12-2003	Changed accounting principles 2004*	IAS 12 Income Taxes	IAS 17 Leases	IAS 11 Construction Contracts	IAS 27 Consolidated Statements	According to IFRS 01-01-2004
Assets							
Intangible assets	340						340
Tangible fixed assets	1 618			182			1 800
Interest-bearing long-term receivables	417	22					439
Financial fixed assets	226						226
Deferred tax recoverables	379	10	296	1	39		725
Project- and development properties	1 106						1 106
Inventories	220						220
Interest-bearing short-term receivables	260						260
Other current receivables	5 553				-84		5 469
Short-term shareholdings	48						48
Liquid funds	206						206
Total assets	10 373	32	296	183	-45	0	10 839
Shareholders' equity and liabilities							
Shareholders' equity	2 196	17	296	-2	-101	63	2 469
Minority interests	63					-63	0
Allocations	95	6					101
Interest-bearing long-term liabilities	1 847	9		126			1 982
Interest-bearing short-term liabilities	415			59			474
Other current liabilities	5 757				56		5 813
Total shareholders' equity and liabilities	10 373	32	296	183	-45	0	10 839
Key ratios							
Capital employed	4 520						4 925
Net debt	1 331						1 503
Equity/assets ratio	21.8%						22.8%
Adjusted equity per share, SEK	26.70						29.10

* During 2004 accounting principles relative to RR 29 and financial instruments changed in accordance with the Swedish Annual Accounts Act. See changed accounting principles on page 36.



Notes with accounting principles and comments on accounts

Income statement 2004 according to IFRS

MSEK	Present principles 2004	IFRS 3 Business Comb. (Goodwill)	IAS 12 Income Taxes	IAS 17 Leases	IAS 11 Construction Contracts	IFRS 3 Business Comb. (Minority)	IAS 27 Consolidated Statements	According to IFRS 2004
Net sales	22 048				-9			22 039
Production and management expenses	-20 186	22		5				-20 159
Gross profit	1 862	22		5	-9			1 880
Selling and administrative expenses	-1 368	32				4		-1 332
Share of profit before tax of joint ventures	4							4
Result from participation in joint ventures sold	25							25
Result from participation in Group companies sold	2							2
Operating profit	525	54		5	-9	4		579
Result from financial items	-50			-6				-56
Profit after financial items	475	54		-1	-9	4		523
Tax	-41		-96		3			-134
Minority interests	-2						2	0
Profit for the year	432	54	-96	-1	-6	4	2	389
Profit attributable to shareholders' in Parent Company								387
Profit attributable to minority interest								2
Key ratios								
Profit margin	2.4%							2.6%
Return on capital employed	13.3%							13.9%
Return on equity	18.6%							16.0%
Earnings per share, SEK	5.10							4.60

Balance sheet 31-12-2004 according to IFRS

MSEK	Present principles 31-12-2004	IFRS 3 Business Comb. (Goodwill)	IAS 12 Income Taxes	IAS 17 Leases	IAS 11 Construction Contracts	IFRS 3 Business Comb. (Minority)	IAS 27 Consolidated Statements	According to IFRS 31-12-2004
Assets								
Intangible assets	341	54						395
Tangible fixed assets	1 614			165				1 779
Interest-bearing long-term receivables	432							432
Financial fixed assets	241							241
Deferred tax recoverables	433		200	1	41	13		688
Project- and development properties	1 605					-6		1 599
Inventories	226							226
Interest-bearing short-term receivables	175							175
Other current receivables	5 967				-104			5 863
Short-term shareholdings	3							3
Liquid funds	85							85
Total assets	11 122	54	200	166	-63	7	0	11 486
Shareholders' equity and liabilities								
Shareholders' equity	2 473	54	200	-3	-107	4	33	2 654
Minority interests	30					3	-33	0
Allocations	96							96
Interest-bearing long-term liabilities	927			100				1 027
Other long-term liabilities	10							10
Interest-bearing short-term liabilities	1 257			69				1 326
Other current liabilities	6 329				44			6 373
Total shareholders' equity and liabilities	11 122	54	200	166	-63	7	0	11 486
Key ratios								
Capital employed	4 697							5 017
Net debt	1 489							1 658
Equity/assets ratio	22.5%							23.1%
Adjusted equity per share, SEK	29.50							31.20


Cash flow analysis 2004

MSEK	Present principles 2004	IFRS 3 Business Comb. (Goodwill)	IAS 17 Leases	IAS 11 Construction Contracts	IFRS 3 Business Comb. (Minority)	According to IFRS 2004
Current operations						
Profit after financial items	475	54	-1	-9	4	523
Adjustments for non-cash items	319	-54	53		-4	314
Income tax paid	-27					-27
Cash flow from current operations before working capital changes	767	0	52	-9	0	810
Cash flow from changes in working capital						
Increase (-) /Decrease (+) project- and development properties	-403					-403
Increase (-) /Decrease (+) inventories	2					2
Increase (-) /Decrease (+) current receivables	-412			20		-392
Increase (+) /Decrease (-) current liabilities	530			-11		519
Cash flow from changes in working capital	-283			9		-274
Cash flow from current operations	484	0	52	0	0	536
Cash flow from investment operations	-229					-229
Cash flow before financing	255	0	52	0	0	307
Financing operations						
Amortization of borrowings	-194		-52			-246
Cash dividend paid	-187					-187
Cash flow from financing operations	-381		-52			-433
Cash flow for the year	-126	0	0	0	0	-126
Cash at the beginning of the year	206					206
Exchange rate differences in cash	5					5
Cash at year-end	85					85

Förslöv, March 29, 2005


Ulf H. Jansson
Chairman


Mats Paulsson
Managing Director


Annette Brodin Rampe


Karl-Axel Granlund


Jan Segerberg


Göran Grosskopf


Svante Paulsson


Kent Ericsson


Jan-Erik Ljungberg


Bengt Ericsson

The Group Income Statement and Balance Sheet and the Parent company's Income Statement and Balance Sheet will be set on the ordinary Annual General Meeting on May 12, 2005 .



Audit report

To the General Meeting of the shareholders of Peab AB (publ) (Corporate identity number 556061-4330)

I have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Peab AB for the year of 2004. The Board of Directors and the Managing Director are responsible for financial statements and management and for ensuring that the Annual Accounts Act is applied when drawing up the annual accounts and the consolidated. My responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on my audit.

I conducted my audit in accordance with generally accepted auditing standards in Sweden. Those standards require that I plan and perform the audit to obtain reasonable 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 examining on a test basis the accounting policies and the Board of Director's and the Managing Director's application of them and assessment of material estimates which the Board of Directors and the Managing Director made when they drew up the annual accounts and the consolidated accounts and evaluation of overall information contained in the annual accounts and the consolidated accounts. As a basis for my opinion concerning

discharge from liability, I examined significant decisions, action 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 managing director. I also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. I believe that my audit provides a reasonable basis for my opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the company's and the group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The Directors' Report is consistent with the remaining parts of the annual accounts and the consolidated accounts.

I recommend to the general meeting of shareholders that the income statements and the 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 directors' report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Förslov, March 29, 2005

Thomas Thiel
Authorised Public Accountant



Group MSEK	2004	2003 ²⁾	2002 ²⁾	2001 ²⁾	2000 ²⁾
Income statement items					
Net sales	22 048	20 086	19 818	18 721	15 704
Operating profit	525	305	636	655	664
Profit after financial items	475	240	552	577	642
Net profit for the year	432	226	488	502	449
Balance sheet items					
Fixed assets	3 061	2 980	2 630	2 440	2 250
Current assets	8 061	7 393	7 222	7 398	6 796
Total assets	11 122	10 373	9 852	9 838	9 046
Shareholders' equity	2 473	2 196	2 750	2 434	2 042
Minority interests	30	63	30	8	10
Provisions	96	95	182	96	220
Long-term liabilities	937	1 847	1 397	1 918	2 115
Current liabilities	7 586	6 172	5 493	5 382	4 659
Total shareholders' equity and liabilities	11 122	10 373	9 852	9 838	9 046
Key ratios					
Operating margin, %	2.4	1.5	3.2	3.5	4.2
Profit margin, %	2.8	2.0	3.5	4.0	5.1
Adjusted equity	2 503	2 259	2 780	2 442	2 052
Return on equity, %	18.6	9.2	18.8	22.3	25.3
Capital employed	4 697	4 520	4 523	4 743	4 690
Return on capital employed, %	13.3	9.2	15.1	16.0	19.1
Equity/assets ratio, %	22.5	21.8	28.2	24.8	22.7
Net debt	1 489	1 331	987	1 055	1 527
Debt/equity ratio, multiple	0.8	0.9	0.6	0.9	1.3
Interest coverage ratio, multiple	5.0	2.9	5.0	4.3	5.1
Capital expenditures					
Goodwill	72	146	48	44	72
Buildings and land	-38	191	105	11	42
Machinery and equipment	314	341	296	308	168
Shares and participations	20	-360	52	113	-618
Project and development properties	499	-50	155	121	697
Orders: Construction and Civil Engineering					
Orders received	21 559	18 339	19 121	16 747	17 362
Order backlog	15 899	13 590	12 852	11 573	10 895
Personnel					
Average number of employees	10 907	10 618	10 776	10 747	9 678
Data per share					
Earnings, SEK	5.10	2.70	5.80	6.00	6.30
after completed subscription and conversion	5.10	2.70	5.70	5.80	5.10
Cash flow, SEK	3.00	-4.50	9.60	7.50	5.70
after completed subscription and conversion	3.00	-4.50	9.50	7.30	4.60
Adjusted equity, SEK	29.50	26.70	33.00	29.40	24.40
after completed subscription and conversion	29.50	26.70	33.00	29.10	24.30
Share price at year-end, SEK	65.00	43.60	49.40	37.10	33.50
Ordinary dividend, SEK ¹⁾	2.50	2.20	2.20	2.10	1.30
Extra dividend, SEK	—	—	5.60	—	—
Number of shares at year-end, millions	85.0	84.8	84.3	83.1	84.1
after completed subscription and conversion	85.0	84.8	84.3	86.2	87.2
Average number of outstanding shares, millions	84.9	84.7	84.6	83.9	71.5
after completed subscription and conversion	84.9	84.7	84.9	86.9	90.0

1) For 2004, the Board of Directors' proposal to the AGM

2) The years 2000-2003 have not been adjusted for changed accounting principles that came into effect in 2004



Board of directors and auditors



Ulf H Jansson
Born in 1947. Elected 1996.
Chairman of the Board of
Peab AB.
Holding 300,000 Class
B-shares



Karl-Axel Granlund
Born in 1955. Elected 2000.
Main owner and Chairman
of Volito AB. Chairman of
CTT Systems AB, Luvit AB
and Avansys AB.
Holding 4,025,000 Class
B-shares



Mats Paulsson
Born in 1944. Elected 1992.
MD of Peab AB. Board
member of Skistar AB and
Brinova Fastigheter AB.
Holding 2,799,967 Class
A-shares
4,295,000 Class
B-shares



Svante Paulsson
Born in 1972. Elected 2003.
MD and main owner of
Svantab AB. Board member
of Topeja Holding AB, SBT
AB, PorscheCenter Syd AB,
Brinova Fastigheter AB and
Rögle BK.
Holding 478,838 Class
A-shares
738,880 Class
B-shares



Göran Grosskopf
Born in 1945. Elected 2004.
Chairman of Inter IKEA SA
and Bergendahls Gruppen
AB. Board member of Ratos
AB, Possio AB, Åkerströms
AB and Svov AG.
Holding 80,000 Class
B-shares



Annette Brodin Rampe
Born in 1962. Elected 2000.
Business Sector Manager of
Marketing and Sales Syd-
kraft AB. Board member of
Ruter Dam AB.
Holding 1,000 Class
B-shares



Jan Segerberg
Born in 1947. Elected 1994.
Charman of the Board of
PlymoVent AB. Board
member of BK-Holding AS,
Bosvik AS and Dyna Well
International AB.
Holding 9,200 Class
B-shares



Kent Ericsson
Born in 1949. Elected 1998.
Project Manager,
Construction Sweden.
Employee representative.
Holding 600 Class
B-shares



Jan-Erik Ljungberg
Born in 1943. Elected 1997.
Construction worker, Civil
Engineering/Industry.
Employee representative.
Holding 800 Class
B-shares



Leif Johansson
Born in 1952. Elected 2002.
Calculator, Construction
Sweden.
Employee representative
(deputy).
Holding None



Bo Larry Olsson
Born in 1944. Elected 2000.
Construction worker, Civil
Engineering/Industry.
Employee representative
(deputy).
Holding None



Bengt Ericsson
Born in 1946. Elected 2000.
Carpenter, Construction
Sweden. Employee
representative.
Holding 800 Class
B-shares

Auditors

Thomas Thiel
Born in 1947.
Authorised public accountant, KPMG.
Auditor for Peab AB since 1992.

Alf Svensson
Born in 1949.
Authorised public accountant, KPMG.
Deputy auditor for Peab AB since
1998.

Reported holdings apply to February 28, 2005
and include spouses', minors' and private companies' holdings.



Executive Management



Mats Paulsson
MD of Peab AB
Born in 1944
Employed since 1959
Holding 2,799,967 Class A-shares
4,295,000 Class B-shares



Göte Brännvall
COO and Deputy MD of Peab AB
Born in 1946
Employed since 1970
Holding 29,484 Class A-shares
281,282 Class B-shares



Mats Leifland
CFO and Deputy MD of Peab AB
Born in 1957
Employed since 1995
Holding 230,000 Class B-shares



Mats O Paulsson
Deputy MD of Peab AB
Civil Engineering/Industry
Born in 1958
Employed since 1999
Holding 103,200 Class B-shares



Anders Elfner
Deputy MD of Peab AB
Construction in Sweden
Born in 1955
Employed since 2003
Holding 60,000 Class B-shares



Jonas Svantesson
Deputy MD of Peab AB
Personnel
Born in 1951
Employed since 2001
Holding 30,000 Class B-shares

The Peab Group's management

By working with one management forum throughout the Group, more effective decision-making and improved communication is achieved. The management forum is divided up into the executive management and the management group.

Executive Management

Consists of the MD and Deputy MDs of Peab AB. Meets once a month and deals with issues relating to strategy and development for improved profitability.

Management Group

Consists of the Executive Management, operational managers and support functions. Meets once a quarter and deals with issues focused on structure and co-ordination.



Senior management

Construction Sweden



Jan Johansson
Southern and pro tem
Western Division
Born in 1959
Employed since 1986
Holding 92,740 Class
B-shares



Tomas Anderson
Housing Division
Born in 1956
Employed since 1996
Holding 1,000 Class
B-shares



Lars-Erik Söderberg
Stockholm Commercial
Division
Born in 1947
Employed since 1991
Holding None



Jan-Olof Nordin
North Eastern Division
Born in 1958
Employed since 1979
Holding None



Göran Almin
Project Development
Division
Born in 1956
Employed since 2004
Holding None

Civil Engineering/Industry



Mats O Paulsson
Civil Engineering Division
Born in 1958
Employed since 1999
Holding 103,200 Class
B-aktier



Nils Clausén
Swerock
Born in 1952
Employed since 2004
Holding None



Bo Bernhardsson
Skandinaviska Byggelement
Born in 1944
Employed since 1987
Holding 2,000 Class
B-shares



Malte Åkerström
Peab Asfalt
Born in 1939
Employed since 1993
Holding 49,140 Class
A-shares
367,000 Class
B-shares



Thomas Nilsson
Lambertsson
Born in 1949
Employed since 1968
Holding 1,000 Class
B-shares

Construction Abroad



Petter Elvestad
Peab AS
Born in 1944
Employed since 2002
Holding 3,000 Class
B-shares



Antti Peltoniemi
Peab Seicon Oy
Born in 1956
Employed since 2003
Holding None



Lars Gutwasser
Production support
Born in 1947
Employed since 1969
Holding None



Torsten Hesslevik
IT
Born in 1943
Employed since 2002
Holding None

Support functions

Support functions



Jan Persson
Operating accounting
Born in 1957
Employed since 1990
Holding 40,000 Class
B-shares



Jesper Göransson
Group accounting/ Finance
Born in 1971
Employed since 1996
Holding 160,200 Class
B-shares



Gösta Sjöström
Information
Born in 1948
Employed since 1997
Holding 110,000 Class
B-shares



Göran Terning
Purchasing
Born in 1948
Employed since 2004
Holding None



Karin Malmgren
Legal affairs
Born in 1960
Employed since 1999
Holding 500 Class
B-shares



Diary 2005

Annual General Meeting	May 12
Interim Report, January-March	May 12
Interim Report, January-June	August 25
Interim Report, January-September	November 24
Year-end Report, 2005	February 16, 2006
Annual Report, 2005	April 2006

Financial information

Peab publishes quarterly reports in Swedish and English on progress within the company. Financial information, PeabJournalen and other information about the company, can be down-loaded from Peabs website, www.peab.com, or be ordered from:

Peab AB
Information
SE-260 92 Förslöv
Tel +46 431 890 00
Fax +46 431 45 19 75
info@peab.se

Shareholder contact

Mats Leifland, Deputy Managing Director
Tel +46 431 891 16
mats.leifland@peab.se

Gösta Sjöström, Information Manager
Tel +46 431 891 26
gosta.sjostrom@peab.se

Mikael Johansson, IR Manager
Tel +46 431 891 14
mikael.johansson@peab.se

Analysts who follow Peab

ABG Sundal Collier
Jonas Andersson
jonas.andersson@abgsc.se

Carnegie
Fredrik Skoglund
fresko@carnegie.se

Cheuvreux Nordic
David Halldén
dhallden@cheuvreux.com

Enskilda Securities
Erik Nyman
erik.nyman@enskilda.se

Hagströmer & Qviberg Fondkommision
Olof Nyström
olof.nystrom@hagqvi.com

Handelsbanken Capital Markets
Jonas Eixman
joei02@handelsbanken.se

Swedbank Markets
Tobias Kaj
tobias.kaj@swedbank.com



Definitions

Financial definitions

Adjusted equity

Shareholders' equity plus minority interests.

Adjusted equity per share

Adjusted equity divided by the number of shares at year-end.

Capital employed

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

Cash flow

Cash flow before financing is calculated as the sum of the cash flow from current operations and cash flow from investment activities.

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 adjusted equity.

Earnings per share

Net profit for the year divided by the average number of outstanding shares during the year.

Equity/assets ratio

Adjusted equity as a percentage of total assets at year-end.

Interest coverage ratio

Profit after financial items plus interest expenses in relation to interest expenses.

Net borrowings

Interest-bearing liabilities including the pension liability less liquid and interest-bearing assets.

Operating margin

Operating profit as a percentage of net sales

Order backlog

Orders being constructed or waiting for construction

Orders received

The sum of orders received during the year

P/E ratio

Share price at year-end divided by earnings per share after tax.

Profit margin

Profit after financial items plus financial expenses as a percentage of average capital employed.

Return on capital employed

Profit after financial items plus financial expenses as a percentage of average capital employed.

Return on equity

Profit after financial items deducted for tax according to the profit and loss account presented as a percentage of average equity.

Yield

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

Construction-related definitions

À price

Unit price for a good, for instance 1 sq.m. asphalt or 1 cubic metre of earth.

Contract amount

The payment stated in the contract for contract work excluding VAT.

Contract total

The contract amount excluding VAT adjusted for supplements and deductions and, when relevant, index adjustment.

Current account

Payment to the contractor in relation to the expenses incurred and accounted plus an administrative addition in percent or kronor.

Development property

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

Fixed price

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

General contract

A contract where the contractor carries out construction and appoints and is responsible for sub-contractors on the basis of documentation provided by the client.

Incentive

An agreement where the contractor and the client according to a principle decided upon in advance share the amount by which the contract amount exceeds/is less than an agreed price ceiling.

Project development

Finding project- and development properties in the market and developing these into complete projects.

Project property

Property that is purchased to be developed and resold within 18 months.

Total contract

A contract where the contractor in addition to building is also responsible for designing the contract.

Trust contract

A contract where the client and the contractor work together exclusively throughout the entire construction process – from planning to final inspection. Incentive agreements with the client exist. Peab provides a 5-year guarantee.

Head office**Peab AB**

SE-260 92 Förslöv
Sweden
(Margretetorpsvägen 84)
Tel +46 431 890 00
Fax +46 431 45 17 00

Peab Sverige AB

SE-260 92 Förslöv
Sweden
(Margretetorpsvägen 84)
Tel +46 431 890 00
Fax +46 431 45 15 08

Peab Sverige AB**Southern Division**

SE-260 92 Förslöv
Sweden
(Margretetorpsvägen 84)
Tel +46 431 890 00
Fax +46 431 45 15 08

Peab Sverige AB**Western Division**

SE-401 80 Göteborg
Sweden
(Anders Personsgatan 2)
Tel +46 31 700 84 00
Fax +46 31 700 84 20

Peab Sverige AB**Housing Division**

Box 955
SE-191 29 Sollentuna
Sweden
(Silverdalsvägen 12)
Tel +46 8 623 68 00
Fax +46 8 623 20 60

Peab Sverige AB**Stockholm Commercial Division**

Box 955
SE-191 29 Sollentuna
Sweden
(Silverdalsvägen 12)
Tel +46 8 623 68 00
Fax +46 8 623 20 60

Peab Sverige AB**North Eastern Division**

Box 955
SE-191 29 Sollentuna
Sweden
(Silverdalsvägen 12)
Tel +46 8 623 68 00
Fax +46 8 623 20 60

Peab Sverige AB**Project Development Division**

Box 955
SE-191 29 Sollentuna
Sweden
(Silverdalsvägen 12)
Tel +46 8 623 68 00
Fax +46 8 35 15 01

Peab Sverige AB**Civil Engineering Division**

Grustagsgatan 37
SE-254 64 Helsingborg
Sweden
Tel +46 42 25 10 00
Fax +46 42 15 76 77

Peab AS

Postboks 2909
Solli
NO-0230 Oslo
Norway
(Drammensveien 40)
Tel +47 23 30 30 00
Fax +47 23 30 30 01

Peab Seicon Oy

Kornetintie 3
FIN-00380 Helsinki
Finland
Tel +358 207 606 200
Fax +358 207 606 206

Swerock AB

Box 22284
SE-250 24 Helsingborg
Sweden
(Garnisonsgatan 25 A)
Tel +46 42 25 68 00
Fax +46 42 25 68 01

Skandinaviska Byggelement AB

Box 22045
SE-250 22 Helsingborg
Sweden
(Garnisonsgatan 25 A)
Tel +46 42 25 68 00
Fax +46 42 25 68 01

Peab Asfalt AB

SE-260 92 Förslöv
Sweden
(Margretetorpsvägen 84)
Tel +46 431 890 00
Fax +46 431 45 16 40

Lambertsson Sverige AB

SE-260 92 Förslöv
Sweden
(Margretetorpsvägen 84)
Tel +46 431 893 00
Fax +46 431 892 58

Financial information

Peab will issue the following financial information concerning the 2005 financial year:

Interim Report, January-March	May 12
Interim Report, January-June	August 25
Interim Report, January-September	November 24
Year-end Report, 2005	February 16, 2006
Annual Report, 2005	April 2006



PeabJournalen

Peab's magazine for employees, clients and shareholders is published quarterly.



Internet

Current information about Peab is available on our website at www.peab.com

Ordering information

Financial information and PeabJournalen may be ordered from Peab AB, Information, SE-260 92 Förslöv, tel +46 431 890 00, fax +46 431 45 19 75, info@peab.se

