



# 2002

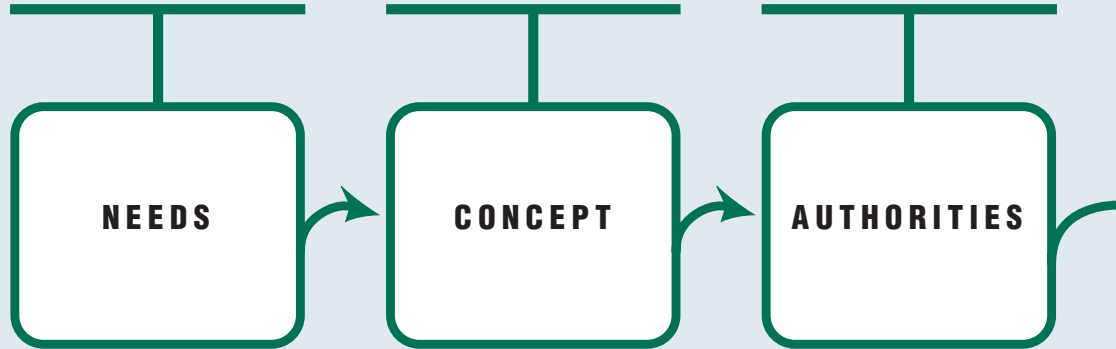
ANNUAL REPORT



In order to identify future construction and civil engineering needs, Peab puts a high priority on local anchoring and long-term planning. This might, for example, apply to the acquisition of attractive areas of land for the construction of houses and flats or access to stone quarries for road construction.

Experience and expertise are crucial to the conversion of needs to finished project concept. Peab does not build in own books, and this means that identification of the company finally responsible for the project and financing is carried out at this early stage.

Peab considers smooth cooperation between itself and local and national authorities important to the correct moulding of the project and to ensuring that plans are carried out without unnecessary delays.



# With focus on production

What sets Peab apart is its unambiguous focus on production. Commitment to other parts of the building chain varies from project to project, but the common thread is always our responsibility for building and construction production – Peab's core business.

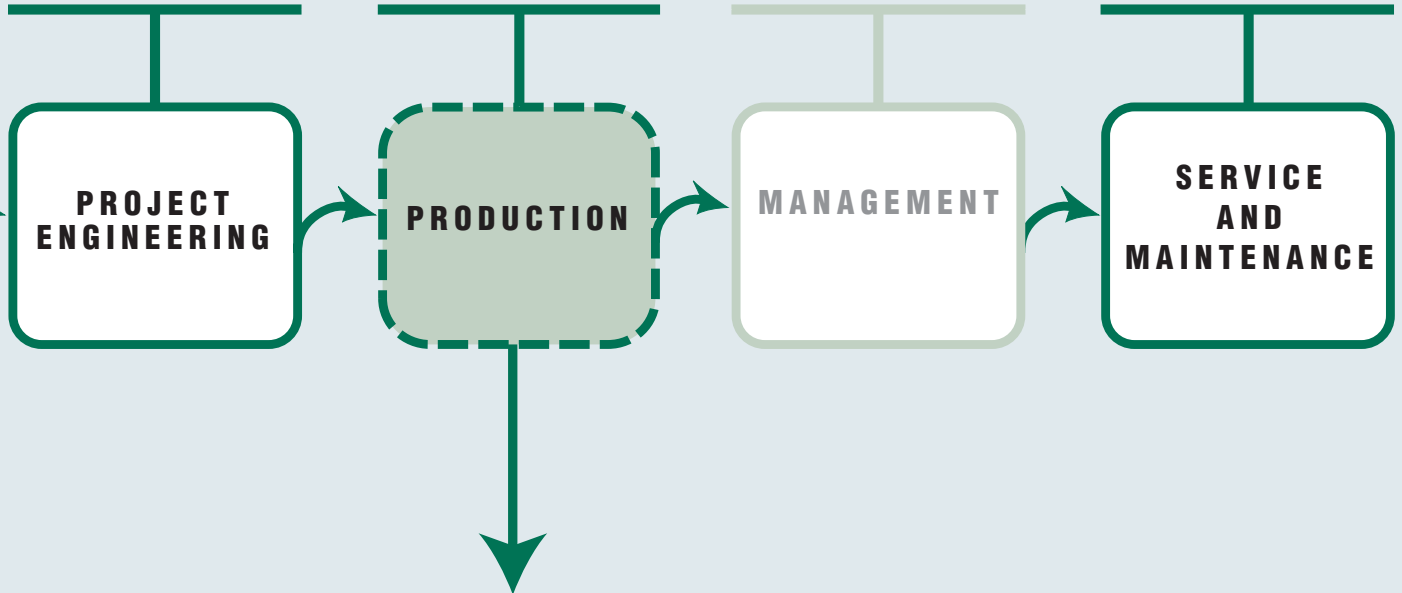
We know that our customers first and foremost look at the relationship between end product and end price, and therefore it is important for us in the group to have access to a significant share of the components required in the building process, to develop our production methods and to have competent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

The planning stage greatly influences the profitability of a project. In the case of trust-based contracts Peab and the customer work together right from the planning stage. Peab brings practical building expertise to project planning, e.g. as concerns choice of materials. Subcontractors are acquired on a joint basis.

This is Peab's centre of gravity in the construction chain. Peab works systematically towards being the most efficient and competitive builder in the market. In a sector where margins are narrow enhancing efficiency exerts a marked positive impact on profitability.

Finished projects must be handed over at the right time, with the required quality and to satisfied customers. Peab does not aim to own and administer finished buildings and thus compete with our customers.

Building and maintenance services for roads and buildings constitute an important part of Peab's activities. The mission is to have a base sensitive to the general economic climate in times of low new building starts.



#### OWN PERSONNEL

We see great benefits in those who carry out work being employed by the company. This allows us to deploy our skilled employees and other resources in the best way possible. We attach great importance to having "the right man at the right place". Moreover, having our own personnel affords us a good basis for continued improvements to the quality of our work so that we are constantly exceeding our customers' expectations.



#### COST EFFECTIVENESS

Cost consciousness must run throughout our organisation. This applies to everything from the way in which we organise and staff to the way in which we carry out day-to-day work at our work places. We constantly monitor our purchasing channels and methods of purchase. Always choosing the best alternative as regards quality and price is a basic prerequisite if we are to be competitive, and this process is best implemented in close cooperation with the customer.



#### NATIONWIDE

We have chosen to have offices and thus responsibility throughout Sweden, including smaller locations. By having a good local knowledge and being involved in on-the-spot networks, we are able to make the right decisions and pass on information quickly to our customers. This affords us a great competitive advantage.

#### LOW RISK PROFILE

We take great trouble to chart the risk profile of the projects we become involved in. Margins within the building and construction sector are so narrow that there is no scope for undertakings where we do not have control over the process right from the start. We would rather turn down a risky project than take risks that exceed the potential for profit.



#### RESOURCES

The group's industrial undertakings afford us access to important parts of the production chain in the majority of construction and civil engineering work that we take on. For example, throughout the whole country we are self-sufficient in rock and gravel by virtue of the quarries and pits to which we have access.

#### TRUST CONTRACTS

Cooperation with our customers from the earliest stages, integrating both parties' experience and expertise affords the best results from the points of view of time, price and quality. Doing things in this way avoids counter-party relationships; we all sit on the same side of the negotiating table and run the project jointly. As the name implies, honesty and trust are preconditions if this form of contract is to work. Therefore, Peab practices complete openness as regards the finances of all its projects and customers can themselves monitor budgets and costs down to the smallest detail.

## Contents

The year in brief	5
The Managing Director's comments	6
The Peab share	8
Business concept and financial objectives	10
The construction business	12
Construction and Civil Engineering	14
Industry	18
Coordinated resources	22
Common system of construction	26
The Swedish building and construction market	28
Trust/Management and Operations under Termination	32
Distribution of Brinova Fastigheter	33
Peab's human resources	34
Peab's environmental work	38
Financial risk management	42
Director's report	44
Income statements	47
Balance sheets	48
Cash flow analyses	50
Accounting and valuation principles	51
Notes	54
Auditors' report	67
Five-year summary	68
Board of Directors and Auditors	69
Executive management	70
Shareholders' information	72
Definitions	74
Addresses	75







## The year in brief

- Orders received increased by 14 per cent to SEK 19,121 million (16,747)
- Operating profit amounted to SEK 636 million (655), of which Construction and Civil Engineering Sweden increased to SEK 627 million (417)
- Profit after net financial items amounted to SEK 552 million (577)
- Continued strong cash flow before financing of SEK 808 Million (633)
- Equity/assets ratio increased to 28.2 per cent (24.8)
- The Board proposes an increased dividend of SEK 2.20 (2.10) per share
- The Board also proposes an extra dividend in the form of all shares in Brinova Fastigheter, which 31 December 2002 was equivalent to about SEK 5.60 per outstanding share

Financial summary	2002	2001
Net sales (MSEK)	19,818	18,721
Profit after net financial items (MSEK)	552	577
Return on equity (%)	15.3	18.7
Return per share (SEK)	5.80	6.00
Ordinary dividend per share (SEK)*	2.20	2.10
Extra dividend per share (SEK)*	5.60	—
Equity ratio (%)	28.2	24.8
Net liabilities (MSEK)	987	1,055

\*For 2002, proposed by the Board to the AGM

## Welcome to Peab's Annual General Meeting

### DATE AND VENUE

The Annual General Meeting of Peab AB will be held on Thursday 15 May 2003 at 3 pm in Grevieparken, Grevie. Notification of participation in the AGM must be submitted by 2 pm on Thursday 8 May 2003.

### NOTIFICATION

Notification may be submitted by phone to +46 431-890 00, by post to Peab AB, Information, 260 92 Förslöv or via our website at [www.peab.se/stamma](http://www.peab.se/stamma). In order to participate at the AGM the shareholder must be entered in the register of shareholders maintained by Värdepapperscentralen, VPC AB (the Swedish Securities Register Centre) by 5 May 2003 at the latest. Shareholders who have registered their shares in trust must have registered such shares in their own names at the latest by this date. Shareholders should request trustees to undertake such registering a few days in advance.

### DIVIDEND

The Board of Directors proposes to the Annual General Meeting an ordinary dividend for 2002 of SEK 2.20 per share. The proposed record date is Tuesday, 20 May 2003. If the AGM approves the proposal, the dividend payments are expected to be sent out from VPC on Friday, 23 May 2003.

In addition, the Board proposes to the AGM an extra dividend in the form of all shares in Brinova Fastigheter AB. The extra dividend is equivalent to about SEK 5.60 per outstanding share on 31 December 2002. The timetable for the dividend payment from Brinova will be decided at the AGM.



# With our forces united

## PEAB'S MARKET

Sweden is Peab's main market. It is here at home that we assess conditions for profitability are best and where we feel secure working in a market we are familiar with. Much of Peab's soul is here, and this is why we continue to operate more than 100 offices of varying size around the country. Construction activities are to a great extent based on local decisions. Peab is the local contractor with the big company's capabilities.

During 2002, we continued to see rapid development in Swedish activities. With our competitive quality and customer service we have seen our market position continued to gain in strength. Following our strategy of selling off finished projects has worked in our favour. We have sold off our ownership shares in Klara Zenit, which resulted in a project development profit of SEK 175 million. In the past year, there have been increasing signs that demand in the Swedish construction market is on the decline. Assessments of economic conditions point to a decline in or at best unchanged building investments. No improvement is expected before 2004.

However, at Peab we take a somewhat rosier view of the future. Our order book has been stable and positive for quite some time, and our order backlog is going in the right direction both as concerns size and length. We assess that demand will increase both as regards the building of homes and civil engineering works, segments within which Peab is well positioned.

Our overseas operations account for less than ten per cent of sales and they are concentrated in our neighbouring countries Norway and Finland. In Norway operations centred on Oslo and its surrounds, while in Finland we have offices in Helsinki, Tammerfors, Uleåborg and Wasa. The review which was carried out in 2002 revealed deficiencies in parts of operations, and overseas operations reduced operating profits by SEK 171 million. Peab's continued activities abroad will be characterised by great caution and will be subject to the same profitability requirements as the Swedish operation.

## HOMES FOR THE AVERAGE INCOME

Sweden needs at least 50,000 new homes to be built each year. This has been demonstrated by several independent studies. During the last ten years less than half of this annual requirement has been produced. In 2002,

**D**uring the past year, Peab has continued the strategic work of further enhancing the group with refinement and profitability as the key words. We are now a focussed construction and civil engineering company possessing the tools and skills needed to deal with the whole of the construction chain, from conception to service and maintenance of the project handed over. By now further honing co-ordination between the various units in the group we are uniting our forces to become more competitive. Our clear ambition is to enhance operations out at our places of work with the aim of improving profitability, while simultaneously creating added value for our customers, personnel and owners.



New Ericsson office block in Isafjord in Kista

there were about 21,000 home building starts in the country, thus leading to a further increase in housing shortages. If the country is to get to grips with this growing problem, taxation will have to be re-examined.

Over 60 per cent of the rent of a new home is made up of taxes and other duties. This factor in combination with overly expensive building land in growth regions is resulting in the building market lying beyond the financial scope of all too many people. Therefore, Peab is now building facilities at Katrineholm whose products will include building elements for private housing. This project will create opportunities for developing production of apartment blocks from today's prototype construction to a more industrial type of construction. All the incorporated processes can be improved and experience stored for future use. Peab aims to build homes that can be rented or bought by people with normal incomes, thereby broadening the customer base and making homes produced by Peab accessible to more and more people. The plant at Katrineholm should be ready for commissioning during the autumn of 2003.

#### NEW WAGE STRUCTURES

The building industry still applies a piecework system of wage payments to new building projects. This was introduced when building workers were generally only employed for the duration of the building project. This lack of security was compensated for by opportunities for re-negotiating wages during implementation of the project. This relic of bygone days, which has been abandoned by other sectors, has many unwanted side effects and lacks a sound basis in today's world.

The piecework system rewards time and rapidity. As an employer Peab seeks to reward quality, cost-effectiveness and well performed work. Moreover, the piecework system involves increased levels of stress, deterioration of the work environment, increased absence due to illness, wear on the workforce and difficulties with recruitment in the building industry. We are presumably the only industry which at certain workplaces negotiates wages every 12 weeks with the resulting unreasonable and unnecessary paperwork. This creates an unfavourable climate in the workplace and makes it difficult to build trust between the parties.

Peab is one of Sweden's largest construction sector

employers with more than 10,000 employees. We intend to intensify the efforts which have already begun to introduce a fixed monthly wage with a profit-based bonus scheme. Peab's employees definitely deserve to see a modernisation of wage systems within the building industry. We also intend to expand opportunities for preventive healthcare for our employees.

#### DISTRIBUTION OF INVESTMENT PROPERTIES

At Peab we repeatedly stress that we do not compete with our customers. We also underline that we aim to work in a long-term trust relationship with our customers, working together in a way that most benefits them. A major part of our orders come from property management companies, private apartment block owners, etc. If, at the same time, Peab builds up a long-term property management and ownership base, this would involve us in competition with the customers who order work from us. Peab can only own buildings during the building and improvement stages.

As a link in this strategy the Board of Peab proposes to the 2003 AGM that beside the ordinary cash dividend, Peab's investment properties should also be distributed as dividends to the shareholders. The intention is to list our property company – Brinova Fastigheter – on the stock exchange. We believe that this proposal affords the best opportunities both for Brinova and for Peab's shareholders to share in future creation of value. The proposal would result in the payment of an extra dividend of about SEK 5.60 per share, which together with a higher ordinary dividend of SEK 2.20 would amount to a total of about SEK 7.80 per share. Through the Brinova dividend, Peab has taken the last major step towards establishing a refined construction and civil engineering company.

#### PROSPECTS

Despite the fact that the overall building and construction market is expected to decline somewhat in 2003, based on Peab's favourable conditions and position, I predict continued progress for the group.

  
Mats Paulsson  
Managing Director



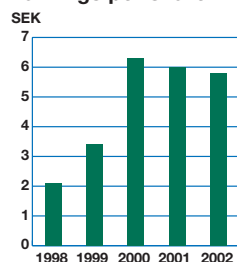
# The Peab share

Peab's B share is listed on the O list at the Stockholm stock exchange, Stockholmsbörsen. The share capital on 31 December 2002 came to SEK 872.0 million divided into 87,195,944 shares of nominal value of SEK 10. The share capital consists of Class A and B shares.

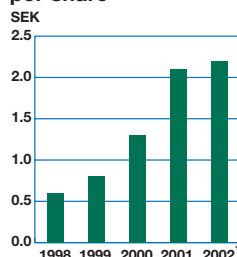
## WARRANTS

In 1992 a debenture loan with a nominal value of SEK 25 million was issued. This was redeemed during 1997. The

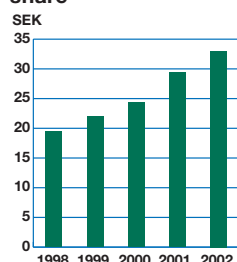
### Earnings per share



### Ordinary dividend per share



### Adjusted equity per share



loan was issued with 1,500,000 separable warrants which, after adjusting for the cash issues in 1994 and 1997, carried the right to subscribe to 2.04 new Class B shares per warrant during the period 1 May 1997 to 30 April 2002 at an issue price of SEK 22.10 per share. The 1997/2002 warrant has not been quoted.

In January 2002, the holders exercised their right to subscribe to shares in accordance with the warrant. This entailed Peab issuing a total of 3,060,000 new B shares and obtaining an additional SEK 67 million in equity. All previously outstanding share-related instruments linked to the Peab share have now been terminated.

## REPURCHASE OF OWN SHARES

On the date of the AGM on 16 May 2002, Peab's holdings of own shares amounted to 2,000,000 B-class shares. The AGM resolved to give the Board a mandate to repurchase a maximum of 8,700,000 shares in Peab AB during the period prior to the next AGM. Based on this mandate the Board decided to repurchase a further maximum 1,000,000 B shares. As per 31 December 2002 2,900,000 B shares, equivalent to 3.3 per cent of the total shares, had

been repurchased for a sum of SEK 118 million at an average price of SEK 40.84. No repurchasing has taken place

since July 2002. The purpose of the repurchase is to use the shares as payment on acquisition of small and medium-sized companies in Peab's main markets. On 14 March 2003, Peab sold 450,000 B shares as part of the purchase price of a previous company acquisition.

## INCENTIVE SCHEME

Peab has no share-related incentive scheme.

## DIVIDEND POLICY

The dividend should be in reasonable proportion both to long-term profit development and to the company's consolidation requirements, liquidity and general position. Peab's financial objective is for the dividend to shareholders to total 35-45 per cent of the profit after tax. The board proposes that the ordinary dividend for the 2002 financial year be set at SEK 2.20 per share (2.10) which corresponds to a yield of 5.0 per cent based on the closing price on 12 February 2003. Calculated as a proportion of the group's reported profit after tax, the dividend increased to 38 per cent (36). Calculated according to the number of outstanding shares, which entitle holders to dividend for the 2002 financial year, the proposed dividend means a total dividend amount of SEK 185 million (179).

In addition, the Board proposes to the AGM that an extra dividend payment of total shares in Brinova Fastigheter should be distributed to Peab's shareholders. This dividend would amount to SEK 470 million, which is equivalent to approximately SEK 5.60 per outstanding share on 31 December 2002.

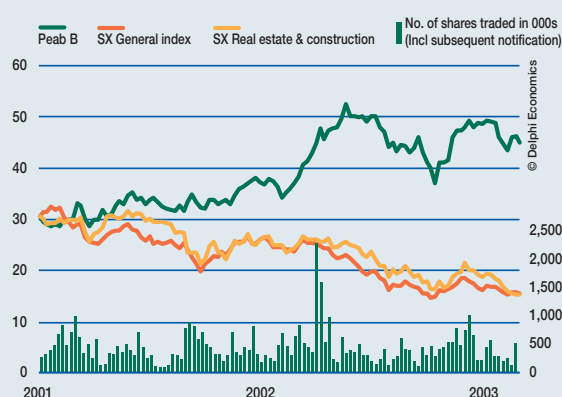
## TRADING WITH THE PEAB SHARE

During 2002, a total of 25.2 million shares (22.7) changed hands, which is equivalent to 101,000 shares (91,000) per trading day. At the end of 2002, the share price for the Class B share was SEK 49.40 (37.10), which is equivalent to a market value of SEK 4,307 million (3,121).

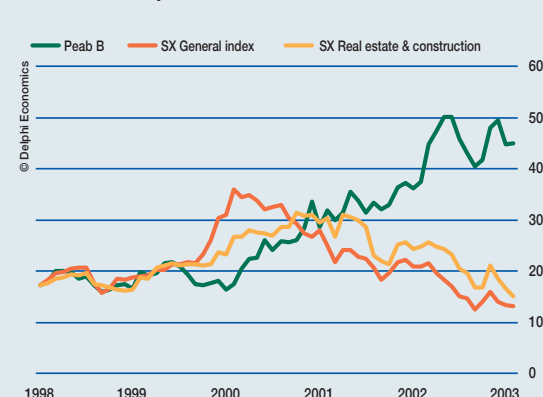
A number of analysts follow and carry out studies of Peab. A list of these analysts can be found on our website at [www.peab.se/analytiker](http://www.peab.se/analytiker).

1) For 2002, proposed for approval by AGM

## Peab B share performance since 2001



## Peab B share performance since 1998





## Share data

	2002	2001
Profit after tax, SEK	5.80	6.00
Adjusted equity, SEK	33.00	29.40
Cash flow before financing, SEK	9.60	7.50
Share price at year-end, SEK	49.40	37.10
Share price/adjusted equity, %	150	126
Ordinary dividend, SEK <sup>1)</sup>	2.20	2.10
Extra dividend, SEK <sup>1)</sup>	5.60	—
Yield, % <sup>2)</sup>	4.5	5.7
P/E ratio	8	6

<sup>1)</sup> For 2002, proposed for approval by AGM

<sup>2)</sup> Based on closing price at year-end

## Changes in share capital between 1974 and 2002

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

## List of shareholders 28 February 2003

Shareholder	A shares	B shares	Total no. shares	Prop. of capital, per cent <sup>1)</sup>	Prop. of votes, per cent <sup>1)</sup>
Erik Paulsson with family and company	3,487,890	3,699,358	7,187,248	8.2	22.0
Mats Paulsson with company	2,753,244	4,097,623	6,850,867	7.9	18.0
Mohammed Al-Amoudi	0	18,854,865	18,854,865	21.6	10.7
Fredrik Paulsson with company	987,340	962,164	1,949,504	2.2	6.2
Stefan Paulsson with company	987,340	954,298	1,941,638	2.2	6.2
Svante Paulsson with family and company	640,890	528,880	1,169,770	1.3	4.0
Sara Karlsson with family and company	640,890	352,087	992,977	1.1	3.9
Karl-Axel Granlund with company	0	4,650,000	4,650,000	5.3	2.7
AMF Pension funds	0	2,450,000	2,450,000	2.8	1.4
SHB funds and Life	0	1,821,520	1,821,520	2.1	1.0
LKAB	0	1,791,200	1,791,200	2.1	1.0
Robur funds	0	1,103,000	1,103,000	1.3	0.6
SEB funds	0	1,033,500	1,033,500	1.2	0.6
Other	308,108	32,191,747	32,499,855	37.4	20.0
<b>Total outstanding shares</b>	<b>9,805,702</b>	<b>74,490,242</b>	<b>84,295,944</b>		
Peab AB <sup>2)</sup>	0	2,900,000	2,900,000	3.3	1.7
<b>Total registered shares</b>	<b>9,805,702</b>	<b>77,390,242</b>	<b>87,195,944</b>	<b>100.0</b>	<b>100.0</b>

<sup>1)</sup> Of total registered shares

<sup>2)</sup> As per 28 Feb. 2003 a total of 2,900,000 B shares had been repurchased at an average price of SEK 40.84

## Shareholder agreement

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

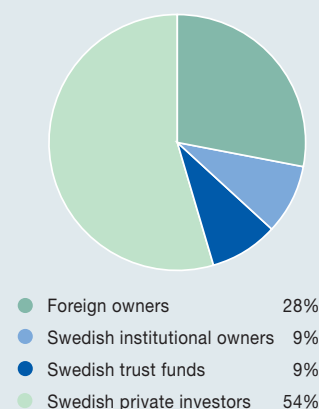
## Distribution of shareholdings 28 February 2003

Number of shares	Number of shareholders	Number of shareholders, per cent	Proportion of capital, per cent	Proportion of votes, per cent
1– 1,000	10,605	72.6	4.8	2.3
1,001– 5,000	3,178	21.8	8.6	4.4
5,001– 50,000	707	4.9	10.0	5.3
50,001– 100,000	48	0.3	4.2	2.1
100,001–	63	0.4	72.4	85.9
	<b>14,601</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

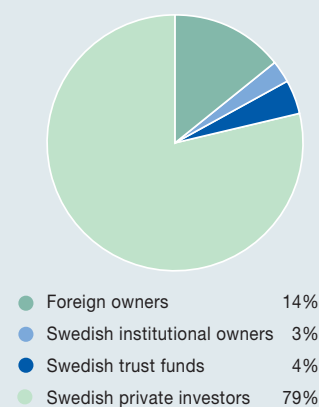
## Shares and votes per class of share 28 February 2003

Share class	Number	No. of votes	Prop. of capital, per cent	Prop. of votes, per cent
A	9,805,702	10	11.2	55.9
B	77,390,242	1	88.8	44.1
	<b>87,195,944</b>		<b>100.0</b>	<b>100.0</b>

## Owner categories, proportion of capital 28 February 2003



## Owner categories, proportion of votes 28 February 2003



# Business concept and financial objectives

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 solid professional skills, we aim to make our clients' interest our own and thereby build at all times for the future.

## THE PURPORT OF THE BUSINESS CONCEPT

- During recent years, as part of a systematically implemented refinement process Peab has sold off and phased out all activities that would not normally be carried out by a **construction and civil engineering** company. This principally concerns companies and operations taken over by Peab in a variety of ways during the building crisis at the beginning of the 1990s. Our aim is to have access to the resources needed for total production within the group in a quality-oriented manner. We have an extensive network of subcontractors and subsuppliers which complements our position as a stable and autonomous company on the Swedish building and construction market.
- To offer and supply **total quality** at all stages of the building process within the competitive arena where Peab is active. We are eager for our customers to see the ratio 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 extremely rapidly and it is important to maintain a well-reasoned balance between the old and the secure on the one hand and the innovative on the other. We implement our **innovative** ideas during both the planning and the building process in collaboration with our customers.
- The end product which our customers are entitled to demand requires our employees to possess a high level of **professional expertise**. 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 when it comes to our position as employer.
- The basic concept behind our trust 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 customer. 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 satisfy tomorrow's ethical requirements and demands for well thought-through environmental work. The future strength of the Peab brand will be evaluated based on our ability to build for the future.



Brannhäll school. Newly built school for Nacka county council

Beautiful Sandö bridge in Kramfors under repair



## THE GROUP'S FINANCIAL OBJECTIVES

The financial objectives for the group are as follows:

- Return on capital employed should amount to at least 12 per cent
- Return on equity should amount to at least 15 per cent
- The equity-assets ratio should exceed 30 per cent
- Dividend to shareholders should amount to 35-45 per cent of the profit after tax
- Cash flow before financing should be positive and rising.

Profitability is the overriding object of the group. By expressing profitability in the form of return on capital employed, the differences in tied capital in the group's activities are taken into consideration. For internal control, this objective is complemented with profitability requirements in the form of operating margin targets. In 2002, profitability on capital employed was 15.1 per cent (16.0).

Return on equity is used as a key ratio at group level and amounted to 15.3 (18.7) per cent in 2002.

The equity-assets ratio is an expression of the aim to continue reinforcing Peab's financial standing while ensuring constant scope for further investment. At present, we assess the 30 per cent target as being a level appropriate to Peab's activities. Should the equity-asset ratio be assessed as exceeding this level for a long period, capital must be transferred to the shareholders in an appropriate manner. As per 31 December 2002, the equity-assets ratio totalled 28.2 per cent (24.8).

Dividends should be in a reasonable proportion to changes in Peab's profits and consolidation requirements. For 2002, an ordinary dividend of SEK 2.20 per share (2.10) is proposed. Calculated as a share of the group's reported profit after tax, the proposed dividend represents an increase to 38 per cent (36). In addition the Board proposes an extra dividend in the form of total shares in Brinova, which at 31 December 2002 was equivalent to about SEK 5.60 per outstanding share.

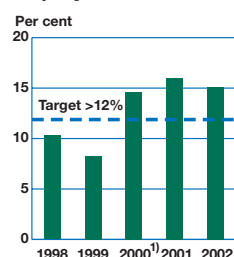
Cash flow before financing should be positive and rising. The cash flow should either be reinvested in the business or distributed to shareholders. The cash flow before financing amounted to SEK 808 million (633) during the year.

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

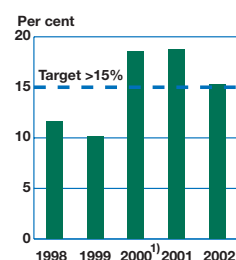
Where there are major changes in the structure of Peab or external conditions, for example as a result of changes on the financial markets or political decisions, Peab will modify the financial objectives as necessary.

	Target	2002	2001	2000	1999	1998
Return on capital employed	>12%	15.1	16.0	14.6 <sup>1)</sup>	8.3	10.8
Return on equity	>15%	15.3	18.7	18.5 <sup>1)</sup>	10.1	11.6
Equity/assets ratio	>30%	28.2	24.8	22.7	23.1	20.4
Dividend	35-45% of profit after tax	38 <sup>2)</sup>	36	26	24	29
Cash flow before financing	Positive and rising	808	633	411	169	-310

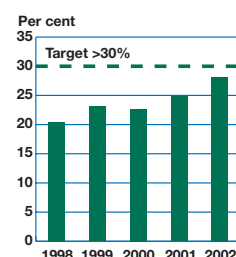
### Return on capital employed



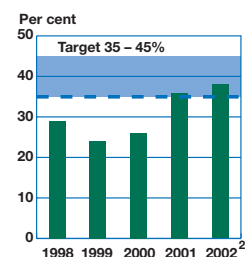
### Return on equity



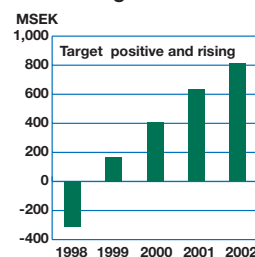
### Equity/assets ratio



### Dividend/profit after tax



### Cash flow before financing



1) For 2000, excluding a SEK 200 million refund from Alecia entered to revenue

2) Proposed by the Board to the AGM



## The construction business

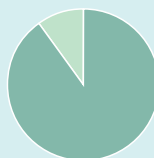
The Construction and Civil Engineering and Industry business sectors constitute Peab's core business. These activities complement each other well and cooperate to reinforce Peab's competitiveness. There are construction-related activities in Sweden, Norway and Finland.

Civil engineering activities are mainly confined to Sweden. The activities of the Industry companies are also mainly confined to Sweden. There are also some crane and plant hiring operations in Norway and Finland.

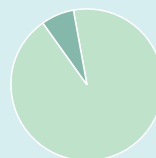
### PEAB'S MARKETS

Share of sales

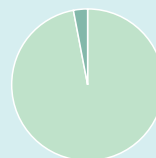
Sweden 90%



Norway 7%



Finland, other 3%





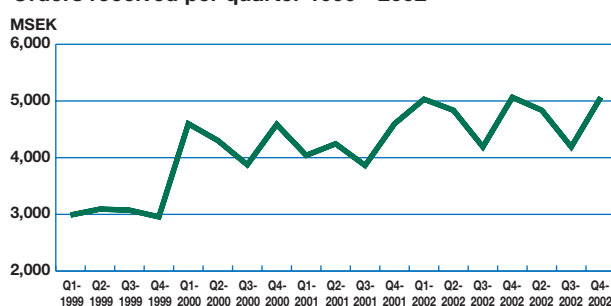
## The construction business

MSEK	Net sales			Operating profit			Operating margin, %		
	2002	2001	2000	2002	2001	2000	2002	2001	2000
<b>Construction and Civil Engineering</b>									
Sweden	15,658	14,530	12,632	627	417	343	4.0	2.9	2.7
Abroad	1,769	1,541	999	-171	9	29	neg	0.6	2.9
<b>Total</b>	<b>17,427</b>	<b>16,071</b>	<b>13,631</b>	<b>456</b>	<b>426</b>	<b>372</b>	<b>2.6</b>	<b>2.7</b>	<b>2.7</b>
<b>Industry</b>									
Swerock/Asphalt	2,798	2,762	2,249	167	181	167	6.0	6.6	7.4
Plant/Crane	599	605	522	135	139	97	22.5	23.0	18.6
<b>Total</b>	<b>3,397</b>	<b>3,367</b>	<b>2,771</b>	<b>302</b>	<b>320</b>	<b>264</b>	<b>8.9</b>	<b>9.5</b>	<b>9.5</b>
Internal sales	-1,125	-1,058	-955						
<b>Total construction business</b>	<b>19,699</b>	<b>18,380</b>	<b>15,447</b>	<b>758</b>	<b>746</b>	<b>636</b>	<b>3.8</b>	<b>4.1</b>	<b>4.1</b>

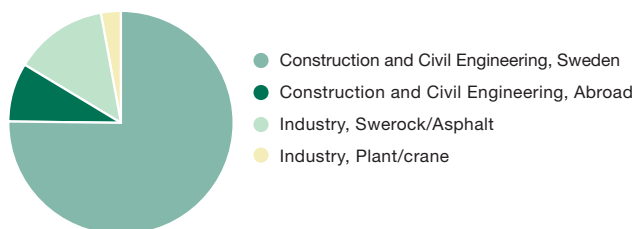
### Construction and Civil Engineering Order backlog to produce and orders received

MSEK	2002	2001	2000
Coming financial year	9,153	9,059	8,398
Next financial year	2,925	1,975	2,480
Thereafter	774	539	17
<b>Total order backlog</b>	<b>12,852</b>	<b>11,573</b>	<b>10,895</b>
<b>Orders received</b>	<b>19,121</b>	<b>16,747</b>	<b>17,362</b>

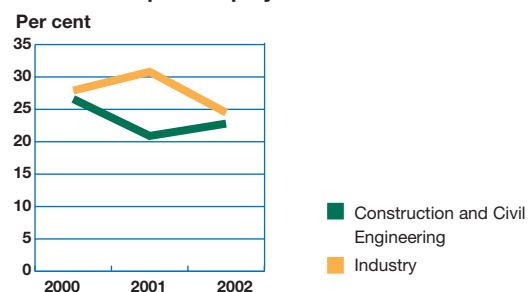
### Construction and Civil Engineering Orders received per quarter 1999 - 2002



### Proportion of Group sales



### Return on capital employed



Sandö bridge in Kramfors



Private housing Maria Park in Helsingborg



AstraZeneca pharmaceuticals factory Södertälje

## CONSTRUCTION AND CIVIL ENGINEERING

Net sales for the Construction and Civil Engineering business sector increased to SEK 17,427 million (16,071), an increase of 8 per cent. Operating profits increased by 7 per cent to SEK 456 million (426).

Operating margin on Swedish Construction and Civil Engineering activities has continued to improve. Following the closure of local civil engineering operations and after reviewing our activities, overseas activities reduced operating profits by SEK 171 million.

### Sweden

#### OPERATIONS 2002

The Swedish construction business continued to evolve favourably throughout 2002 as a result of the continued favourable building climate and continued efforts to enhance the efficiency of own operations. Operating profits increased by SEK 210 million to SEK 627 million, and were the best ever for construction and civil engineering activities in Sweden. The order backlog at the beginning of 2003 amounted to SEK 11 billion, and this was also an all time high. Peab's residential housing production and road and civil engineering works are making positive progress and increasing their share of total activities. However, the commercial office market declined during the year, especially in the major cities and surroundings, and business has moved towards public contracts. There are many indications that market growth will be less rapid during 2003.

The commitment to trust-based contracts continues. Cooperation with our customers from the earliest stages integrating both parties' experience and expertise has shown itself to afford the best results from the points of view of time, price and quality. Consequently, trust contracts are highly appreciated by our customers and often result in long-term cooperation.

Peab's own project development mainly of housing projects, but also of commercial projects, continues to grow throughout the country. As for commercial development



Shops and offices in Unionen in Helsingborg

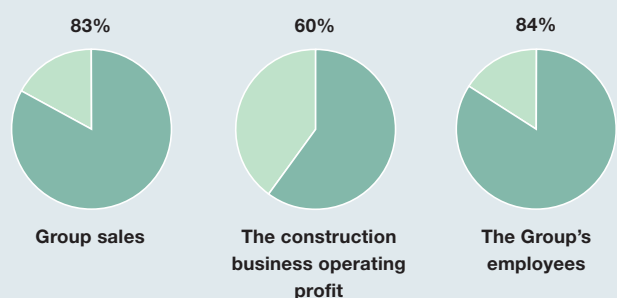
projects, we are seeking to set up a number of partnerships at an early stage in order to incorporate the customer's own specialist expertise and, at the same time, reduce risk exposure.

Coordination of the Group's various activities continues to produce satisfactory results. Here we might mention the construction of a new concrete element factory in Katrineholm in collaboration with Swerock. The aim is to discover new efficient frame manufacture systems which will help reduce the price both of housing and commercial properties, develop new housing concepts, etc. Attaining a

#### Construction and Civil Engineering Key figures

MSEK	2002	2001	2000
Sales	17,427	16,071	13,631
Operating profit	456	426	372
Operating margin, %	2.6	2.7	2.7
Capital employed	2,253	2,536	2,304
Return on capital employed, %	22.8	20.9	26.6
Gross investment	479	242	357
Number of employees	8,635	8,727	8,157

#### Construction and Civil Engineering's share of



greater degree of prefabrication at the building site is one way of reducing production costs. If housing production is to be made more economical, we must find a system which enables repetitive production of basic elements, while allowing variations in building appearance and planning.

Even sharper focus has been brought to bear on our employees and their commitment and work has started on the "Best workplace in the sector". This strategy is being implemented in the six priority areas: work environment, skills development, organisation of work, wage structures, communications and employee commitment. Specific targets have been set up to increase the pace of development, and as a consequence Peab aims to achieve results in the form of even more deeply committed staff and more satisfied customers.

An increased commitment to the building of residential housing and a fine tuning of units and business areas specialised in housing production has been extremely successful. The chosen strategy of building apartments which people can afford to live in, i.e. to avoid the most expensive sites and the most exclusive styles of building means that Peab has been able to reach a broad spectrum of customers.

Within the civil engineering division there has been continued commitment to infrastructure projects, and in the course of the year the company obtained several major road construction contracts. Road services, i.e. the operation and maintenance of stretches of road for the Swedish National Road Administration, is also an area experiencing good progress.

A web-based financial management system, unique within the industry, is now fully operative and allows projects to be followed up in an extremely efficient manner



out at the individual workplaces. This is a comprehensive system and is used both for forecast and outcome reporting throughout the whole business.

## ORDERS 2002

Major building projects initiated during the year include conversion and new building of offices in the so-called Korvfabriken on Södermalm for Atrium and Drott for about SEK 675 million, residential housing in Stockholm in collaboration with HSB for SEK 450 million, a multi-centre in Åre for the Finnish Holiday Club for about SEK 310 million, new offices for Telia in the Kranen area of Malmö for about SEK 225 million, new building of 330 apartments for Poseidon in Kv Jankowitz in Gothenburg for about SEK 290 million, and a sport and exhibition centre for about SEK 150 million in Nyköping.

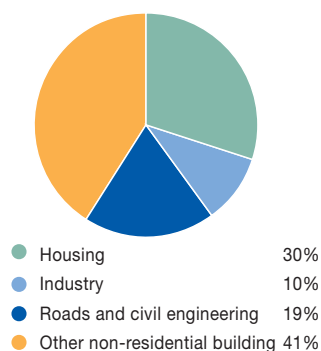
As for civil engineering, we might mention the contract for the Swedish National Road Administration, the E4 at Örkelljunga, where the tender sum amounts to approximately SEK 410 million and an operation and maintenance contract for the Swedish National Road Administration comprising a total of 4,200 kilometres of roads in the district of southern Norrland at a tender price of SEK 600 million and with options for a further SEK 240 million. Work on the Tranebergsbron bridge continued during 2002 and a new bridge has been opened to traffic.

## PROJECT DEVELOPMENT

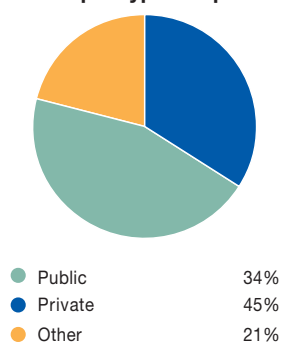
Peab aims not to own fully finished investment properties. Peab works

## Distribution of sales Construction and Civil Engineering

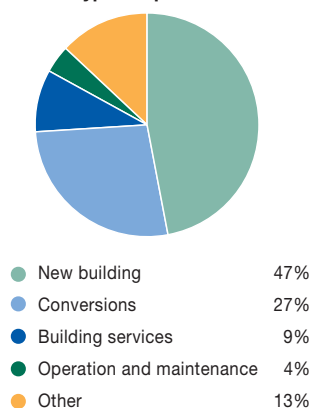
### Sales per product type



### Sales per type of operations



### Sales according to type of operation



## Building rights

Thousand of sq. meters	2002	2001
Housing	742	715
Commercial premises	423	339
Industrial premises	125	148
<b>Total</b>	<b>1,290</b>	<b>1,202</b>
<b>Number of projects</b>	<b>124</b>	<b>136</b>





Peab's personnel feel a great commitment towards our customers

with contracting operations as a complement to project development. By working on project development we are able to influence future land deployment for those project and exploitation properties that we own or otherwise dispose of in some way. These project and exploitation properties include both land for exploitation and finished buildings with improvement potential.

Project development involves collaboration with customers from an early stage, initiating and developing projects, correlating and coordinating plans and production procedures. Peab's project development department makes every effort to reduce risks. Agreements with end-purchasers and external financing must always be in place before the first sod is cut.

Peab's ownership share in the Klara Zenit project in Stockholm was sold to Wihlborgs at a project development profit of SEK 175 million.

Total holdings of project and development properties within the Construction and Civil Engineering area were recognised in accounts at year end to a value of SEK 726 million. Peab's ambition is to commit approximately SEK 1 billion to project and development properties within the Group. As at 31 December 2002, 124 projects, corresponding to building rights over a total of 1.3 million sq. metres, were directly or indirectly owned by Peab or were in some other way at the disposal of Peab. The major part of these were in the growth regions of Malmö, Gothenburg, Stockholm, or the Mälardalen.

## Norway

Peab's Norwegian activities are confined to the central Östland area, first and foremost in and around Oslo. During 2002, the company employed approximately 500 staff within the construction department, the regional civil engineering department and project development. Their main activity was the construction of residential housing.

As was the case during the previous year, 2002 was characterised by active recruitment work. Throughout the year, the company worked systematically on skills development at every stage of the process, focusing on a strong and favourable contractor culture.

During the autumn, Peab carried out a review of the Norwegian operation. A new management was appointed to Norwegian operations during the first quarter of 2002. As early as the second quarter, a decision was taken to close down the local civil engineering business. This resulted in closure costs of SEK 36 million. During the autumn, the rest of the business was thoroughly scrutinised, and it was concluded that the production planning system and the project follow-up system were in need of improvement. In addition, the financial outcome of settled disputes resulted in a re-evaluation of certain other ongoing disputes. The majority of ongoing disputes stem from projects completed between 1993 and 1999. The Norwegian business reduced fourth quarter profits by SEK 105 million.

During 2002, sales stemming from house building and



property maintenance increased, whilst those stemming from commercial building and civil engineering activities declined. A number of major projects were started during 2002: two major projects in central Oslo, Marienlyst Park and Vestbane-alléen, with contract values of approximately SEK 450 and 230 million, respectively; the extension of Asker station outside Oslo for SEK 200 million, and a new office project on Skøyen in Oslo for SEK 240 million.

Despite the fact that there have been high levels of overall investment in the Norwegian construction market during recent years, levels are expected to remain unaltered. The situation in the market is a matter of some uncertainty. Demand for newly built housing in the upper price segment is beginning to level off, and there is also some uncertainty as to how much of the promised public works program will actually be implemented. In 2003, as far as Peab is concerned, a small reduction in house building is expected, while levels of commercial building are expected to remain unchanged and maintenance work is expected to increase.

## Finland

Peab's building and construction activities in Finland are primarily confined to the cities of Helsinki, Tammerfors, Wasa and Uleåborg. Earlier, Peab primarily concentrated on repair and maintenance projects, but during recent years the share of new building has increased, principally as regards housing and public premises.

2002 saw operating losses, primarily as a result of poor production management on certain major projects. The rapid expansion resulted in overhead costs being out of proportion to the volume of production. Exactly as was the case with the Norwegian operation, the planning and project follow-up systems did not function satisfactorily. The necessary measures have been taken to improve profitability in the future.

The big ongoing project being carried out by Peab's Finnish business at the end of 2002 was the extension to the University of Tammerfors and the Sports and Ice-Skating Lappi Areena in Rovaniemi.

The most important growth areas in Finland are Helsinki and the area around the capital, Tammerfors and Uleåborg. Peab's future expansion in Finland will mainly concentrate on the greater Helsinki area. The Finnish building and construction market depends greatly upon general economic trends. The trend has been downwards over the past year. During 2002, approximately 28,000 apartments and houses were started, which is similar to the 2001 level. House building and construction topped in 1999, when more than 34,000 homes were started.



Bridge repairs on Sandø bridge in Kramfors



Conversion of the Gamlebo nursing home in Stureby



Moving house in conjunction with the expansion of Asker's Station in Oslo.

## INDUSTRY

The Industry business sector comprises the subsidiaries Swerock, Skandinaviska Byggelement, Peab Asphalt, Lambertssons Kran and Lambertsson Sverige, all of which are independent companies with their own strong brand names. Net sales amounted to SEK 3,397 million (3,367) in 2002, while operating profit amounted to SEK 302 million (320). Of total sales in the business sector, external invoicing accounts for approximately 70 per cent.

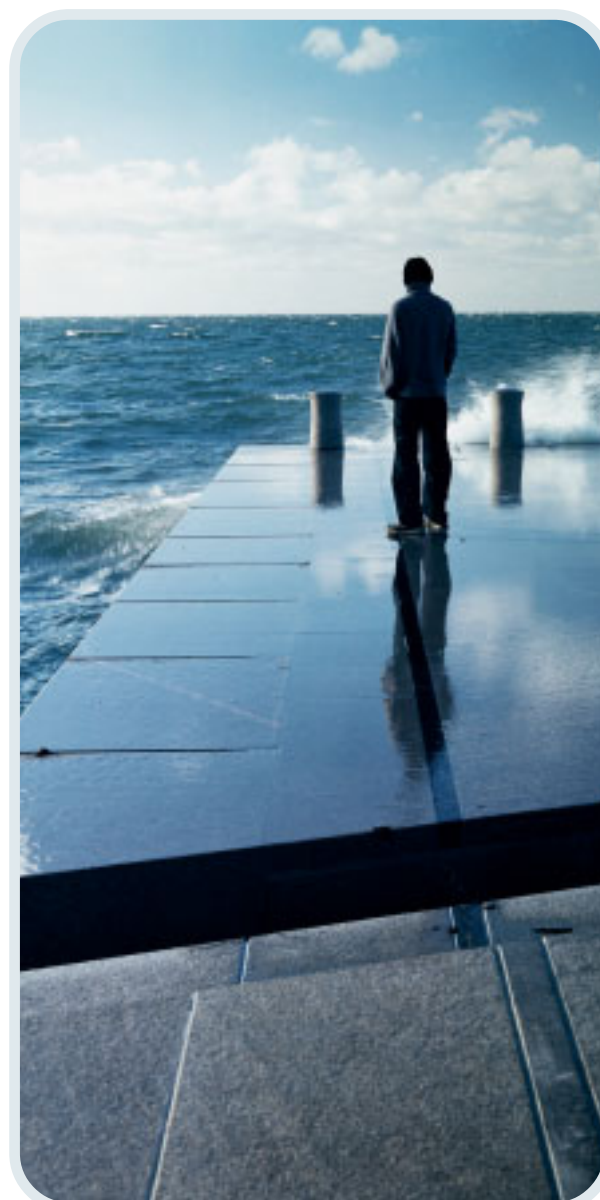
### Swerock

With its six nationwide regional offices Swerock, Peab's concrete and rock company, is Sweden's largest supplier of ready-mixed concrete and one of Sweden's largest suppliers of rock and gravel. The company also carries out operations with transport and contract machines. Sales are mainly confined to Sweden. At the end of the year, the company had a workforce of 600 employees.

At the beginning of 2002, Swerock divided up the company in order to obtain increased specialisation and to go onto the offensive within the respective business sectors. The concrete element business was moved to the newly established Skandinaviska Byggelement and ground paving products have been collected under the S:t Erik's company name. Following the splitting up of the company, Swerock operates in three business areas.

### ROCK AND GRAVEL

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

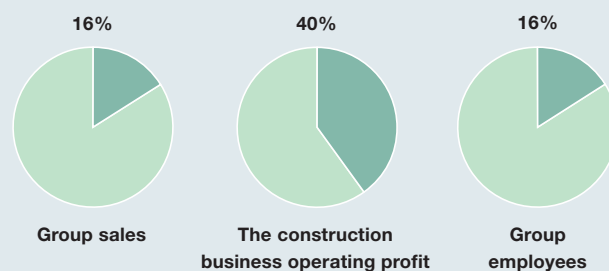


Paved pier at BO 01 in Malmö

### Industry Key figures

MSEK	2002	2001	2000
Sales	3,397	3,367	2,771
Operating profit	302	320	264
Operating margin, %	8.9	9.5	9.5
Capital employed	1,376	1,171	967
Return on capital employed, %	24.5	30.8	27.9
Gross investment	327	325	250
Number of employees	1,597	1,551	1,316

### Industry's share of



actively on the acquisition of quarries, especially within the regions around major towns and cities. The future profitability of the business depends on good long-term planning with regard to new quarries in the neighbourhood of future infrastructure commitments. During 2002 the company acquired Aros Grusförädling in Västerås. It is the company's ambition to expand further and increase rock quarries while phasing out or restoring gravel pits.

#### **READY-MIXED CONCRETE**

Swerock has 50 concrete factories and is Sweden's leading supplier of ready-mixed concrete. During 2002, a majority holding was acquired in the previously partly owned Byggbetong in Norrland.

In 2002, the company supplied substantial quantities to the infrastructure project in Gothenburg and the various projects associated with motorway construction on the E4. Major adjustments are being made according to the construction requirements and the special needs of the customer through constant product development.

#### **TRANSPORT AND PLANT**

In southern Sweden under the Clifton brand name the company supplies all transport needs within the contracting sector, from transport to the leasing of various types of contract plant and machinery. In this business area, you will find the Group's overall transport and plant 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. Swerock's vehicle and plant machinery are specially constructed to meet the needs of the various parts of the business.

#### **THE CONCRETE MARKET 2002**

In 2002, the decline in the production of commercial properties has resulted in some decline in the volume of factory concrete produced, especially in the Stockholm and Mälardalen. Moreover, newly established businesses have resulted in tougher market conditions. Success in acquiring infrastructure projects offset the turndown in commercial building, thus, it has been assessed, leaving total volumes at satisfactory levels in the future.

#### **Skandinaviska Byggelement**

Skandinaviska Byggelement was founded at the beginning of 2002, having previously formed part of Swerock's business operations. The company is a total supplier of 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. It also manufactures prefabricated elements for infrastructure and slabs for ground paving and environmental construction in the S:t Erik's subsidiary. The company has a workforce of 260. The company will intensify its focus on housing and infrastructure, e.g. bridge systems. The company's major order for roof elements for the Södra Länken tunnel project in Stockholm has now been completed.

#### **INVESTMENT IN KATRINEHOLM**

During 2002/2003, approximately SEK 170 million is being invested in Katrineholm in the building of Skandinaviska Byggelement's new plant for the manufacture of shell walls, solid concrete walls and flat concrete base courses. This investment is a joint Group undertaking and is an important cornerstone in the development of a common Peab building



Peab Asphalt works on the production and laying of hot, warm and cold asphalt



Clifton, a unit of Swerock, is able to provide every type of contract machinery



Swerock has 300 stone quarries and gravel pits

system. Experience and expertise are to be associated and result in a end product for which Peab can provide long-term guarantees both as regards quality and functionality. In the near future, it will be possible to almost double housing production capacity, while at the same time affording opportunities for improving the common group building systems. We assess that production will start up in the late autumn of 2003.

#### S:T ERIK'S

S:t Erik's is Sweden's market leading supplier of ground paving and slabs and works consistently 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 building trade chains and with a number of local councils. Within this company too, there is comprehensive internal collaboration with Peab's civil engineering resources, working constantly towards developing enhanced products and production methods.

### Asphalt

Peab Asphalt is Sweden's third largest company engaged in the production and laying of hot, warm and cold asphalt. Peab Asphalt owns 10 stationary asphalt factories and 6 mobile asphalt plants. This is the Peab unit that has grown most in the last five years. From having sales of SEK 400 million in 1998 the asphalt company has expanded through acquisitions and organic growth and increased its market share of the relevant overall market to a point where sales amounted to approximately SEK 1 billion in 2002.



S:t Eriks is a market leader in Sweden in the areas of ground paving and slabs

PNB Asphalt was acquired at the end of 2002. This company operates primarily in southern Sweden. The company has a large number of ongoing maintenance contracts, modern machinery and two asphalt plants. This acquisition is a good geographical complement to Peab's asphalt business, and strengthens our position both in the areas of production and asphalt laying. Following the acquisition of PNB Asphalt, Peab's asphalt business will have sales in the region of SEK 1.2 billion.

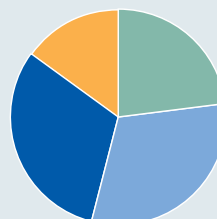
2002 may be regarded as an intermediate year, one which was focused on consolidation of the company. The order position for 2003 looks very good. The civil engineering business has been successful in that orders for road construction projects are creating good opportunities both from the point of view of volume and profitability. A major commitment is now being made to increase coordination between the civil engineering resources, Swerock and Peab Asphalt. Activities devoted to product development both from the point of view of performance and composition of surfacing materials are being stepped up and full scale trials will be carried out as part of the ongoing motorway project.

The company had a workforce of 570 at the end of the year.

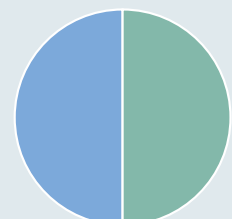
### Plant and machinery

Lambertsson Sverige is a company devoted to the leasing of e.g. work sheds, scaffolding, generators, machinery and electrical equipment, and the sale of materials related to this business. The company operates from 16 depots in Sweden, from which it enjoys nationwide coverage. The company also carries out work on temporary electricity installations at building and civil engineering sites. 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.

Swerock  
Sales per operations



Skandinaviska Byggelement  
Sales per operations



Rock & Gravel 23% Transport & Plant 31%  
Ready-mixed concrete 31% Other 15%

Elements 50%  
Paving products 50%



During the year, work was done on establishing the same concept in Norway, and activities will also start up in Finland in 2003. During 2002, Aros Byggställningar which operates in the Stockholm and Mälardalen, was incorporated.

Lambertsson Sverige employs about 210 people.

## Crane

With more than 300 cranes and lifts in operation, Lambertssons Kran 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. Lambertssons Kran also operates in Finland.

During 2002, profitability and sales in all the Swedish regions were satisfactory. During the second half, the Stockholm market was affected by the downturn in commercial building and this reduced demand. Market conditions were also harder in Finland due to the setting up of new companies and a tougher competitive climate.

There are 2-3 major players in the Swedish market, but in general the market is fragmented with many small local crane companies. As a market leader, Lambertssons Kran will play an active part in the future restructuring of the sector.

The company's most important ongoing project involves the supply of crane services to Peab's work on the Tranebergs bridge in Stockholm. The major HSB project Turning Torso in Västra Hamnen in Malmö began in 2002. Turning Torso will be a 54 storey apartment and office block, and Lambertssons Kran have been awarded the crane contract with two cranes that will work at a height of 200 meters when at their highest.

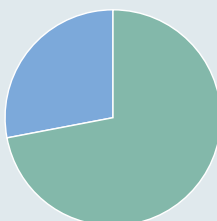
The Swedish business is quality certified according to ISO 9002.

Lambertssons Kran employs about 170 people.



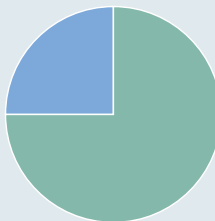
A crane from Lambertssons mounted on a gate over Engelbrekts-gatan in central Malmö wide enough for traffic in both directions

**Asphalt**  
Sales per operations



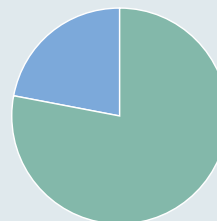
Contracts 72%  
Manufacture 28%

**Plant**  
Sales per operations



Plant 75%  
Electricity 25%

**Cranes**  
Sales per operations



Mobile cranes 78%  
Building cranes/lifts 22%

## COORDINATED RESOURCES

**In order to live up to the requirements and expectations of our customers it is important for Peab to have an effective and efficient organisation capable of carrying out high quality complex projects smoothly and cost-effectively. This requires efficient cooperation between the various subsidiaries of the Group, a cooperation that was the basis of the success enjoyed by Peab in carrying out a number of major projects over the past year. This was especially noticeable in Peab's civil engineering division which was awarded several major contracts very much thanks to cooperation at an early stage between the various units in the Group, such as Swerock/Cliffton, Lambertssons and Peab Asphalt, which opened the way for the submission of competitive tenders.**

For some years now, Peab's expertise and knowhow in the infrastructure area has been gathered in the civil engineering division, which is divided into three regional units that

cooperate and support each other in a number of projects. The division also collaborates with Peab's industry companies in order to exploit Peab's overall resources as efficiently as possible.

## INTERNAL COOPERATION

Internal cooperation may appear to be something that is self evident, but an organisation which is built around independent subsidiaries each with their own profit responsibilities is subject to a variety of conflicting interests. From the point of view of the civil engineering division for example, the industry companies are both customers and suppliers, but in order to achieve good results it is important that the various companies do not work towards improving their own profits without first having taken the overall picture into consideration.

One way of getting round this difficulty is to allow the various companies to work together right from the calculations stage where calculations for major projects are concerned. The prospective project managers function as tender managers and get in touch with those subsidiaries that will supply e.g. asphalt, rock and stone and concrete at an early stage.

We at Peab have a tradition for open and honest collaboration, where each unit submits ongoing reports on the progress of the various projects. An internal incentives



Newly built warehouse for  
NewWave in Dingle

**Repairs to the Sandö bridge in Kramfors while traffic is still running**



**Conversion and extension of IKEA's furniture store in Jönköping**



scheme underpins this work and counteracts attempts to optimise profits in the individual subsidiaries.

This manner of working has grown ever more important as risk analyses attain increasing importance when assessing new major projects. For Peab as supplier, credibility and reliability in the eyes of the customer are crucial, and thus we must be able to deliver what we have undertaken to deliver, which in turn means that we must be prepared to turn

down projects which we believe are beyond our capacity or where the risk level is assessed as excessive. When weighing up these questions, being able to exploit the specialised overall expertise of the subsidiaries is of great importance.

#### **NEW KNOWHOW**

At the same time as Peab is concentrating on those civil engineering projects with the best chance of success, the



**Cranes towering over the rebuilding going on in the block Klara Zenit in Stockholm**



**Ericsson's new offices blocks in Kista**



Group is constantly striving to advance its positions in other areas. This might take place via minor assignments which allow us to slowly accumulate knowhow. This work also requires an exchange of experiences and cooperation between the various Group subsidiaries.

#### **SHORT DECISION-MAKING CHANNELS**

Experience has shown that all the major projects Peab has brought home during recent years were based on long-lasting and early collaboration between the various units of the Group, integrating experience and knowhow from previous projects. Peab has a humble organisation with a down-to-earth manner of working and short decision-making channels, which facilitate coordination within the Group. Each subsidiary enjoys a large measure of freedom as regards developing expertise based on own needs. The resulting efficiency benefits must first and foremost be used to improve the Group's overall profits in the best way possible.

### **Project E4 Örkelljunga**

Collaboration between the various Peab units is being tested in practice in the project currently underway on the current extension of the E4 motorway past Örkelljunga. Peab's civil engineering division, Swerock/ Clifton, Peab Asphalt, Lambertssons and Peab's geotechnical specialists all participated in the planning of the project, which will take several years to complete, at an early stage, thus creating satisfactory conditions for efficient and cost-effective implementation.

The stretch of the E4 past Örkelljunga is extremely busy and there are many accidents. The need to upgrade the stretch to motorway standard has long been discussed, and during the summer of 2002 construction work, which comprises a 30 kilometre stretch of motorway between Eket and Skånes Fagerhult, started.

It is especially important to create continuity at the personal level. Leading persons in each project should always

**The new E4 motorway project at Örkelljunga includes 20 road bridges**



**Aerial view of the future new stretch of E4 motorway past Örkelljunga**



have experience from previous similar projects, thus making it easier to see what needs to be done better, what difficulties may be avoided and which technical alterations can be implemented to create added value for the customer and thus improve profits.

Given the spasmodic nature of public sector orders, it is even more important that the Group's organisation is in a position to strengthen the cycle of experience and know-how, and thus create the basis for competitive tendering processes and efficient implementation of work.

The road project, which is one of the biggest in the Skåne region in recent years, is being carried out in three stages, of which Peab is responsible for two, which together add up to a contract value of SEK 400 million.

The motorway project by-passing Örkelljunga is basically a traditional road construction project, but involving the removal of unusually large volumes. 1.5 million cubic metres of earth will be excavated, and as the road will pass through virgin terrain and be equipped with 20 road bridges, there will be major excavation works. 300,000 cubic metres of earth and 120 000 cubic metres of rock must be replaced. Taken as a whole, this means that the Group's overall expertise and knowhow will be applied during the project.

Peab's civil engineering division, which is running the motorway project, itself has 30 officials at the site, of which five are outside consultants. In addition, there are 50 bridge builders and 10 construction workers. To ensure that the work is carried out as it should, coordination with the Group's industry company must be smooth and efficient.

In Peab's case, the planning of the road works began long before the project had even been put out to tender. The financial aspects in a project of this size are very much determined by the costs of asphalt, superstructure materials and transport, all of which require careful advance planning.

Therefore, at an early stage, Swerock/Cliffon had assured themselves that there were suitable rock deposits in the vicinity of the road. When the Swedish National Road Administration's took on more definite shape, Peab's civil engineering division began more detailed discussions with Cliffon as to how the company would solve the problem of supplying superstructure material, i.e. crushed stone, for the road embankments.

In this case early planning was particularly important, as it requires time to apply for all the necessary permits needed to open up a stone quarry. It was precisely this access to own quarried stone, not only for supplying material to Peab's two stages of the road works but also to stage three, which will be carried out by the Swedish National Road Administration's Production unit, was an important competitive parameter when Peab submitted its tender.

There were also other aspects beside gravel pits where it was

of great importance for Cliffon to get in on the project at an early stage. In fact, Cliffon does not only supply superstructure materials but also all the contract machinery needed to carry out the works, of which about half come from the company's own plant and machinery stores and the rest are leased.

The lease of contract machinery is not just a question of the right type of machinery, but it is also a question of finding the right machine operators accustomed to working with the relevant type of terrain. In this particular case, the motorway runs through the border districts between the regions of Skåne and Småland, where the landscape changes rapidly between open country and more barren woodland terrain. Thus there are different requirements placed on machine operators in stages I and II.

This type of problem as to the types of machine needed, demands placed on machine operators, and the need for superstructure materials was discussed at an early stage by the responsible project manager together with Cliffon, which in its turn was responsible for purchase of materials. The method of working had been tested on a previous occasion in connection with the building of the entrance roads to the Öresund bridge, but in the case of the Örkelljunga project collaboration took place at an earlier stage to improve efficiency.

Parallel with Cliffon's gravel supply planning, soil engineers began investigations as to the opportunities and risks associated with the project; based on their work several possible solutions were drawn up.

Coordination with Peab Asphalt also started early in the project phase to ensure that the work would be carried out in the best and most economical manner possible. These initial meetings did not just deal with logistics but also with the finding of alternative surfacing materials for the various sections of road. Among initiatives, Peab offered the Swedish National Road Administration to test a new surfacing concept, SwePave, which can decrease the superstructure thickness from 60 to 40 cm, thus obtaining significant cost-savings. Calculations indicate that the Swedish National Road Administration can reduce its costs by SEK 50 million during the life of the road using this method of construction which has been developed by Cliffon, Peab Asphalt and Peab's geotechnical competence.

Lambertsson Sverige, which will provide hand tools, scaffolding and building sheds, is another vital cog in the construction of this motorway. Lambertsson has built up its own stores at the Örkelljunga project office, from where the company provides materials for the whole undertaking. By having their own stores in this way, transport costs can be reduced and waiting times reduced.

Thus by coordinating the Group's resources, Peab is able to make the construction process more efficient and offer better terms to its customers.



1.5 million cubic metre of earth will be excavated during the construction of the motorway

## EXTENSION OF THE E4 OUTSIDE - SUCCESSFUL PROJECT THANKS TO THE COORDINATION OF RESOURCES

## COMMON SYSTEM OF CONSTRUCTION

**In the future, Peab's residential house building business will focus more and more on people living on ordinary incomes. We intend to achieve this through industrial innovation aimed at a more efficient and customised production process. In specific terms, this involves all links in the construction process developing the most cost-effective methods. By clearly focusing on better living for a broad group of customers, we will continue to be one of the leading residential housing builders in the country in the future, providing for most housing needs.**

### THE WORLD IN WHICH WE OPERATE

Peab plays an important role in the Swedish building market. Every eighth apartment block apartment is today produced by Peab. Now it is up to us to show that it is possible to build housing

### NEW CONSTRUCTION SYSTEM – ACROSS-GROUP PEAB PROJECT

The Katrineholm factory is being set up as an important component in the development of ever more industrialised housing construction methods. The plant, which from the organisational standpoint will form part of Skandinaviska Byggelement in the Industry business sector, will be the production base for Peab's future work method



which even people on ordinary incomes can afford. We have taken on a great challenge which we will meet with our forces united.

There are many outside circumstances that impact on what we do as a company. We must benefit from these factors by adapting and developing our work environment, quality assurance procedures and work methods to enable us to set an example to the industry. By refining our logistics and making them more efficient – i.e. how we handle materials and information in quantities – the flow between architects, contractors and builders, factories, workplaces, suppliers, etc. will determine the success of our common building system.

### HOMES PEOPLE CAN AFFORD TO LIVE IN

As an individual building and construction company we are unable to influence all the factors that effect the cost of a home. But we intend to add our halfpenny when it comes to reducing housing costs. Peab aims to develop and produce housing of high standard and which is highly flexible in meeting individual lifestyle needs, at prices which are attractive to customers on ordinary incomes. We intend to be the house constructor which offers the best alternative with regard to price and product.

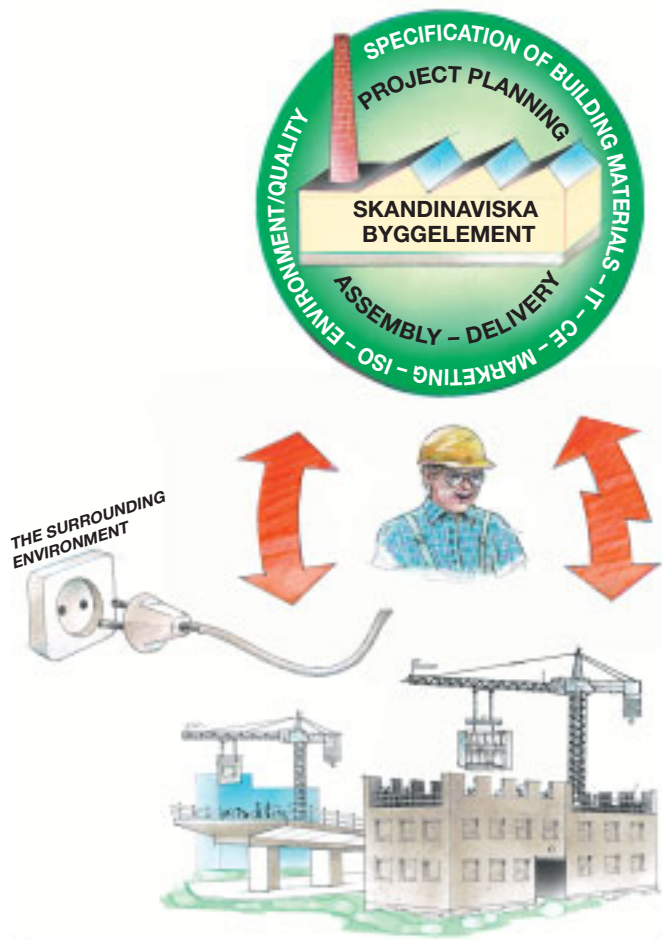
### A JOINT PEAB SYSTEM CONCEPT

Peab has formed a project group with representatives from various parts of the Group who will work out this concept. Within the group, there is a free exchange of ideas, learning from other industries, and taking through ideas which might change Peab's way of building apartment blocks. Moreover, the participants of the group are running a number of sub-projects intended to chart how various phenomena and circumstances impact on each other, they review a variety of cost alternatives, test how new work methods would function in reality and calculate and assess the validity of various proposals.

The Katrineholm factory is being set up as an important component in the development of ever more industrialised housing construction methods. In this factory Peab and Skandinaviska Byggelement will establish a production base for a new method of working in the future.

Development work is being carried out with the help of all the units of the Group together with suppliers, architects/consultants and subcontractors; postgraduates from KTH are also participating.

The project will be run in an open forum, and we will distribute information concerning the development process through our intranet, our personnel magazines and in the Peab Journalen for employees, customers and shareholders.



The Katrineholm investment is a joint Group undertaking and is an important cornerstone in the development of a common Peab building system. Experience and expertise are to be associated and result in a end product for which Peab can provide long-term guarantees both as regards quality and functionality. It is estimated that the plant will go into production during the latter part of autumn 2003

#### FEEDBACK OF EXPERIENCE AND KNOWHOW

Within two to five years we aim to have arrived at a more cost-effective, competitive and customised construction concept, which will provide more economical, more flexible and better homes for council housing projects, housing cooperatives and private property owners. The work going on will result in a new product, the Peab house, for which we will provide long-term guarantees both as regards quality and functionality.

The way there passes through R&D projects and pilot projects carried out as part of Peab's ordinary activities; these will be reviewed and assessed by the project group as they happen. All useful knowhow obtained will be processed and passed on.

At Peab we build for the future. Within two to five years the "Building Factory" will be in full swing, and by then we will have moved from Prefabrication and Production at the building site to Factory Production and Onsite Assembly.

#### PRODUCTION AND MARKET

The ability of our staff to be sensitive to the requirements and wishes of the market, along with their knowledge concerning Peab's objectives and intentions, provides us with a firm base and prerequisites for obtaining feedback from the commitment to a joint system concept.

Peab's works managers are important feelers of sentiment in the world around; they move among the customers, users, the general public, consultants and subcontractors both before, during and after the project.

Increasingly tight schedules within the building and management process require us to familiarise ourselves with the latest technology relative to production and electronic communications. Moreover, new logistics systems constitute an extremely important part of our work.



With the Katrineholm factory in operation Peab's house construction activities are expected to be able to double from about 1,500 to about 3,000 apartment block apartments



# THE SWEDISH CONSTRUCTION MARKET



An analysis by Lars Jagrén, chief economist  
at the Swedish Construction Confederation

**Despite a certain increase during recent years, building investment in Sweden is lower than in almost all other countries, and also lower than is required to ensure long-term growth and welfare. Housing shortages and efficient communications are becoming a growing problem for more and more local councils throughout Sweden. Sweden is at approximately half the average EU level, both measured relative to GDP or to the number of new apartment starts per capita.**

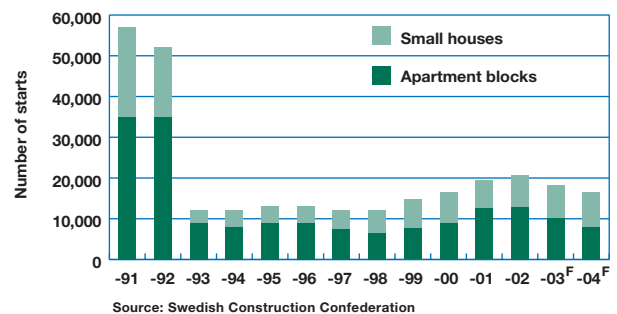
Currently, Sweden is investing approximately three per cent less of GDP in its housing stocks compared to the average for the OECD countries. Taken over a ten-year period, this corresponds to an approximate SEK 600 billion shortfall in new building starts and conversions. The volume of home construction is also far below the commonly agreed level that is required to meet demographic evolution and wear and tear. Last year, approximately 20,000 apartments were started, compared to the approximate 50,000 that was needed.

Thus a drastic increase in building investment is needed in Sweden. Unfortunately, developments over the last six months point in entirely the opposite direction; taken as a whole, the Swedish construction market grew less than had been expected in 2002. The construction market was especially bad during the autumn, when growth was far below that forecast by the majority of experts. Since the home construction market has been growing more quickly than other parts of the construction market during recent years, this was a heavy blow to the whole industry.

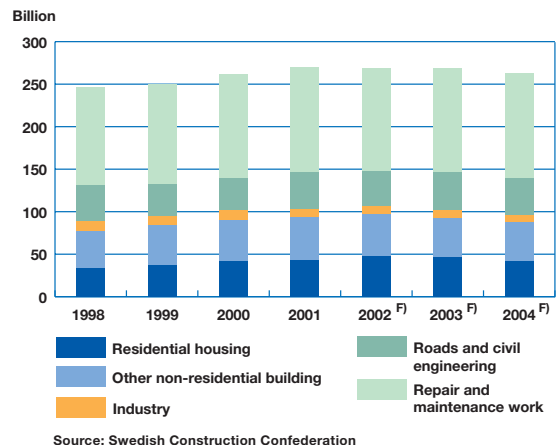
Furthermore, the generally poorer economic climate has also had a detrimental affect on building investment.

Continued subdued economic conditions, a surplus of commercial premises at many locations, weaker prices – above all for cooperative housing – and hard-pressed public finances are other factors that contributed to the decline in the construction market during the autumn. Thus, taken as a whole,

**Building starts 1991 - 2004, Sweden**  
(F=forecast)



**Building investment in Sweden 1998-2004**  
(F=forecast)







it is assessed that building investments grew by a modest one per cent during 2002, compared to about five per cent in 2001.

#### **EXPECTATIONS – 2003**

Unfortunately as far as the construction of homes is concerned several indicators are pointing in the wrong direction. During recent months there has been a drastic decline in building permits and orders for apartment blocks, and statistics available on housing cooperative prices show a slowing down in price rises. Real household incomes are being restrained by rises in council and county taxes and the weaker stock exchange is also contributing to stifling demand, although the importance of this latter factor should not be exaggerated.

Uncertainty regarding future regulatory conditions also contributed to the weaker growth during the autumn. During its electoral campaign the government promised to put down building VAT on small apartments to 6 per cent, but made no specific proposals as to how this should be done. When the proposal actually was published, it turned out that the decrease in VAT was in fact a new investment allowance. It is true enough that the allowance does correspond to the difference between full building VAT and the 6 per cent VAT level for those apartments that conform to the requirement, but the measure is subject to the same drawbacks as previous allowances. Firstly, there is uncertainty as to whether the allowance will be awarded or not, and secondly, incidental short-term investment allowances do nothing to create the long-term stable regulatory basis that the construction sector so badly needs. The allowance levels and the requirements to be fulfilled to be awarded allowances are constantly changing; a decrease in VAT is the same for everybody, but an allowance has to be applied for, and thus con-



**New Waves ware-  
houses in Dingle**



**Interior of Brannhäll  
school in Stockholm**

tributes to uncertainty, as one does not know in advance whether it will be granted or not. Consequently, it is unlikely that this measure will do anything to slow down the decline in home construction which we have seen in recent months.

Nor is it probable that the ambitious expansion plans presented for Stockholm and other locations will come to fruition during the current year. As a result of the long decision-making process relative to everything from building permits to acquisition and actual start-up of construction, these plans will not feed through to investment statistics until 2004 at the earliest.

Thus, most indicators would point towards a declining apartment block market in 2003. Where the construction of detached housing is concerned, things look a little brighter, and thus we expect continued progress during 2003.

There are also more question marks concerning progress in civil engineering works in 2003. Hard-pressed public finances with drastically delayed 3-G investment have resulted in growth forecasts being revised down to 0 for 2003 and modest growth in 2004. The poorer general economic climate and pressure on profit levels in many companies is stifling other private civil engineering works. Thus during 2003, above all road construction will be the driving force behind the market.

To sum up, we can say that indicators on the whole point towards weak market conditions during the coming year. One often ignored drawback of long-term poor market growth is the detrimental impact on competition, creation of new business, company growth and technological development. The weaker markets discourage smaller companies from growing; they dare not or cannot invest in new equipment or new systems to the extent they might otherwise have done. Moreover, the modest size of the market leads to a decrease in the number of projects. It becomes more difficult to industrialise the construction process and exchange of knowhow and information is inhibited, a circum-



Interior from Aspanäs, Järfälla.  
New home construction

stance that is reflected in such things as relatively weak growth in productivity.

Poor market growth and the constantly changing regulatory basis are two long-term problems that must be solved. Creating an efficient market for the construction industry with reasonably predictable regulations and reasonable levels of taxation are the cornerstones of increasing construction, improving competitiveness, slowing down cost increases and creating long-term growth in productivity throughout the construction sector.

## GROWTH IN BUILDING

Percentage change compared to the previous year

Sector	Investment volume SEK bn	Percentage change in regular prices			
	2001	Outcome 2001	Forecast 2002	2003	2004
<b>Residential housing</b>	<b>43.9</b>	<b>4</b>	<b>9</b>	<b>-1</b>	<b>-9</b>
Building starts	25.5	7	18	-2	-15
Conversions	18.3	0	-3	0	0
<b>Other non-residential building</b>	<b>49.8</b>	<b>4</b>	<b>-1</b>	<b>-7</b>	<b>-2</b>
Private	29.9	4	-10	-9	0
Public	19.9	5	13	-5	-5
<b>Industry</b>	<b>10.3</b>	<b>-20</b>	<b>-8</b>	<b>-5</b>	<b>0</b>
<b>Civil engineering</b>	<b>42.6</b>	<b>16</b>	<b>-4</b>	<b>0</b>	<b>4</b>
Private	28.1	20	-8	-2	3
Public	14.6	9	4	4	5
<b>Total building investment</b>	<b>146.6</b>	<b>5</b>	<b>1</b>	<b>-3</b>	<b>-3</b>

Source: SCB, Swedish Construction Federation



**Göte Brännvall**  
Deputy Managing Director  
of Peab AB and responsible  
for the Construction and  
Civil Engineering business  
sector.

## PEAB'S VIEW OF THE CONSTRUCTION MARKET

Many indicators point to a decline in the Swedish construction market during 2003 and 2004. Despite this, we at Peab are optimistic about opportunities for keeping our order book in good condition in the future too. Our optimism is based on the following circumstances:

- During recent years, Peab has been growing at a rate that clearly exceeds that of the construction market as a whole
- Peab focus on production of housing which even people on ordinary incomes can afford
- Peab's Katrineholm plant will be commissioned during 2003. This will further improve the efficiency of the construction process and thus reduce production costs
- Continued low market interest rates
- More clearly defined rules regarding taxes, allowances and other market adjustments
- Continued high demand for tenancy rights at reasonable price in the districts in and around major towns and cities
- Alternative financing facilitating the bringing forward of infrastructure projects, so we can build cost-effectively also in periods of recession.



Conversion and extension of SCA's plant in Värnamo



Weld activities at new motorway past Örkelljunga

## OUR COMPETITORS

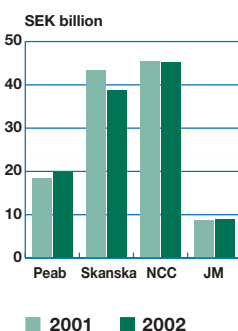
The list below shows the construction business net sales and operating margins of the four largest Swedish construction companies. Data has been compiled from the 2002 year-end reports of these companies. In order to obtain a relevant yardstick for comparison between the business areas of the companies we have used the following method of calculation:

- Peab** The Construction and Civil Engineering and Industry business sectors. Sales excl. internal sales between these business areas.
- Skanska** Skanska Scandinavia
- NCC** The Group total excl. joint group costs and items affecting comparability
- JM** The Group total excl. joint group costs.

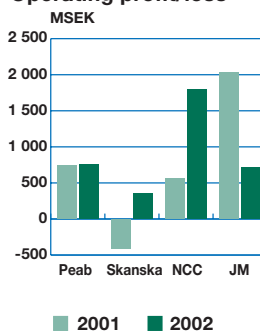
## The construction business

	Peab		Skanska		NCC		JM	
	2002	2001	2002	2001	2002	2001	2002	2001
Net sales, MSEK	19,699	18,380	38,685	43,267	45,165	45,540	8,872	8,642
Operating profit, MSEK	758	746	353	-413	1,795	558	717	2,028
Operating margin, %	3.8	4.1	0.9	neg	4.0	1.2	8.1	23.5

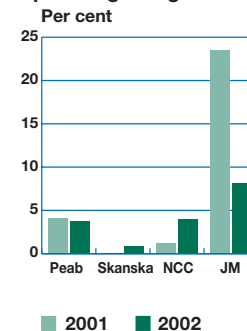
### Net sales



### Operating profit/loss



### Operating margin





# Trust/Management and Operations under Termination

## TRUST/MANAGEMENT

MSEK	2002	2001	2000
Sales	92	389	235
Operating profit	-88	-71	90
Capital employed	734	890	1,264

The Trust/Management business sector accounts for central companies, certain subsidiaries and associated companies/joint ventures with operations differing from the Group's core activity, Group-related surplus values relating to shares in subsidiaries as well as other Group adjustments.

Operating profit/loss for the year totalled SEK -88 million (-71). The result includes shares of profits in central associated companies/joint ventures at SEK 17 million (19) and Group-related costs, including central goodwill depreciation, totalling SEK -116 million (-79).

Capital employed amounted to SEK 734 million (890). From 2002 onwards Trust/Management includes the share of projects and development properties which are not currently undergoing development in construction production. As at 31 December 2002, the book value of properties amounted to SEK 430 million, of which SEK 400 million will be included in the spin of the newly formed Brinova property company. Of the rest of the capital employed, holdings in Birsta amounted to SEK 75 million, interests in Skånehus amounted to SEK 149 million, and holdings in Boliden amounted to SEK 18 million.

## CENTRAL COMPANIES

The Parent Company Peab AB's activities consist of group management and group-related functions.

The Group's internal bank, Peab Finans, handles liquidity and liability management as well as financial risk exposures. The company also has a service function for subsidiaries and produces solutions concerning internal loans and investments, project-related financing and currency hedging.

## SHARES IN PROPERTY MANAGING ASSOCIATED COMPANIES/ JOINT VENTURES Skånehus

When the Oskarsborg property company which was jointly owned with BPA was split up during 2000, Peab took over Fastighets AB Skånehus. The building holdings consist of 45 residential apartment blocks and commercial premises in the Öresund and southern Halland regions. Ever since the takeover work has been going on to elaborate a new ownership solution for the wholly-owned Skånehus, and as a result Peab has accounted 50 per cent of the company as an associated company. By virtue of the proposed distribution of Brinova, of which Skånehus properties account for a significant share, during 2003, ownership will continue to be accounted for according to previous principles, i.e. as an associated company. As at 31 December 2002, holdings were recognised at SEK 149 million (145).

## Birsta

Birsta was founded in 1996 with the purpose of developing and managing warehouse and logistics properties. Property holdings consist of 13 logistics properties in Sweden where Danzas ASG and Green Cargo are the principal tenants. Since December 2002, Birsta has been wholly-owned by Peab. As Birsta properties are part of Brinova, holdings will continue to be accounted for according to previous principles, i.e. for 50 per cent as a joint venture. As at 31 December 2002, holdings were recognised at SEK 75 million (67).

## OPERATIONS UNDER TERMINATION\*

MSEK	2002	2001	2000
Sales	79	0	65
Operating profit/loss	-34	-20	-62
Capital employed	161	146	155

Profit/loss for the year amounted to SEK -34 million (-20), the entire sum of which may be attributed to costs for the overall phasing out of companies within the Maintech Group.

Capital employed in activities being phased out amounted to SEK 161 million (146) and mainly refers to the 50 per cent holding in Skånehus. There has been no reclassification between business areas relative to those holdings included in the proposed Brinova distribution.

\* Operations under termination have been included in Peab's reporting and accounts since 1999, with a view to showing which companies and holdings we intended to divest in connection with the restructuring and refining of Peab. The term should not be confused with the Swedish Accounting Council's recommendation RR19 Discontinuing operations. For information under this recommendation see Note 51.



Interior of show flat, Hammarby Sjöstad in Stockholm



# Distribution of Brinova Fastigheter

## BACKGROUND

The board of Peab have decided to propose that the Group's investment properties should be distributed to the shareholders in accordance with the so-called "Lex Asea". The proposal will be discussed during Peab's AGM in May 2003. In participation of the planned distribution of holdings, during December 2002 the properties were transferred to a newly formed property company called Brinova Fastigheter AB. The intention is to list the shares during the autumn of 2003. A distribution of property holdings is believed to be a measure that would create the right basis for further development of property holdings and afford Peab owners an opportunity to participate in future value creation.

## PROPERTY HOLDINGS

Managed properties consist of 77 properties with a total rentable area of approximately 564,000 sq. meters. Property holdings are concentrated in southern Sweden and consist of residential and commercial property owned by Fastighets AB Skånehus, logistics properties owned by Birsta Fastigheter AB and a number of directly owned investment properties, mainly located in southern Sweden. Property holdings have been valued, by external valuation institute, at approximately SEK 2,550 million, equivalent to an immediate return in excess of 8.5 per cent. Total rental income in 2002 amounted to about SEK 318 million. The financial vacancy ratio was about 4 per cent. Rental income for the five largest districts accounted for about 60 per cent of total income.

## OBJECTIVES AND STRATEGY

Brinova aims to concentrate on high return property, primarily in southern Sweden. Logistics properties will be a prioritised growth area. Brinova's objective is to create long-term high and stable return on equity through active ownership. Brinova will follow an active acquisition strategy in order to increase its size and market presence. To a great extent, the company aims to use its own shares to finance acquisitions.

## LISTING

Listing on the O-list of the Stockholm Stock Exchange is planned for November 2003.

## EFFECTS ON PEAB

A distribution of Brinova according to the proposed model would imply a restructuring and refining of Peab's activities. The distribution would clearly define Peab's business as being construction and civil engineering along with construction-related industrial companies.

In the year-end accounts of 31 December 2002 the property business was accounted for according to previous principles. A large proportion of managed property has been accounted for as associated companies/joint ventures and subsidiaries under restructuring, and have thus not been consolidated into the Peab Group.

Through the distribution of Brinova during 2003 the

## DISTRIBUTION OF RENTAL INCOME AND AREA PER TYPE OF PREMISES 31 DECEMBER 2002

Type of premises	Rent income MSEK	Area 1000s sq. m	Area %
Warehouses /distribution	118	313	55
Residential housing	92	122	22
Offices	42	66	12
Shops	26	18	3
Other	40	45	8
<b>Total</b>	<b>318</b>	<b>564</b>	<b>100</b>

## GEOGRAPHICAL DISPOSITION OF PROPERTY HOLDINGS 31 DECEMBER 2002

Location	Number of properties	Area 1000s sq. m.	Rent income MSEK	Rent income %
Malmö	12	106	63	20
Helsingborg	16	62	47	15
Stockholm	3	53	29	9
Västerås	3	22	26	8
Halmstad	9	41	25	8
Söderhamn	1	58	22	7
Klippan	3	41	16	5
Jönköping	2	36	15	5
Ängelholm	4	23	14	4
Trelleborg	1	24	8	3
Other	23	98	53	16
<b>Total</b>	<b>77</b>	<b>564</b>	<b>318</b>	<b>100</b>

## PRELIMINARY TIMETABLE

<b>First week in May</b>	Information brochure published on Peab's website at <a href="http://www.peab.se">www.peab.se</a>
<b>15 May</b>	AGM, decision on distribution
<b>October/November</b>	Listing prospectus distributed. Record day for distribution of shares. Market listing of Brinova shares

Peab Group's equity would be reduced by approximately SEK 530 million before distribution costs. Provided that the AGM decides upon distribution, all assets and liabilities attributable to Brinova will be deconsolidated during 2003.

Of the Peab Group's SEK 488 million annual profit, SEK 12 million, corresponding to SEK 0.10 per share, is attributable to those investment properties that were transferred to Brinova.



## Peab's human resources

Peab has more than 10,000 employees. Competent, committed and motivated employees are the key to Peab's success. With a high proportion of own personnel Peab is able to commit itself to long-term development of skills, with an increase in quality, cost consciousness and satisfied customers as a result. The employment of own personnel is a conscious strategy which is intended to make Peab the best provider of construction and civil engineering services in the market.

Cost-effectiveness is a matter of crucial importance at Peab. With it come low costs in a flat and efficient organisation, but also the delegation of work and responsibilities.

With many people about to retire from the construction industry in the next few years, personnel care is of utmost priority. Working is going on making Peab more competitive as an employer in a number of areas. When recruitment needs are large, great demands are made on the company to care for employees well. Introduction schemes and performance appraisal interviews are important tools to improve quality and motivation in Peab employment.

### SKILLS DEVELOPMENT

The best way for employees to evolve is by extending their responsibility and thus the appurtenant authority. This leads to the creation of demand-based development needs which are clearly linked to the business and its needs. Needs are identified in dialogue between manager and employees, who then together are responsible for ensuring that the development need is met.

During 2002, skills development initiatives have included the following:

- Training in morals/ethics and competition law
- New project manager training
- Training of regional and work managers in business skills
- Newly formed skills development committee
- Crisis management training
- Workplace planning
- Work foreman training

## MONTHLY SALARY WITH PERFORMANCE BONUS

As an employee at Peab one should also feel that one is paid for one's labour. It is Peab's goal to pay competitive salaries to its employees, while also focusing on the health of the individual. The current collective agreement is extremely old-fashioned in its structure and content, and is rooted back in the 1930s. As a result, one of the most important measures to be implemented in the future will be to introduce monthly salaries with a performance-related variable bonus.

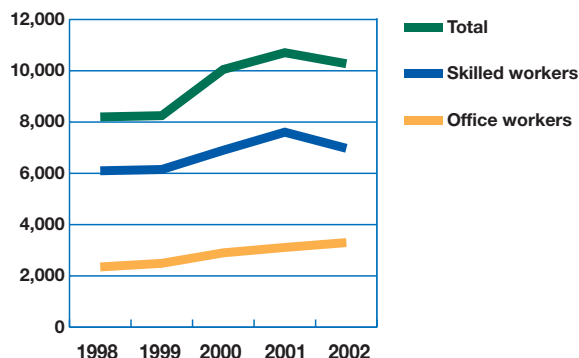
As far as collective agreements in the construction sector are concerned, the Construction Union collects about SEK 7,000 per member in addition to union dues just to administer the piecework system. According to Peab's own calculations, the system costs Peab SEK 50-70 million per year in measurements and administration.

The piecework system, which has been phased out in other industries, increases stress levels for the individual employee, which in its turn leads to more industrial accidents and a deterioration of the work environment and an uncertain wages climate.

## HEALTHCARE

Increased ill-health and the associated costs for society have attracted particular attention during 2002. Naturally the reasons behind this are complex and are to be sought both in the home environment and the work environment. Peab is working on this question in order to minimise ill-health due to factors related to the organisation and management of work.

Number of employees in the Peab group  
2002-12-31



## Healthcare motivates employees

Peab seeks to provide added value for its employees in their job in the form of opportunities for a qualitative and active leisure activities. We have termed this Peab Leisure. This involves healthcare, stimulating employees to meet outside work and also to sometimes afford extra opportunities for doing things with the family. Satisfaction and solidarity are important goals for Peab, and the way in which we achieve these depends on the employees.

Peab Leisure seeks to offer a broad choice of activities and is continually striving to improve its activities. Today there are sports activities, for example indoor bandy, football, rink bandy, badminton and track, and contributions to a large number of different physical training and swimming facilities.

We are also active in the cultural area with art societies and special cinema offers. Peab Leisure also helps its members to organise weight-watching, sailing, playing golf or bowling evening activities. Peab Leisure seeks to give everyone opportunities – regardless of interests, family circumstances and time available for leisure activities.





## PERSONNEL STRUCTURE

During 2002, Peab employed a staff of about 10,000 distributed as below.

	Sweden	Norway	Finland	Total
<b>Number of employees</b>	<b>9,469</b>	<b>429</b>	<b>377</b>	<b>10,275</b>
- of which, women	555	34	19	608
- of which office workers	2,959	218	122	3,299
- of which skilled workers	6,510	211	255	6,976
- of which, below 30 years,%	18	21	44	19
- of which, older than 57 years,%	14	13	19	14
- of which, Construction and Civil Engineering	7,844	429	366	8,639
- of which, Industry	1,587	0	10	1,597

## INTERNAL INFORMATION

Everyone who works for Peab should know what is expected of all interested parties in the company. This fits in with the thinking that a well-informed Peab employee is well-equipped to provide a high quality work commitment. Traditionally, the structure of the industry has made it difficult to get information out to all employees, especially where craftsmen are concerned. Our ambition is to create channels through which information can reach out to all employees to define Peab's company structure. In order to implement this and also to improve the content of our information, further resources are being committed.

## SCHOOL CONTACTS

School greatly influences our future employees. Through active participation in the various school bodies we can

## Progress with monthly salaries and results-based bonus for Stockholm Entreprenad



Crew foreman Mats Hedeland and machine operator Dennis Karlsson from Stockholm Entreprenad

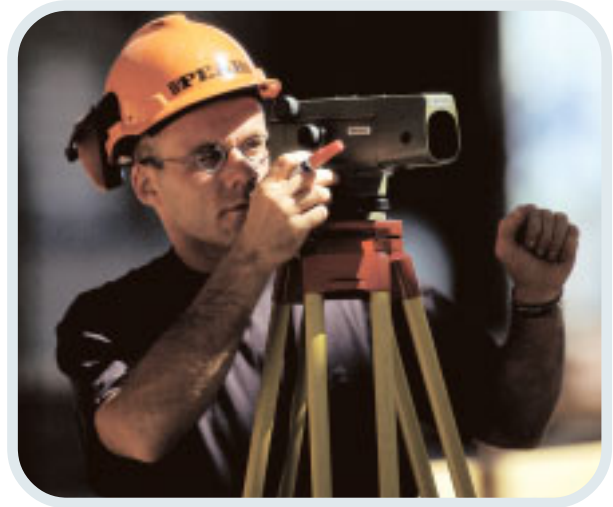
Stockholm Entreprenad is dedicated to the operation and maintenance of roads, streets, squares, parks and residential areas, and to the new building and conversion of public town and park environments in the counties of Stockholm and Uppsala. Customers consist of council authorities, district committees, local council companies, county councils, government services, property companies and building cooperatives.

Stockholm Entreprenad started up in 1993 following a reorganisation within the Stockholm Stads Gatu- och fastighetskontor (Stockholm Municipal Street and Property Office) as a public administration body working in free competition. Since



contribute to the development of the overall education system in such matters as lines of education, content and orientation. It is important to contribute to providing today's pupils, tomorrow's workers with a positive picture of Peab as a company.

The purpose of Peab's contacts with schools is to market the company in an attractive manner, in order to secure an influx of employees in the short and the longer term. We offer study visits, work experience, company material adapted to pupil requirements, exam work, participation in work market days and lectures at schools. Teachers are also offered visits and opportunities for work experience.



1 January 2000, Stockholm Entreprenad has been owned by the Peab Group. The company has a turnover of approximately SEK 400 million.

#### **The staff**

Stockholm Entreprenad has a staff of about 320, of which 60 are office workers and 260 are skilled workers. In addition, there are about 150 seasonally employed staff of which about 30 start earlier and remain longer than the ordinary summer season. Among the workforce are street and park workers, gardeners, pavers, machine operators, repair workers and arboriculturists. Collective agreements, so-called employee agreements, have been signed with the Kommunal, SKTF and Ledarna unions. The agreements signed with office workers and skilled workers are identical. Furthermore, staff are paid individual monthly salaries and individual wage rates are applied for all staff.



**Roger Flodqvist, Stockholm Entreprenad**

#### **Performance-related bonus**

From 1 January 2001, a performance-related bonus scheme was introduced, based on the company's net profit for the financial year. The bonus includes social costs. In order to be entitled to the bonus, staff must be employed for 9 months of the year. Absence from work through illness does not entitle staff to the bonus, but does count as employment time. The first year, the bonus was based 50 per cent on Stockholm Entreprenad's profits and 50 per cent on work manager performance.

However, in 2002 the following bonus distribution will apply: 1/3 based on the company's profits, 1/3 based on the work managers' performance, and 1/3 based on local managers' performance.

The overall bonus pool accords with the accounting principles adopted by the Peab Group.

#### **Some opinions on the performance-related bonus**

"The performance-related bonus confirms that we are doing a good job," says Mats Hedeland, crew foreman with responsibility for Bromma and Drottningholm. "Nowadays, we are more prone to think we should do the job ourselves rather than bring in a subcontractor, as in that way we get a bigger pool to be distributed among the members of the crew."

"It's really great with that little extra bit of money, a real incentive to work harder," says Dennis Karlsson, machine operator. "We got a bonus of between SEK 7,500 and 9,000 kronor which was paid out with our April wages last year. Everybody in the team has been more interested in how things are going for the company."

"It's kind of fun, kind of American, having a bonus system," says Roger Flodqvist, crew foreman responsible for staffing and administration of, as he puts it, 15 + 15 (seasonal workers) on Kungsholmen. "It's important for me to keep the team informed of everything that's happening, new assignments, extra jobs, possible changes, and last but not least, what our profit picture looks like."

A photograph of a small, young green plant with several leaves growing out of a crack in a dark, textured asphalt surface. The plant is positioned in the upper left quadrant of the image. The text 'Peab's environmental work' is overlaid on the left side of the image, with 'Peab's' in a larger font and 'environmental work' in a smaller font, both in white.

## Peab's environmental work

**Our construction process must impact as little as possible on people and the natural world. Society must strive towards the creation of a sustainable society where we can live in harmony with our surroundings. Therefore, it is important that progress is made towards sustainability.**

All decisions and measures taken must be harmonised with this goal and create the prerequisites for further steps in the right direction. A sustainable society requires sustainable building and this can only be achieved with the cooperation of all the players in the industry. Peab operates a strategic environmental and sustainable work process policy based on the establishment of a knowledge based company support. An important part of this strategy is to work to develop the business towards making the environment an integral part of Peab both at local and central level. We want to see every Peab employee eliminating risks and working on improving sustainability in their part of the company.

An important part of this work is our business management system, which integrates all our business processes. Work on certification in conformity with ISO is progressing according to plan.

### **THE ENVIRONMENT IS INTEGRATED INTO OUR PROCESSES**

In order for our environmental work to function in practice, it is important that this work is integrated as a natural part of our business, that there are adequate tools for this and that those using the tools have the expertise need to do so. Thus, during 2002 we concentrated on integrating environmental questions into the respective processes. Routines and tools were integrated at the relevant location and special focus was brought to bear on purchasing and project planning.

Placing the relevant requirements on our suppliers and subcontractors, and upon ourselves, is an important aspect of the work. In the case of total projects where we ourselves do the planning, we must place comprehensive environmental requirements so that our end-customers may feel secure.



### PHASING OUT OF HAZARDOUS SUBSTANCES

Hazardous chemical substances put human health and the environment at risk. Therefore, we consider it appropriate that we should commit ourselves to phasing out the use of hazardous substances. For a number of years, Peab has, on the one hand, been working on a phase-out list, and on the other on a prohibited list, in order to reduce the use of undesirable substances in the construction process. This also requires overall efforts by the whole industry, and for this reason, Peab has been participating in the BASTA project, which is an initiative being implemented by the four largest construction companies together with the Swedish Construction Confederation. The purpose of the project is to phase out the use of hazardous substances in the construction industry.

### ENVIRONMENTAL EVALUATION OF BUILDING MATERIALS, MILAB

Peab is also participating in the development of a system of environmental evaluation of building materials along with several of our customers. The system is a web-based tool to assist in the choice of the correct building material in the project planning and construction stages and to contribute to reducing environmental risks in the construction industry.

The system aims to become a common industry system, and will also drive product development towards more environmentally-friendly materials.

Milab is now being integrated into Peab activities and will contribute to creating a safer selection of materials based on documented environmental facts.

### SPECIAL ENVIRONMENTAL QUESTIONS IN PEAB'S INDUSTRY COMPANIES

Production of concrete products and fresh concrete is an activity that must be reported to the authorities. Quarrying activities are subject to the obtaining of permits.



Hedesunda bridge in Gästrikland

The fact that the Industry companies have chosen to systemise their environmental work through the introduction of an environmental management system certified under ISO 14001 stems from an inhouse desire to run an environmentally acceptable company. Major parts of Swerock are certified under ISO 14001 and the remaining parts will be certified during the course of 2003.

Peab Asphalt's ambition to discover environmentally-friendly methods and products has resulted in Peab Asphalt's leading position within the manufacture and recycling of asphalt using cold and hot mixing techniques. In its efforts to minimise utilisation of resources, Peab Asphalt has invested in asphaltting machinery for thin laying and hot recycling of roads, which reduces resource utilisation by up to 50 per cent. In preparation for 2003 Peab Asphalt has also invested in a mobile asphalt plant which can be installed onsite to reduce transport needs.

### CONTINUED COMMITMENT TO THE FUTURE

To remain a driving force behind the work of change we will continue to build up our expertise within the areas of the environment and sustainable development.

Peab will continue its efforts towards more efficient and safer production, so that we build houses and engineering works of the highest quality as regards finance, health and environment.









**Financial  
accounts**

## FINANCIAL MANAGEMENT

The financial management of the Group is governed in accordance with valid financial instructions, which are determined by Peab's Board of Directors. A centralised financial administration ensures good control over, and efficient management of the Group's monetary flows and financial risk exposure. The Group's competence within the financial field is concentrated at a level in the company which, through an active role in the capital markets, creates interfaces as well as optimises the Group's terms. The Accounting/Finance Group function and the Group's internal bank Peab Finans AB are responsible for the co-ordination of the Peab Group's financial operations.

## FINANCIAL RISKS

The Peab Group is exposed to a number of different financial risks such as currency risk, interest risk, financing risk and credit risk. According to Peab's financial policy, the Group shall minimise all financial risks. Risk management concerning currency risk, interest risk, financing risk as well as financial credit risk is handled by Peab Finans, whereas credit risk concerning current operations is assessed and managed by the respective subsidiaries.

## CURRENCY RISK

### *Financial exposure*

The Group's operating loans are raised in local currency to reduce currency risks in operations. Of the interest-bearing long-term liabilities on December 31, 2002, operating loans in Norway accounted for SEK 30 million (86) and operating loans in Sweden SEK 1,494 million (2,215). Assets and liabilities in foreign currencies are translated at balance sheet rates.

### *Equity exposure*

The currency exposure arising through investments in foreign net assets can be hedged through raising loans in foreign currencies or through forward exchange transactions. There was no such hedging during 2001 and 2002. Exchange rate differences arising from hedging are eliminated in the Group against exchange rate differences on foreign subsidiaries' net assets (translation differences). Translation differences for the year amounted to SEK 25 million (30).

### *Commercial exposure*

International purchases and sales of goods and services in foreign currencies are limited in their extent, but can be expected to increase in line with the Group's expansion, as well as the increasing competition regarding the purchase of goods and services. Contracted or budgeted currency flows may be hedged for the immediate six months.

Exchange rate differences from this type of hedging are reported as operating profit in the Income Statement.

### *Interest risk*

The level of the net loan debt on December 31, 2002 was SEK 987 million (1,055). Total interest-bearing liabilities amounted to SEK 1,743 million (2,301), of which current liabilities accounted for SEK 82 million (238). According to financial policy, the average fixed interest term on total loans should be a maximum of 24 months. At year-end, the average fixed interest term on utilised loan facilities was 4 months

(4), unutilised loan facilities 0 months (0), and on the total granted loan facilities, 2 months (3).

As illustrated by the table summary below, SEK 1,408 million of the Group's total interest-bearing liabilities have a fixed interest term of less than one year. All interest-bearing asset items, totalling SEK 756 million have a short fixed interest term, which entails that SEK 652 million of the Group's net borrowings has a fixed interest term that is less than one year and is therefore affected relatively rapidly by a change in market rates.

## *Financing risk*

According to financial policy, the Group's granted borrowing commitments should be primarily medium-term, that is between 12-60 months. This is because the construction and civil engineering business ties up relatively little capital, whereas the Group's financial asset items are considerable. At year-end, the average term of commitments on utilised loan facilities was 31 months (35), on unutilised loan facilities 28 months (34) and on total loans granted 28 months (35). Total credit facilities granted amounted on 31 December 2002 to SEK 3,765 million (3,746) excluding leasing undertakings.

## *Credit risk*

Credit risk is defined as the risk of losing money because the opposite party cannot fulfil their obligations. In the contracting business, credit losses are small due to the large number of projects, and amounted to SEK 4 million (5) for the year. The credit risk in financial operations is very small as Peab only deals with opposite parties that have the highest credit ratings. In 2002, Peab was not affected by any financial credit losses.

## THE EURO

Sweden is one of the countries that has decided to adopt a "wait and see" approach to entry into monetary co-operation in the European Union. Norway is not a member of the European Union and does not co-operate with the EU on currency policy.

Finland introduced the euro on 1 January 2002. The euro is traded on currency markets and used as a transaction currency. Peab handles transactions and tenders in euros in the same way as for other currencies.

## SENSITIVITY ANALYSIS

The sensitivity analysis on page 43 illustrates how Peab's profit is affected by changes in some of the Group's important variables.



Interest-bearing liabilities by currency, including derivative instruments, December 31, 2002

	Local currency (millions)	MSEK
SEK	1,491	1,491
EUR	17	154
NOK	58	72
LVL	1	14
USD	1	12
<b>Total</b>		<b>1,743</b>

Fixed interest rates on utilised loan facilities including derivative instruments, December 31, 2002

Fixed interest time	Amount, MSEK	Average interest rate, per cent	Share, per cent
2003	1,408	4.8	81
2004	84	5.7	5
2005	235	6.0	13
2006	—	—	—
2007–	16	5.8	1
<b>Total</b>	<b>1,743</b>	<b>5.0</b>	<b>100</b>

Maturity of utilised loan facilities, December 31, 2002

Maturity	Amount, MSEK	Share, per cent
2003	344	20
2004	115	7
2005	1,242	71
2006	—	—
2007–	42	2
<b>Total</b>	<b>1,743</b>	<b>100</b>

Sensitivity analysis, December 31, 2002

MSEK	Calculation base	Change	Effect on profit
<b>Construction and Civil Engineering</b>			
Volume (operating margin constant)	17,500	+/- 10%	46
Operating margin (volume constant)	2.6%	+/- 1%	175
Material and sub-contracts	14,800	+/- 1%	148
<b>Industry</b>			
Volume (operating margin constant)	3,400	+/- 10%	30
Operating margin (volume constant)	8.9%	+/- 1%	34
<b>Finance</b>			
Net borrowings (interest rate constant)	1,000	+/- 10%	5
Interest <sup>1)</sup> (net borrowings constant)	5.0%	+/- 1%	7

<sup>1)</sup> The calculations are based on the assumption that approximately SEK 650 million of net borrowing has a fixed interest rate term that is shorter than one year and is therefore affected relatively rapidly by a change in market rates.

## Peab AB (publ)

Company registration number: 556061-4330

The Board of Directors and the Managing Director of Peab herewith submit the following annual report for the financial year 2002.

## OPERATIONS

Peab is one of the leading construction and civil engineering companies in the Nordic countries. The Group mainly carries out operations in Sweden but also in Norway and Finland. In Sweden, Peab operates throughout the country, while in Norway and Finland operations are concentrated around the Oslo and Helsinki regions respectively. Furthermore, the Group includes complementary construction-related industrial companies in the areas of concrete and prefabrication, rock/gravel, transport, asphalt, and crane and plant hire, all mainly in Sweden.

## SALES

The Group's net sales for 2002 increased by 6 per cent to SEK 19,818 million (18,721). For comparable business units this was an increase of 6 per cent, and stemmed primarily from Swedish business units.

Of the year's net sales, SEK 1,902 million (1,714) relates to production outside Sweden, of which production in Norway amounted to SEK 1,321 million (1,091) and in Finland to SEK 555 million (503).

## PROFIT AND FINANCIAL POSITION

Operating profits for the year totalled SEK 636 million, which is 3 per cent below comparable profits amounting to SEK 655 million in 2001. Annual profits were burdened by termination costs of SEK 70 million (-20), corresponding to SEK 36 million in costs for the termination of local civil engineering activities in Norway, and costs associated with the sale of the operational and maintenance company Maintech amounting to SEK 34 million. Overseas operations reduced operating profits by a further SEK 135 million as an effect of the review of Norwegian and Finnish operations.

Peab has signed an agreement to sell its 25 per cent holding in Klara Zenit in Stockholm, which was acquired by Wahlborgs Fastigheter AB who owned the other 75 per cent. Holdings were taken over on 16 December 2002. The sales agreement brought with it project development profits of SEK 175 million.

Shares in the profits of associated companies and joint ventures have been recognised in accordance with the equity method. The year's participation in profits of associated companies and joint ventures before tax amounted to SEK 34 million (32). Peab reports shares of profits with a three-month time lag.

Profit after financial items was SEK 552 million compared to SEK 577 million in the previous year. Net financial items totalled SEK -84 million (-78), of which net interest items accounted for SEK -47 million (-56). The net financials item includes a SEK 32 million write-down of shareholdings in Boliden.

Return on capital employed was 15.1 per cent compared with 16.0 per cent in 2001.

Return on equity was 15.3 per cent compared with 18.7 per cent in 2001.

The Group's effective tax rate for the 2002 financial year amounted to 12 per cent (14). The reduced tax burden stems from use of realised loss carry-forward during 2001 in acquired Swedish companies. Tax for the year totalled SEK -66 million (-79), of which tax on the result of associated companies/joint ventures totalled SEK -11 million (-8).

Net profit for the year totalled SEK 488 million (502) and earnings per share after tax totalled SEK 5.80 (6.00) estimated on average number of outstanding shares.

Net borrowings amounted to SEK 987 million compared to SEK 1,055 million in the previous year. This reduction is the result of improved cash flow and the consequent improved profitability of the construction business and also enhanced exploitation of working capital, which created scope for amortisation of loans. The average interest rate in the loan portfolio totalled 5.0 per cent (5.1).

The equity/assets ratio was 28.2 per cent compared to 24.8 per cent at the end of 2001. Risk-bearing capital amounted to SEK 2,780 million compared to SEK 2,492 at the end of 2001, corresponding to 28.2 per cent (25.3) of the balance-sheet total.

The Group's disposable liquid assets at the end of the period amounted to SEK 2,201 million as against SEK 1,542 million at the end of 2001.

## CASH FLOW

Cash flow before financing totalled SEK 808 million compared to SEK 633 million for 2001. The improvement stems from increased profitability and an improved customer payment balance.

## INVESTMENTS

Net investment in fixed assets during the year totalled SEK 449 million (387). Net changes in shares and participations amounted to SEK 52 million (19). During the year, net acquisitions of project- and development properties amounted to SEK 155 million (121).

## CONSTRUCTION BUSINESS

The operating margin in the construction business including the sectors Construction and Civil Engineering and Industry stood at 3.8 per cent as against 4.1 per cent in the previous year.

MSEK	2002	2001	2000	1999
Net sales	19,699	18,380	15,447	13,285
Operating profit	758	746	636	481
Operating margin, %	3.8	4.1	4.1	3.6

## CONSTRUCTION AND CIVIL ENGINEERING

Peab's Swedish construction and civil engineering operations, which account for almost 80 per cent of the Group's sales, continued to show satisfactory margins and order book in 2002. Efforts to find projects that fit in with Peab's production organisation have been successful and as a result profitability has improved and risks diminished compared to previous years. A considerable part of 2003 production has already been ordered, thereby providing a stable base for continued progress.

Net sales for Construction and Civil Engineering increased by SEK 1,356 million to SEK 17,427 million, i.e. an increase in sales of 8 per cent.

Operating profit improved by 7 per cent to SEK 456 million compared to SEK 426 million in the previous year. The operating margin for Swedish Construction and Civil Engineering operations improved to 4.0 per cent (2.9).

During the autumn a review of overseas operations in Norway and Finland was carried out. The review resulted in costs that reduced fourth quarter operating profits by SEK 135 million. A new management was appointed to Norwegian operations during the first quarter of 2002. As early as the second quarter, a decision was taken to close down the local civil engineering business. This resulted in closure costs of SEK 36 million. The financial outcome of settled disputes resulted in a re-evaluation of certain other ongoing disputes. The majority of ongoing disputes stem from projects completed between 1993 and 1999. The Norwegian business reduced fourth quarter profits by SEK 105 million. In Finland, the rapid expansion resulted in overhead costs being out of proportion to the volume of production. Common to both Norwegian and Finnish operations is the failure of the production planning and project follow-up systems to function satisfactorily. The necessary measures have been taken to improve profitability in the future. The foreign part of the Construction and Civil Engineering business area reported full-year 2002 operating losses of SEK 171 million.

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

MSEK	2002	2001	2000
Coming financial year	9,153	9,059	8,398
Following financial year	2,925	1,975	2,480
Thereafter	774	539	17
<b>Total order backlog</b>	<b>12,852</b>	<b>11,573</b>	<b>10,895</b>
<b>Orders recieved</b>	<b>19,121</b>	<b>16,747</b>	<b>17,362</b>

Order backlog at the end of the year totalled SEK 12,852 million compared to SEK 11,573 million at the same time last year; this represents an increase of 11 per cent. Construction projects accounted for 72 per cent (76) of the order backlog, and Swedish operations accounted for 88 per cent (89) of the backlog.

Orders received during the year amounted to SEK 19,121 million (16,747), which continues to be an historic high.

#### INDUSTRY

As a result of favourable construction market prospects demand for the Industry business sectors products and services is high. Approximately 70 per cent of all sales are external and we aim to increase this figure in the future.

Net sales in the Industry business sector increased by 1 per cent to SEK 3,397 million (3,367), and Industry's operating profit amounted to SEK 302 million (320).

Swerock has experienced a certain turndown in the volume of factory concrete, especially in the Stockholm and Mälardalen region.

Declines in the production of commercial properties and new building starts have resulted in a toughening of market conditions. However, increased supplies to infrastructure projects have largely outweighed this decline. Skandinaviska Byggelement has been formed as a link in the specialisation process which the Industry business area is now undergoing. Previously, this company was a part of Swerock. The company manufactures and markets prefabricated concrete elements for construction and infrastructure, and slabs and ground paving. The undertaking is a common Group project which will also create synergies between the Industry business area and Peab's Construction and Civil Engineering activities. Residential housing production capacity is expected to almost double, while at the same time opportunities for the creation of a common Group building system will be improved. The plant should be ready for commissioning in the autumn of 2003.

Following its expansion over recent years, Peab Asphalt is now an important player in the Swedish asphalt market. PNB Asphalt was acquired during 2002. PNB Asphalt is expected to strengthen Peab's position as regards both the production and laying of asphalt, above all in southern Sweden. Peab Asphalt accounts for a major part of the Industry business sectors sales. This implies a somewhat narrower operating margin for Industry as a whole, as asphalt laying operations, with margins equivalent to those in the Construction and Civil Engineering business area, constitute a major part of Peab Asphalt's business.

Plant and machinery hire operations at Lambertsson Sverige have been running almost at full capacity, and profitability has been excellent.

Lambertssons Kran continues to operate at high capacity and to show good profits. The turndown in commercial building especially in the Stockholm region and in Finland has resulted in some decline in sales.

The investigation started by the Swedish Competition Authority in 2001 into a possible breach of the Competition Act as a result of competition restricting collaboration is still going on. The program aimed at competition law, ethics and morals, the so-called compliance program, was introduced gradually during 2002 as had been agreed earlier.

#### IMPORTANT EVENTS DURING THE FINANCIAL YEAR

Holders of 1997/2002 warrants exercised their subscription rights in January in accordance with their warrant certificates. Peab issued 3,060,000 new B shares, increasing equity by SEK 67 million. All share-related instruments linked to the Peab share have now been terminated.

Peab received payment in receipt of its claim against Investeringssällskapet 1999 AB of a nominal SEK 200 million.

Peab's interest in the operational and maintenance company Maintech has now been terminated.

Peab has acquired all shares in PNB Asphalt. PNB Asphalt has sales of approximately SEK 225 million and employs a workforce of 100. This acquisition is a good geographical complement to Peab's asphalt business, and strengthens our position both in the areas of production and asphalt laying.

#### ENVIRONMENTAL IMPACT

Activities subject to licence and notification are carried out in two Swedish sub-groups.



The activities subject to licence are gravel pits and rock quarries, transport of waste and hazardous waste and asphalt plants. These operations affect the environment mainly as a result of the extraction of a finite ground resource and affect future land use and produce emissions into the air and water and waste. The activities subject to licence correspond to around 30 per cent of Swerock's sales and approximately half of the volume that Peab Asphalt handles. Renewal and supplement of licences is a continuing process in Swerock.

The duty to notify relates to Swerock's concrete factories and Skandinaviska Byggelement's concrete product factories. The activities subject to notification correspond to approximately 30 per cent of Swerock's turnover and the whole of Skandinaviska Byggelement's turnover.

### THE WORK OF THE BOARD OF DIRECTORS

During 2002, the Board consisted of six persons elected by the AGM and three employee representatives and two deputies.

Among the members elected by the AGM are persons associated with Peab's largest owners, and persons independent of these owners. Officials of the company participate in board meetings in reporting and administrative roles.

During the financial year 2002, the Board held five scheduled meetings and six extraordinary meetings.

The Board works according to a set agenda intended to provide for the Board's information needs and this is based on the special procedures adopted by the Board concerning the division of work between the Board and the Managing Director.

The company has a remuneration committee which, under the leadership of the Chairman of the Board, deals with issues relating to salaries and conditions of employment for the Managing Director and draws up guidelines for the persons at the level immediately below him.

The auditor of the company reports in person to the Board on his observations concerning the audit and his assessment of the company's internal accounting control and accounts.

### REPURCHASE OF SHARES

On the date of the AGM on 16 May 2002, Peab's holdings of own shares amounted to 2,000,000 B class shares. The AGM resolved to give the Board a mandate to repurchase a maximum of 8,700,000 shares in Peab AB during the period prior to the next AGM. Based on this mandate the Board decided to repurchase a further maximum 1,000,000 B shares.

As per 31 December 2002, in total 2,900,000 B shares, equivalent to 3.3 per cent of the total shares, had been repurchased for a sum of SEK 118 million at an average price of SEK 40.84.

On 14 March 2003, Peab sold 450,000 B shares as part of the purchase price of a previous company acquisition.

### THE PARENT COMPANY

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

### PROPOSED ALLOCATION OF PROFIT

The following profits are at the disposal of the Annual General Meeting:

Profit brought forward	1,835,877,453
Profit for the year	-349,121,640
	<b>SEK 1,486,755,813</b>

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

Dividends distributed to shareholders	
– SEK 2.20/share	191,831,077
– all shares in Brinova Fastigheter AB <sup>1)</sup> proportional to shareholders' holdings of shares in Peab AB, with a net book value of total	470,000,000
Carried forward	824,924,736

**SEK 1,486,755,813**

The Group's non-restricted equity according to the consolidated balance sheet amounts to SEK 1,285 million. Appropriation to restricted equity is not required.

1) Distribution is briefly described on page 33 of the annual report and in more detail in a separate information brochure that will be available prior to the Peab AGM.

# INCOME STATEMENTS

MSEK	Note	Group		Parent company	
		2002	2001	2002	2001
Net sales	1	19,818	18,721	53	45
Production and management expenses		-17,953	-16,902	—	—
<b>Gross profit</b>		<b>1,865</b>	<b>1,819</b>	<b>53</b>	<b>45</b>
Selling and administrative expenses		-1,291	-1,200	-105	-104
Participation in profit before tax of associated companies		7	11	—	—
Participation in profit before tax of joint ventures		27	21	—	—
Result from participations in joint ventures sold		60	9	—	—
Result from participations in Group companies sold		-32	-5	—	—
<b>Operating profit</b>	2,3,4,5	<b>636</b>	<b>655</b>	<b>-52</b>	<b>-59</b>
<b>Result from financial investments</b>					
Result from participations in Group companies	6	—	—	-176	391
Result from participations in joint ventures	7	—	—	3	—
Result from securities and receivables accounted for as fixed assets	8	30	1	—	1
Other interest income and similar profit/loss items	9	63	97	13	57
Interest expenses and similar profit/loss items	10	-177	-176	-205	-166
<b>Profit after financial items</b>	11,12	<b>552</b>	<b>577</b>	<b>-417</b>	<b>224</b>
Appropriations	13	—	—	15	—
Tax on profit for the year	14	-66	-79	53	48
Minority interest in profit for the year		2	4	—	—
<b>Net profit for the year</b>		<b>488</b>	<b>502</b>	<b>-349</b>	<b>272</b>
<b>Earnings per share</b>					
	15				
Earnings per share before dilution, SEK		5.80	6.00		
Earnings per share after dilution, SEK		5.70	5.80		

## BALANCE SHEETS

ASSETS		Group		Parent company	
MSEK	Note	2002	2001	2002	2001
<b>Fixed assets</b>					
<b>Intangible assets</b>					
Goodwill	16	242	260	—	—
Other intangible fixed assets	17	2	4	—	—
		<b>244</b>	<b>264</b>	<b>—</b>	<b>—</b>
<b>Tangible assets</b>					
Buildings and land	18	459	373	—	—
Machinery and equipment	19	878	778	6	5
		<b>1,337</b>	<b>1,151</b>	<b>6</b>	<b>5</b>
<b>Financial assets</b>					
Participations in Group companies	20	—	—	4,846	4,376
Participations in associated companies	21	149	145	—	—
Participations in joint ventures	22	198	209	47	47
Other securities held as fixed assets	23	201	142	89	35
Interest-bearing long-term receivables	24	344	419	1,043	408
Deferred tax recoverables	14,25	122	82	—	—
Other long-term receivables	26	35	28	1	1
		<b>1,049</b>	<b>1,025</b>	<b>6,026</b>	<b>4,867</b>
<b>Total fixed assets</b>		<b>2,630</b>	<b>2,440</b>	<b>6,032</b>	<b>4,872</b>
<b>Current assets</b>					
Project- and development properties	27	1,156	1,001	4	1
Inventories		186	180	—	—
Accounts receivable		3,086	3,153	—	0
Interest-bearing current receivables	28	203	672	27	356
Other current receivables	29	371	415	17	33
Income taxes recoverables		43	26	1	0
Recognised but not invoiced income	30	1,594	1,403	—	—
Prepaid expenses and accrued income	31	236	252	2	6
Short-term securities holdings	32	138	139	—	—
Short-term investments	33	18	52	18	50
Cash and bank balances		191	105	1	0
<b>Total current assets</b>		<b>7,222</b>	<b>7,398</b>	<b>70</b>	<b>446</b>
<b>Total assets</b>		<b>9,852</b>	<b>9,838</b>	<b>6,102</b>	<b>5,318</b>



<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b> MSEK	<b>Note</b>	<b>Group</b> <b>2002</b> <b>2001</b>		<b>Parent company</b> <b>2002</b> <b>2001</b>	
<b>Shareholders' equity</b>	34				
<b>Restricted equity</b>					
Share capital		872	842	872	842
Restricted reserves		593	548	281	244
<b>Non-restricted equity</b>					
Non-restricted reserves		797	542	1,836	1,692
Net profit for the year		488	502	-349	272
<b>Total shareholders' equity</b>		<b>2,750</b>	<b>2,434</b>	<b>2,640</b>	<b>3,050</b>
<b>Untaxed reserves</b>	35	—	—	<b>114</b>	<b>129</b>
<b>Minority interests</b>		<b>30</b>	<b>8</b>	—	—
<b>Provisions</b>					
Provisions for pensions		9	9	—	—
Provisions for taxes	14,25	102	—	—	—
Other provisions	36	71	87	—	—
<b>Total provisions</b>		<b>182</b>	<b>96</b>	—	—
<b>Long-term liabilities</b>	37				
Interest-bearing long-term liabilities	38	1,661	2,063	3,258	1,964
<b>Total long-term liabilities</b>		<b>1,661</b>	<b>2,063</b>	<b>3,258</b>	<b>1,964</b>
<b>Current liabilities</b>					
Accounts payable		1,889	2,100	5	9
Interest-bearing current liabilities	39	82	188	13	100
Short-term debenture loans		—	49	—	50
Income taxes liabilities		29	25	—	—
Invoiced income not yet recognised	40	1,524	1,462	—	—
Other current liabilities	41	605	370	63	6
Accrued expenses and deferred income	42	1,100	1,043	9	10
<b>Total current liabilities</b>		<b>5,229</b>	<b>5,237</b>	<b>90</b>	<b>175</b>
<b>Total shareholders' equity and liabilities</b>		<b>9,852</b>	<b>9,838</b>	<b>6,102</b>	<b>5,318</b>
<b>Pledged assets</b>	43	550	507	—	—
<b>Contingent liabilities</b>	44	887	797	6,374	5,651

## CASH FLOW STATEMENTS

MSEK	Note	Group		Parent company	
		2002	2001	2002	2001
Current operations					
Profit after financial items		552	577	-417	224
Adjustments for non-cash items		110	117	252	-406
		662	694	-165	-182
Income tax paid		-38	-145	-1	-128
Cash flow from current operations before working capital changes	45,46	624	549	-166	-310
Cash flow from changes in working capital					
Increase (-)/Decrease (+) project and development properties		-102	-108	-3	—
Increase (-)/Decrease (+) inventories		-10	-13	—	—
Increase (-)/Decrease (+) current receivables		24	-184	20	20
Increase (+)/Decrease (-) current liabilities		35	917	52	5
Cash flow from current operations		571	1 161	-97	-285
Investment operations					
Acquisition of subsidiaries and line of business	47	-36	-261	—	—
Sales of subsidiaries	48	31	3	—	—
Acquisition of intangible fixed assets		-5	—	—	—
Acquisition of tangible fixed assets		-229	-248	-3	-1
Sales of tangible fixed assets		32	197	1	—
Acquisition of financial assets		-97	-493	-714	-674
Sale/reduction of financial assets		541	274	354	14
Cash flow from investment operations		237	-528	-362	-661
Cash flow before financing		808	633	-459	-946
Financing operations					
New share issue		67	—	67	—
Repurchase of own shares		-85	-33	-85	-33
Borrowings raised		—	—	657	1 084
Amortization of subscription options		-527	-502	—	—
Dividend paid		-179	-109	-179	-109
Cash flow from financing operations		-724	-644	460	942
Cash flow for the year		84	-11	1	-4
Cash at the beginning of the year		105	99	0	4
Exchange rate differences in cash		2	17	—	—
Cash at year-end		191	105	1	0

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.

### CONSOLIDATED ACCOUNTS

The consolidated accounts have been prepared in accordance with recommendation RR 1:00 of the Swedish Financial Accounting Standards Council, and comprise those companies in which the Parent Company directly or through subsidiaries holds more than 50 per cent of the votes or in some other way exerts a decisive influence.

The consolidated financial statements are prepared according to the purchase accounting method, which means that the equity of the subsidiaries at the time of acquisition, determined as the difference between the actual value of their assets and liabilities, is entirely eliminated. Group equity thus includes only that share of the individual subsidiary's equity that arose subsequent to the acquisition.

Companies acquired during the year are included in the consolidated financial statements for the period following their acquisition. Profits and losses from companies sold during the year have been recognised in the consolidated income statement for the period up until the date of the sale.

### GOODWILL

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

### TRANSLATION OF FOREIGN SUBSIDIARIES

All foreign subsidiaries are classified as independent subsidiaries. Thus the current method has been applied to the translation of their year-end accounts, 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.

### ASSOCIATED COMPANIES AND JOINT VENTURES

Participations in associated companies and joint ventures, in which the Group holds at least 20 and at most 50 per cent of the voting rights or otherwise has a significant impact on operational and financial management, are reported in accordance with the equity method. The equity method means that the book value of participations in associated companies and joint ventures accounted for in the Group corresponds to the Group's share of the equity of the associated companies and joint ventures and any residual values on surplus values and deficit values in the Group. The Group's share in the result of these companies after financial income and expenses adjusted for depreciation on or dissolution of acquired surplus and deficit values is reported in the consolidated income statement as

"Share of profit before tax of associated companies" and "Share of profit of joint ventures before tax". The Group's share in the reported taxes of associated companies and joint ventures is included in the Group's tax expenses. Profit shares recognised after acquisition of associated companies and joint ventures which have not yet been realised and distributed as dividends are allocated to the equity reserve which is part of the Group's restricted equity.

Joint ventures in the form of consortia, primarily partnerships which have been formed in order to implement specific major contracts together with other construction companies, are consolidated in accordance with the proportional method. This means that consortia are included in the consolidated financial statements in proportion to the Group's share of each consortium's share of the assets, provisions, liabilities, income and expenses.

Shares in associated companies/joint ventures are recognised in the Parent Company at their acquisition value.

### TEMPORARY HOLDINGS

During 2000, the remaining 54 per cent of shares in Skåne Projektfastigheter AB were acquired. This acquisition included the subsidiary Fastighets AB Skånehus. In conjunction with the acquisition the Board of Directors resolved to reduce holdings in Fastighets AB Skånehus to less than 50 per cent, and as a result 50 per cent of holdings are accounted for as an associated company and the other 50 per cent as short-term securities holdings. The Board has decided to propose to the AGM that shares in the newly formed Brinova Fastigheter AB be distributed to the shareholders. This company includes the property management companies within Fastighets AB Skånehus. While awaiting the decision of the AGM concerning distribution holdings, in Fastighets AB Skånehus have been accounted for as previously.

### ELIMINATION OF TRANSACTIONS BETWEEN COMPANIES IN THE GROUP

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 associated companies and joint ventures are eliminated relative to the share of the company owned by the Group. Unrealised gains arising from transactions with associated companies and joint ventures are eliminated against holdings in the associated company or the joint venture, respectively. Unrealised losses are eliminated in the same way as unrealised gains, provided there is no need for writing down.

### BUSINESS INCOME – CONSTRUCTION CONTRACTS

Construction contracts commissions in process are shown in accordance with recommendation RR 10 of the Swedish Financial Accounting Standards Council, Contracts and similar commissions, and applying the Swedish Construction Federation's recommendation for the construction industry. The recommendations entail that percentage of completion method is applied to all the contracts where the outcome can be calculated satisfactorily. Income and expenses are reported in the income statement in proportion to the degree of recognition of income in the contract. The degree of recognition of income is determined on the basis of project expenses



incurred in relation to the project expenses relating to the project income for the entire contract. For commissions where the outcome cannot be calculated satisfactorily, an income is reported corresponding to the expenses incurred. Estimated losses are expensed in their entirety.

#### OTHER INCOME

Income recognition takes place at the rate that important risks and benefits associated with the company's goods are transferred to the purchaser.

#### DEPRECIATION PRINCIPLES FOR FIXED ASSETS

The acquisition value of intangible and tangible fixed assets is depreciated systematically over the estimated useful life of the asset.

The linear depreciation method is applied to all types of assets.

Depreciation has been deducted according to the following percentage rates:

Goodwill	10
Buildings	1–4
Land improvements	2–4
Vehicles and contracting machinery	16–20
Personal computers	33
Other machinery and equipment	10–20

Activities subject to goodwill have been assessed as having a duration of at least 10 years and constitute the best assessment of the activity's period of utility.

#### ITEMS AFFECTING COMPARABILITY

The Swedish Financial Accounting Standards Council's recommendation RR 4 is applied, which entails that the effects on income of particular events and transactions of importance are specified within the respective income concept.

#### IMPAIRMENTS OF ASSETS

The recognised value of the Group's assets are checked each balance sheet day to ascertain whether there are any indications of write-down requirements. Should such indications exist, the asset's recovery value is calculated as either the utility value or the net sales value, whichever is highest. The asset is written down if the recovery value is inferior to the booked value.

#### BORROWING COSTS

Borrowing costs are charged against profits during the period to which they refer except to the extent that they are included in that asset's acquisition value. An asset for which interest can be included in the acquisition price is an asset which must necessarily require considerable time to prepare for the intended use or sale. 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 the Swedish Financial Accounting Standards Council's recommendation RR 9, Income taxes. Total tax consists of current tax and deferred tax.

Tax is entered in the income statement except when the underlying transaction is entered directly against shareholders' equity, in which case the appurtenant tax effect is entered against equity. Current tax is tax that is to be paid or received for the current year. This also includes adjustment of current tax relating to previous periods. Deferred tax is calculated in accordance with the balance sheet method on the basis of temporary differences between reported and taxable values of assets and liabilities. The amounts are calculated based on how the temporary differences are expected to be harmonised and by the application of the tax rates and tax rules that have been decided or notified on closing day. Temporary differences are not taken into consideration in goodwill for the group nor in differences relating to participation in subsidiaries and associated companies/joint ventures which are not expected to be taxed in the foreseeable future.

Untaxed reserves are reported in legal entities including deferred tax liability. In the consolidated financial statements, untaxed reserves are divided up into deferred tax liability and shareholders' equity.

Deferred tax liabilities in deductible temporary differences and loss carry-forwards are only reported to the extent that it is probable that these will entail lower tax payments in future.

#### LEASES

The Group applies recommendations RR 6:99 of the Swedish Financial Accounting Standards Council with regard to accounting for leasing agreements. Leasing is classified in the consolidated financial statements as either financial or operational leasing. Financial leasing applies to 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 assets held according to financial leasing agreements are accounted for as fixed assets in the consolidated balance sheet. The undertaking to pay future leasing charges has been entered under long-term and current liabilities. These assets are depreciated according to plan while leasing payments are entered under interest and amortisation of liabilities.

Operational leasing entails that the leasing charge is expensed over the term of leasing on the basis of use.

All leasing agreements in the Parent Company are reported according to the rules for operational leasing.

#### REAL ESTATE

Real estate holdings are reported after being divided up into

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

Properties used in the Group's own operations, i.e. office buildings and warehouses, are entered under tangible fixed assets.

Direct and indirect holdings of undeveloped land and redevelopment tracts for future development, developed management properties for project development, refinement and subsequent sale, are entered as real estate held for resale in the current assets. The Group's strategy is not to own investment properties.

## RECEIVABLES

Receivables are recognised at the amount that is expected to be paid, based on an individual assessment.

## RECEIVABLES AND LIABILITIES IN FOREIGN CURRENCY

Receivables and liabilities in foreign currency are translated at the year-end exchange rate in accordance with the Swedish Financial Accounting Standards Council's recommendation RR 8. Where hedging measures have been taken – e.g. forward contracts, the forward rate is used.

## INTEREST RATE AND CURRENCY DERIVATIVES

Interest rate swaps have been undertaken in order to achieve the desired fixing of interest rates in the loan portfolio. No market evaluations are carried during the term of the swaps.

Currency derivatives have been used in order to eliminate foreign exchange risks on borrowing and to safeguard future foreign exchange flow. These are translated at the rate on the balance sheet day with due consideration for arbitrage premiums. Exchange rate differences are entered under the net financials item.

The company uses interest rate and currency derivatives only to a very limited extent.

## INVENTORIES

Inventories are valued at the lower of acquisition value and actual value on the closing day in accordance with recommendation RR 2 of the Swedish Financial Accounting Standards Council.

## SHORT-TERM INVESTMENTS

Short-term investments are valued in accordance with the Annual Accounts Act at acquisition value or true value, depending on which is lowest.

## 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 in the line 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.

## GROUP CONTRIBUTION AND SHAREHOLDERS' CONTRIBUTION

In the Parent Company, the Group's contribution and shareholders' contribution is accounted for in accordance with the Swedish

Financial Accounting Standards Council's Emergency Issues Task Force. Group contribution is reported according to its financial import, namely to reduce the Group's total tax. Since the Group contribution does not therefore constitute payment for services rendered, it is reported directly against retained earnings after a deduction for its tax effect. The shareholders' contribution is reported directly against equity at the recipient and is capitalised in shares and participations at the donor, to the extent that write-downs are not required.

## DISCONTINUING OPERATIONS

Discontinuing operations refer to a clearly defined part of the Group's activities which according to the decision of the Board are being phased out or closed in accordance with a single coherent plan. These operations constitute a significant organisational unit and can be clearly distinguished for business and accounting purposes.

## CASH FLOW STATEMENTS

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

## CHANGED ACCOUNTING PRINCIPLES

### *Application of the recommendation of the Swedish Financial Accounting Standard Council*

As from 1 January 2002, the following recommendations of the Swedish Financial Accounting Standard Council will be applied: RR 1:00 Consolidated accounts; RR 15 Intangible assets; RR 16 Provisions, contingent liabilities and contingent assets; RR 17 Impairments of assets; RR 19 Discontinuing operations; RR 21 Borrowing costs, and; RR 23 Related party of disclosures. With the exception of the extended information requirements, the introduction of the new recommendations have had no impact on profits or the financial position.

### *RR 16 Provisions, contingent liabilities and contingent assets*

The introduction of this recommendation has led to an increase in information requirements.

### *RR 19 Discontinuing operations*

This recommendation requires that operations that constitute a substantial organisational unit and which are to be phased out must be accounted for separately.

### *RR 23 Related party of disclosures*

This recommendation deals with what information must be submitted concerning relations with closely related companies and natural persons, and also concerning transactions with such closely related entities, all of which implies an increase in information requirements compared to previously.

**NOTE 1 NET SALES BY GEOGRAPHICAL MARKET**

MSEK	Group		Parent company	
	2002	2001	2002	2001
Sweden	17,916	17,007	50	43
Norway	1,321	1,091	3	2
Finland	555	503	—	—
Poland	—	69	—	—
Latvia	17	26	—	—
Other countries	9	25	—	—
<b>Total</b>	<b>19,818</b>	<b>18,721</b>	<b>53</b>	<b>45</b>

**NOTE 2 WAGES, SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY COSTS AND EMPLOYEES**

MSEK	Wages, salaries and other remunerations		Social insurance costs (of which pension costs)	
	2002	2001	2002	2001
The Parent Company	26	22	17 (8)	16 (8)
Subsidiaries	3,015	2,820	1,204 (268)	1,102 (210)
<b>Group total</b>	<b>3,041</b>	<b>2,842</b>	<b>1,221 (276)</b>	<b>1,118 (218)</b>

Of the parent company's pension expenses, SEK 6 million (6) relates to the Board of Directors and the Managing Director. The corresponding amount for subsidiaries is SEK 6 million (6). There are no related outstanding pension commitments.

**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	
	2002	2001	2002	2001
<b>Parent company</b>	13 (4)	10 (3)	13	12
<b>Subsidiaries in Sweden</b>	14 (2)	12 (2)	2,670	2,552
<b>Subsidiaries outside Sweden</b>				
Norway	4 (—)	2 (—)	223	173
Finland	6 (—)	3 (—)	96	67
Other countries	0 (—)	1 (—)	2	10
<b>Total in subsidiaries</b>	<b>24 (2)</b>	<b>18 (2)</b>	<b>2,991</b>	<b>2,802</b>
<b>Group total</b>	<b>37 (6)</b>	<b>28 (5)</b>	<b>3,004</b>	<b>2,814</b>

**The Board of Directors**

In accordance with the decision of the 2002 Annual General Meeting, directors' fees should not exceed SEK 690,000 (600,000). Of this amount, the Chairman received SEK 250,000 (200,000). Directors' fees consist of a fixed and a variable portion. The fixed portion amounts to SEK 70,000 (60,000) per board member and the variable to SEK 10,000 (10,000) per member and ordinary board meeting attended. During the year, remuneration to the board totalled SEK 680,000 (590,000).

Fees are not paid to those directors who are employed by the Group.

Neither the Chairman nor the other directors, with the exception of the Managing Director, have agreements on future pensions, severance pay or other benefits.

**The Managing Director**

In 2002, the Managing Director received a salary and other remuneration, including benefits, totalling SEK 4,606,000 (4,342,000), of which bonus payments amount to SEK 1,585,000 (1,423,000). Pension benefit contributions for the Managing Director have been paid in totalling SEK 2,497,000 (3,447,000).

A commitment has been given to the Managing Director concerning the provision of early retirement pensions entitling him to retire at 60 to 65 years of age with a pension amounting to 75 per cent of salary. Early retirement benefits are earned over time and are paid in full if the relevant officer remains in company employment until his contracted pension age. For the pension to be awarded at 65, the pension premiums amount to 35 per cent of the salary although at most 10 basic amounts.

If dismissed by the company, the Managing Director is entitled to severance pay corresponding to two years salary less any salary he may receive from possible new appointments. Should the Managing Director wish to resign, six months notice must be given.

**Other senior management**

Other senior management refers to the four deputy managing directors of Peab AB who together with the Managing Director make up the Group Management. For the composition of the Group Management refer to page 70.

Salary and other remuneration, company cars and other fringe benefits to the other senior management amounted to SEK 8,804,000 (8,719,000), of which bonuses amounted to SEK 2,668,000 (2,025,000).

A commitment has been given to the other senior management concerning the provision of early retirement pensions. For one person this involves a commitment entitling this person to retire at 60 to 65 years of age with a pension equivalent to 75 per cent of salary. This early retirement benefit is earned over time and will be paid in full if the relevant officer remains in company employment until the contracted pension age. In the case of the other three persons, pensions will be paid from 62 to 65 years of age. These pensions consist of pension premium paid in annually based on a percentage of salary during the various age intervals.

If dismissed by the company, the other senior management are entitled to severance pay corresponding to two years salary less any salary they may receive from possible new appointments. Should the chief executives wish to resign, six months notice must be given.

**Preparation and decision-making procedures for the establishment of remuneration**

The remuneration committee appointed by the Board of Directors negotiates and agrees remuneration with the Managing Director, after which it reports back to the Board. The remuneration committee decides on the remuneration of the other chief executives acting on the Managing Director's proposals.

The criterion for the payment of bonuses to the Managing Director and the other chief executives is based on the meeting of targets set for the Group. Annual bonuses may not exceed SEK 2,200,000 for the Managing Director and in the case of the chief executives may not exceed a total of SEK 4,250,000.

**Average number of employees**

	No. of employees 2002	of whom men 2002, %	No. of employees 2001	of whom men 2001, %
<b>Parent company</b>				
Sweden	31	65	29	69
<b>Subsidiaries</b>				
Sweden	9,946	94	9,932	95
Norway	579	93	379	89
Finland	364	95	276	94
Poland	—	—	66	88
Latvia	53	89	65	92
<b>Total in subsidiaries</b>	<b>10,942</b>	<b>94</b>	<b>10,718</b>	<b>95</b>
<b>Group total</b>	<b>10,973</b>	<b>94</b>	<b>10,747</b>	<b>95</b>



**NOTE 3 FEES AND COST REMUNERATION TO AUDITORS**

MSEK	Group		Parent company	
	2002	2001	2002	2001
<b>KPMG</b>				
Auditing assignments	6	5	1	1
Other assignments	2	3	1	0
<b>Öhrlings Pricewaterhouse Coopers</b>				
Auditing assignments	1	0	—	—
Other assignments	0	1	—	—
<b>Total</b>	<b>9</b>	<b>9</b>	<b>2</b>	<b>1</b>

**NOTE 4 OPERATIONAL LEASE CONTRACTS**

The Group's expenses for operational lease contract total SEK 64 million (49). The nominal value of future leasing charges for operational lease contracts fall due for payment as follows:

MSEK	Group	
	2002	2001
Within a year	74	43
Between one and five years	107	95
Later than five years	—	—

**NOTE 5 DEPRECIATION AND WRITE-DOWNS**

Depreciation and write-downs of intangible and tangible fixed assets amounted to SEK 282 million (246) and SEK 2 million (2) for the Parent Company

**NOTE 6 RESULT FROM PARTICIPATIONS IN GROUP COMPANIES**

MSEK	Parent company	
	2002	2001
Dividends	—	422
Write-downs	-182	-31
Capital gain on sale	6	—
<b>Total</b>	<b>-176</b>	<b>391</b>

**NOTE 7 RESULT FROM PARTICIPATIONS IN JOINT VENTURES**

MSEK	Parent company	
	2002	2001
Capital gain on sale	3	—
<b>Total</b>	<b>3</b>	<b>—</b>

**NOTE 8 RESULT FROM SECURITIES AND RECEIVABLES ACCOUNTED FOR AS FIXED ASSETS**

MSEK	Group		Parent company	
	2002	2001	2002	2001
Interest, external	30	21	—	—
Interest, Group	—	—	—	1
Write-down	—	-20	—	—
<b>Total</b>	<b>30</b>	<b>1</b>	<b>—</b>	<b>1</b>

**NOTE 9 OTHER INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS**

MSEK	Group		Parent company	
	2002	2001	2002	2001
Interest, external	64	92	13	57
Exchange rate differences	0	4	—	—
Other items	-1	1	—	—
<b>Total</b>	<b>63</b>	<b>97</b>	<b>13</b>	<b>57</b>

**NOTE 10 INTEREST EXPENSES AND SIMILAR PROFIT/LOSS ITEMS**

MSEK	Group		Parent company	
	2002	2001	2002	2001
Interest expenses, external	136	173	7	6
Interest expenses, Group	—	—	123	126
Exchange rate differences	4	—	43	34
Write-downs of short-term investments	32	—	32	—
Other items	5	3	—	—
<b>Total</b>	<b>177</b>	<b>176</b>	<b>205</b>	<b>166</b>

**NOTE 11 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 32 million (22) for the Group and SEK 21 million (31) for the Parent Company

**NOTE 12 EXCHANGE RATE DIFFERENCES AFFECTING THE RESULT**

Net profit for the year has been affected by negative exchange rate differences of SEK 4 million. Previous year net profit was affected by positive exchange rate differences of SEK 4 million.

**NOTE 13 APPROPRIATIONS**

MSEK	Parent company	
	2002	2001
Resolution of tax allocation reserve	15	—
<b>Total</b>	<b>15</b>	<b>—</b>

**NOTE 14 TAX ON PROFIT FOR THE YEAR**

MSEK	Group		Parent Company	
	2002	2001	2002	2001
<b>Current tax expense/tax receipt</b>				
Tax expense for the year	-11	-7	53	44
Adjustment of tax relating to previous years	-11	6	—	4
	<b>-22</b>	<b>-1</b>	<b>53</b>	<b>48</b>
<b>Deferred tax expense/tax receipt</b>				
Temporary differences	19	14		
Tax amount capitalised in loss carry-forwards during the year	32	17		
Utilisation of tax amount previously capitalised in loss carry-forwards	-83	-85		
Revaluation of reported amounts of deferred tax recoverable	-1	-16		
	<b>-33</b>	<b>-70</b>	<b>—</b>	<b>—</b>
<b>Tax expense/tax receipt for associated companies/joint ventures</b>				
Tax on participations in profit of associated companies	-1	-2		
Tax on participations in joints ventures	-10	-6		
	<b>-11</b>	<b>-8</b>	<b>—</b>	<b>—</b>
<b>Total reported tax expense/tax receipt</b>	<b>-66</b>	<b>-79</b>	<b>53</b>	<b>48</b>

**Reconciliation of effective tax**

MSEK	Group				Parent company			
	2002	%	2001	%	2002	%	2001	%
Reported profit before tax	552		577		-402		224	
Tax according to current tax rate for the Parent Company	-154	28.0	-162	28.0	113	-28.0	-63	28.0
Amortization of goodwill for the Group	-14	2.5	-9	1.6	—	—	—	—
Other non-deductible expenses	-35	6.3	-19	3.3	-63	15.6	-11	4.9
Income not subject to tax	21	-3.8	30	-5.2	3	-0.7	118	-52.6
Revaluation of previous years' reported value of deferred taxes	-13	2.4	-16	2.8	—	—	—	—
Utilised but not capitalised loss carry forwards	17	-3.1	22	-3.8	—	—	—	—
Tax relating to previous years	-11	2.0	-8	1.4	—	—	4	-1.7
Increase in loss carry forwards without corresponding capitalisation of deferred tax recoverable	-14	2.5	-8	1.4	—	—	—	—
Utilised acquired loss carry forwards where the utility value exceeds the acquisition cost	140	-25.4	99	-17.2	—	—	—	—
Deviant effective tax rate on participations in the profit/loss of associated companies and joint ventures	-3	0.5	-8	1.4	—	—	—	—
<b>Reported tax expense/tax receipt</b>	<b>-66</b>	<b>11.9</b>	<b>-79</b>	<b>13.7</b>	<b>53</b>	<b>-13.1</b>	<b>48</b>	<b>-21.4</b>

**Change in deferred tax in temporary differences and loss carry forwards**

2002 MSEK	Amount on 1 January	Reported in Income Statement	Acquired and sold companies	Exchange rate differences	Amount on 31 December
Loss carry forwards	270	-47	-4	6	225
Untaxed reserves	-108	11	-14		-111
Intangible fixed assets	-2	8			6
Tangible fixed assets	4	1			5
Excess values for the Group	-80	—	-17		-97
Other	-2	-6			-8
<b>Total</b>	<b>82</b>	<b>-33</b>	<b>-35</b>	<b>6</b>	<b>20</b>
2001 MSEK					
Loss carry forwards	145	-81	196	10	270
Untaxed reserves	-114	9	-3		-108
Intangible fixed assets	-2	—			-2
Tangible fixed assets	-2	6			4
Excess values for the Group	-107	31	-4		-80
Project- and development properties	27	-27			0
Other	6	-8			-2
<b>Total</b>	<b>-47</b>	<b>-70</b>	<b>189</b>	<b>10</b>	<b>82</b>

In the Parent Company, current tax is reported in group contribution received at SEK 53 million (44) directly against equity.

**NOTE 15 EARNINGS PER SHARE**

	Group	
	2002	2001
<b>Earnings per share before dilution</b>		
Net profit for the year, MSEK	488	502
Average no. of outstanding shares, million	84.6	83.9
<b>Earnings per share before dilution, SEK</b>	<b>5.80</b>	<b>6.00</b>
<b>Earnings per share after dilution</b>		
Net profit for the year, MSEK	488	502
Average no. of outstanding shares, million	84.6	83.9
Adjustment for assumed subscription of warrants, million	0.3	3.0
No. of shares in calculation of earnings per share after dilution, million	84.9	86.9
<b>Earnings per share after dilution, SEK</b>	<b>5.70</b>	<b>5.80</b>

Repurchased shares are not included in the calculation.

**NOTE 16 GOODWILL**

	Group		Parent Company	
MSEK	2002	2001	2002	2001
Acquisition values brought forward	480	431		
Purchases	78	44		
Sales/disposals	-72	-4		
Translation differences for the year	7	9		
<b>Accumulated acquisition values brought forward</b>	<b>493</b>	<b>480</b>	<b>—</b>	<b>—</b>
Amortization brought forward	-220	-171		
Accumulated amortization in acquired companies	-6	0		
Sales/disposals	44	4		
Amortization for the year	-48	-49		
Translation differences for the year	-3	-4		
<b>Accumulated amortization carried forward</b>	<b>-233</b>	<b>-220</b>	<b>—</b>	<b>—</b>
Write-downs for the year	-18	—	—	—
<b>Residual value according to plan carried forward</b>	<b>242</b>	<b>260</b>	<b>—</b>	<b>—</b>

**NOTE 17 OTHER INTANGIBLE FIXED ASSETS**

	Group		Parent Company	
MSEK	2002	2001	2002	2001
Acquisition values brought forward	9	9		
Purchase	1	1		
Sales/disposals	-4	-1		
<b>Accumulated acquisition values brought forward</b>	<b>6</b>	<b>9</b>	<b>—</b>	<b>—</b>
Amortization brought forward	-5	-4		
Sales/disposals	2	—		
Amortization for the year	-1	-1		
<b>Accumulated amortization carried forward</b>	<b>-4</b>	<b>-5</b>	<b>—</b>	<b>—</b>
<b>Residual value according to plan carried forward</b>	<b>2</b>	<b>4</b>	<b>—</b>	<b>—</b>

**NOTE 18 BUILDINGS AND LAND**

	Group		Parent Company	
MSEK	2002	2001	2002	2001
Acquisition values brought forward	521	505		
Purchases	141	84		
Sales/disposals	-21	-56		
Reclassifications	-5	-16		
Translation differences	—	4		
<b>Accumulated acquisition values brought forward</b>	<b>636</b>	<b>521</b>	<b>—</b>	<b>—</b>
Depreciation brought forward	-142	-127		
Accumulated depreciation in acquired companies	-13	-9		
Sales/disposals	5	8		
Depreciation for the year	-17	-14		
<b>Accumulated depreciation carried forward</b>	<b>-167</b>	<b>-142</b>	<b>—</b>	<b>—</b>
Write-downs brought forward	-6	-6		
Write-downs in acquired companies	-2	—		
Write-downs for the year	-2	—		
<b>Accumulated write-downs carried forward</b>	<b>-10</b>	<b>-6</b>	<b>—</b>	<b>—</b>
<b>Residual value according to plan carried forward</b>	<b>459</b>	<b>373</b>	<b>—</b>	<b>—</b>

Residual value according to plan of properties in Sweden	213	341
Tax assessment value of properties in Sweden	251	328
Capitalized interest is included in the acquisition value	1	—

**NOTE 19 MACHINERY AND EQUIPMENT**

	Group		Parent Company	
MSEK	2002	2001	2002	2001
Acquisition values brought forward	1,851	1,590	14	12
Purchases	447	376	3	2
Sales/disposals	-298	-116	0	0
Reclassifications	-3	—	—	—
Translation differences	3	1	—	—
<b>Accumulated acquisition values brought forward</b>	<b>2,000</b>	<b>1,851</b>	<b>17</b>	<b>14</b>
Depreciation brought forward	-1,073	-938	-9	-7
Accumulated depreciation in acquired companies	-57	-35	—	—
Sales/disposals	206	88	0	0
Depreciation for the year	-196	-182	-2	-2
Reclassifications	2	—	—	—
Translation differences	-2	-6	—	—
<b>Accumulated depreciation carried forward</b>	<b>-1,120</b>	<b>-1,073</b>	<b>-11</b>	<b>-9</b>
Write-downs in acquired companies	-2	—	—	—
<b>Residual value according to plan carried forward</b>	<b>878</b>	<b>778</b>	<b>6</b>	<b>5</b>

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

210	181	—	—
-----	-----	---	---



**NOTE 20 PARTICIPATIONS IN GROUP COMPANIES**

MSEK	Parent company	
	2002	2001
Acquisition values brought forward	4,403	3,828
Purchases	1	584
Shareholders' contribution	651	3
Sales	—	–12
<b>Accumulated acquisition values carried forward</b>	<b>5,055</b>	<b>4,403</b>
Revaluations brought forward	100	100
<b>Accumulated revaluations carried forward</b>	<b>100</b>	<b>100</b>
Write-downs brought forward	–127	–96
Write-downs for the year	–182	–31
<b>Accumulated write-downs carried forward</b>	<b>–309</b>	<b>–127</b>
<b>Book value carried forward</b>	<b>4,846</b>	<b>4,376</b>

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

Company	Corp. ID. no.	Registered office	% of capital	% of voting rights	No. of participations	Book value MSEK
Peab Sverige AB	556099–9202	Båstad	100	100	1,000,000	1,405
Skåne Projektfastigheter AB	556471–9143	Helsingborg	100	100	1,375	1,041
Peab Invest AS	981 704 665	Oslo	100	100	1,000	560
Brinova Fastigheter AB	556594–9566	Båstad	100	100	1,000	470
Peab International AB	556568–6721	Båstad	100	100	2,900,000	348
Peab Byggbeskrivning AB	556059–0910	Stockholm	100	100	1,000	298
Peab Utvecklings AB	556511–5408	Båstad	100	100	6,150,000	167
Peab AS	981 032 411	Oslo	100	100	502,290	158
Br Paulsson Peab AB	556113–4114	Båstad	99.9	99.9	7,654,215	157
Peab Finans AB	556552–1324	Båstad	100	100	1,000,000	116
Maintech Industripartner AB	556114–9773	Helsingborg	100	100	50,000	70
Fastighets AB Skeppsdockan	556563–0711	Ängelholm	100	100	1,000	22
Peab Suomi Oy	751 448	Helsingfors	73.7	73.7	700	20
Lambertssons Maskin AB	556145–7531	Mölndal	100	100	50,000	12
Peab Transport & Miljö AB	556240–2742	Ängelholm	100	100	1,000	1
Other						1
<b>Total</b>						<b>4,846</b>

A complete list of the Group's total holdings of shares and participation rights in group companies is sent to PRV (Patent and Registration Office) and is also available from the company.

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

Subsidiaries	Date of acquisition	Business
Nordmarkens Betongprodukter AB	January 2002	Concrete
Laserutläggning Sverige AB	January 2002	Rental
Peab Pientalot Oy	February 2002	Contracting
Inreco Svenska AB	April 2002	Asphalt
Skillingenäs AB	June 2002	Contracting
AB G-stöd	July 2002	Dormant company
Brinova Fastigheter AB	September 2002	Properties
Byggbetong i Norrland AB	October 2002	Concrete
Peab Asfalt Syd AB	November 2002	Asphalt
Lambertsson Norge AS	November 2002	Rental
Idrettsveien 13 AS	December 2002	Contracting

Acquired subsidiaries are consolidated according to the purchase accounting method.

**NOTE 21 PARTICIPATIONS IN ASSOCIATED COMPANIES**

MSEK	Group		Parent Company	
	2002	2001	2002	2001
Acquisition values brought forward	145	145		
Result from participations after tax reduced by group contribution received	4	0		
<b>Accumulated acquisition values carried forward</b>	<b>149</b>	<b>145</b>		
<b>Book value carried forward</b>	<b>149</b>	<b>145</b>	<b>—</b>	<b>—</b>

**Specification of Group's and the Parent Company's holdings of shares and participations in associated companies**

Group	Corp. ID. no.	Registered office	% of capital	% of voting rights	No. of participations	Book value, MSEK
Fastighets AB Skånehus	556371-3816	Malmö	50.0	50.0	14 325 900	149
<b>Total</b>						<b>149</b>

The difference between the book value in the Group and the Group's participations in the associated companies equity amounts to SEK 60 million (60).

**NOTE 22 PARTICIPATIONS IN JOINT VENTURES**

MSEK	Group		Parent Company	
	2002	2001	2002	2001
Acquisition values brought forward	209	189	47	47
Purchases	16	14	—	—
Sales	-33	-9	—	—
Result from participations after tax reduced by dividend received	18	16	—	—
Reclassifications	-12	-1	—	—
<b>Accumulated acquisition values carried forward</b>	<b>198</b>	<b>209</b>	<b>47</b>	<b>47</b>
<b>Book value carried forward</b>	<b>198</b>	<b>209</b>	<b>47</b>	<b>47</b>

**Specification of Group's and the Parent Company's holdings of shares and participations in joint ventures.**

Group	Corp. ID. no.	Registered office	% of capital	% of voting rights	No. of participations	Book value, MSEK
Birsta Fastigheter AB	556190-3765	Helsingborg	50.0	50.0	240,300	75
Fastighetsbolaget Medicinaren AB	556315-0399	Huddinge	40.0	40.0	4 000	33
AB Vendels Grustag & Co KB	917600-5636	Uppsala	49.0	49.0		13
AB Aros Grus & Co KB	916922-1497	Västerås	50.0	50.0		9
Lime Columne Method AB	556108-1646	Gothenburg	50.0	50.0	500	8
Flygstaden AB	556551-4667	Söderhamn	47.5	47.5	9,500	7
Dockan Exploatering AB	556594-2645	Malmö	33.0	33.0	1,000	7
AB Vendels Grustag	556025-8383	Uppsala	50.0	50.0	600	6
Svenska Fräs & Asfaltsåtervinning	556214-7354	Markaryd	30.0	30.0	2,063	6
F5 Ljungbyhed AB	556545-4294	Klippan	35.0	35.0	1,050	5
KB S:t Jörgen	916840-0407	Gothenburg	50.0	50.0		4
Expressbetong AB	556317-1452	Halmstad	50.0	50.0	60,000	4
HB Solrosen 7-8	916897-4088	Borås	50.0	50.0		3
Briketten i Vrena AB	556553-6058	Nyköping	50.0	50.0	25,000	3
Fastighets AB Bryggeriet	556141-6115	Gothenburg	50.0	50.0	500	3
Göteborgs Kross AB & Co KB	957202-2052	Gothenburg	33.3	33.3		2
Fastighets AB Grisen	556466-1055	Stockholm	50.0	50.0	1,000	2
I Tolv AB	556513-2478	Eksjö	35.0	35.0	4,375	2
Ale Exploatering AB	556426-2730	Gothenburg	50.0	50.0	1,500	2
Gottåsa Fastighets AB	556499-2948	Alvesta	50.0	50.0	500	1
Deamatrix Förvaltning AB	556518-6896	Stockholm	50.0	50.0	500	1
Other non specified holdings						2
<b>Total</b>						<b>198</b>

The difference between the book value in the Group and the Group's participations in the joint ventures equity amounts to SEK 2 million (8).

Group	Corp. ID. no.	Registered office	% of capital	% of voting rights	No. of participations	Book value, MSEK
Birsta Fastigheter AB	556190-3765	Helsingborg	50.0	50.0	240,300	47
<b>Total</b>						<b>47</b>

**NOTE 23 OTHER SECURITIES HELD AS FIXED ASSETS**

MSEK	Group		Parent Company	
	2002	2001	2002	2001
Acquisition values brought forward	152	59	35	30
Assets added	66	96	62	5
Assets removed	-7	-3	-8	—
<b>Accumulated acquisition values carried forward</b>	<b>211</b>	<b>152</b>	<b>89</b>	<b>35</b>
Write-downs brought forward	-10	-10	—	—
<b>Accumulated writedowns carried forward</b>	<b>-10</b>	<b>-10</b>	<b>—</b>	<b>—</b>
<b>Book value carried forward</b>	<b>201</b>	<b>142</b>	<b>89</b>	<b>35</b>

**NOTE 24 INTEREST BEARING LONG-TERM RECEIVABLES**

MSEK	Group		Parent company	
	2002	2001	2002	2001
Receivables from Group companies	—	—	1,043	408
Receivables from associated companies	78	56	—	—
Receivables from joint ventures	251	325	—	—
Other interest-bearing long-term receivables	15	38	—	—
<b>Total</b>	<b>344</b>	<b>419</b>	<b>1,043</b>	<b>408</b>

**Receivables from Group companies**

Acquisition value brought forward			408	724
Added receivables			1,033	398
Settled receivables			-398	-714
<b>Book value carried forward</b>	<b>—</b>	<b>—</b>	<b>1,043</b>	<b>408</b>

**Receivables from associated companies**

Acquisition value brought forward	56	142		
Added receivables	22	—		
Settled receivables	—	-86		
<b>Book value carried forward</b>	<b>78</b>	<b>56</b>	<b>—</b>	<b>—</b>

**Receivables from joint ventures**

Acquisition value brought forward	325	80		
Added receivables	51	204		
Settled receivables	-66	-19		
Reclassifications	-59	60		
<b>Book value carried forward</b>	<b>251</b>	<b>325</b>	<b>—</b>	<b>—</b>

**Other interest-bearing long-term receivables**

Acquisition value brought forward	38	112		
Added receivables	0	63		
Settled receivables	-24	-60		
Reclassifications	1	-77		
<b>Book value carried forward</b>	<b>15</b>	<b>38</b>	<b>—</b>	<b>—</b>

**NOTE 25 DEFERRED TAX**

2002 MSEK	Deferred taxes recoverable	Deferred tax liability	Net
Loss carry-forward	225		225
Untaxed reserves		-111	-111
Intangible fixed assets	6		6
Tangible fixed assets	5		5
Excess values for the Group		-97	-97
Other	9	-17	-8
	245	-225	20
Set-off	-123	123	0
<b>Net</b>	<b>122</b>	<b>-102</b>	<b>20</b>

2001  
MSEK

Loss carry-forward	270		270
Untaxed reserves		-108	-108
Intangible fixed assets		-2	-2
Tangible fixed assets	9	-5	4
Excess values for the Group		-80	-80
Project- and development properties	3	-3	0
Other	5	-7	-2
	287	-205	82
Set-off	-205	205	0
<b>Net</b>	<b>82</b>	<b>0</b>	<b>82</b>

Deferred taxes are valued on the basis of the nominal tax rate. Exceptions from this rule are made when the future right to tax deductions has been an important part of a business transaction in which the deferred tax has been valued based on the purchase price. If the deferred tax had been valued on the basis of the nominal tax rate instead, the accumulated deferred tax receivable for the loss carry forwards would have increased by SEK 171 million (311).

*Non-reported deferred tax recoverable*

MSEK	31 Dec 2002	31 Dec 2001
Temporary differences		
loss carry-forwards	22	8

Temporary differences for the loss carry-forwards in the Polish and Finnish operations have not been entered in the income statement and balance sheet. In the light of the last years' losses in these operations it is uncertain if the Group will be able to use losses carried forward for settlement against future taxable profits.

**NOTE 26 OTHER LONG-TERM RECEIVABLES**

MSEK	Group		Parent company	
	2002	2001	2002	2001
Receivables from joint ventures	17	8	—	—
Other long-term receivables	18	20	1	1
<b>Total</b>	<b>35</b>	<b>28</b>	<b>1</b>	<b>1</b>

**Receivables from joint ventures**

Acquisition values brought forward	8	6		
Added receivables	7	2		
Settled receivables	-2	—		
Reclassification	4	—		
<b>Book value carried forward</b>	<b>17</b>	<b>8</b>	<b>—</b>	<b>—</b>

**Other long-term receivables**

Acquisition values brought forward	23	139	1	1
Added receivables	6	1	—	—
Settled receivables	-8	-60	—	—
Reclassification	—	-57	—	—

**Accumulated acquisition values carried forward**

Write-downs brought forward	-3	-5		
Reclassification	—	2		

**Accumulated writedowns carried forward**

	-3	-3	—	—
<b>Book value carried forward</b>	<b>18</b>	<b>20</b>	<b>1</b>	<b>1</b>

**NOTE 27 PROJECT AND DEVELOPMENT PROPERTIES**

MSEK	Group		Parent company	
	2002	2001	2002	2001
Directly owned real estate held for resale	907	950	4	1
Advance owned real estate held for resale	174	—	—	—
Participations in real estate management companies	75	51	—	—
<b>Total</b>	<b>1,156</b>	<b>1,001</b>	<b>4</b>	<b>1</b>

**NOTE 28 INTEREST BEARING CURRENT RECEIVABLES**

MSEK	Group		Parent company	
	2002	2001	2002	2001
Receivables from joint ventures	22	50	4	50
Other receivables	181	622	23	306
<b>Total</b>	<b>203</b>	<b>672</b>	<b>27</b>	<b>356</b>

**NOTE 29 OTHER CURRENT RECEIVABLES**

MSEK	Group		Parent company	
	2002	2001	2002	2001
Receivables from Group companies	—	—	15	9
Receivables from associated companies	—	10	—	—
Receivables from joint ventures	—	15	—	—
Other receivables	371	390	2	24
<b>Total</b>	<b>371</b>	<b>415</b>	<b>17</b>	<b>33</b>

**NOTE 30 RECOGNISED INCOME NOT YET INVOICED**

MSEK	Group		Parent company	
	2002	2001	2002	2001
Recognised income on uncompleted contracts	7,537	9,856		
Invoicing on uncompleted contracts	-5 943	-8,453		
<b>Total</b>	<b>1,594</b>	<b>1,403</b>	<b>—</b>	<b>—</b>

**NOTE 31 PREPAID EXPENSES AND ACCRUED INCOME**

MSEK	Group		Parent company	
	2002	2001	2002	2001
Accrued operating income	141	108	—	5
Accrued interest income	18	19	—	—
Accrued bonus from suppliers	28	60	—	—
Prepaid rents	21	23	—	—
Prepaid leasing fees	2	1	—	—
Prepaid overhead expenses	16	22	2	1
Other	10	19	—	—
<b>Total</b>	<b>236</b>	<b>252</b>	<b>2</b>	<b>6</b>

**NOTE 32 SHORT-TERM SECURITIES HOLDINGS**

The subsidiary Fastighets AB Skånehus was included in the acquisition of the remaining 54 per cent of the shares in Skåne Projektfastigheter AB (formerly Oskarsborgs AB). In conjunction with the acquisition, it was decided that ownership of Fastighets AB Skånehus should be reduced to less than 50 per cent, with the result that 50 per cent of the holding would be accounted for as an associated company and 50 per cent as a short-term securities holding.

The Board has decided to propose to the AGM that shares in the newly formed Brinova Fastigheter AB be distributed to the shareholders. This company includes the property management companies within Fastighets AB Skånehus. While awaiting the decision of the AGM concerning distribution, holdings in Fastighets AB Skånehus have been accounted for as previously.

The short-term securities holding relating to Fastighets AB Skånehus totals SEK 138 million and relates to the 50 per cent of the value on consolidation of Fastighets AB Skånehus at the time of acquisition of Skåne Projektfastigheter AB.

**NOTE 33 SHORT-TERM INVESTMENTS**

MSEK	Group		Parent company	
	Book value	Market value	Book value	Market value
Boliden AB	18	18	18	18
<b>Total</b>	<b>18</b>	<b>18</b>	<b>18</b>	<b>18</b>



**NOTE 34 CHANGE IN SHAREHOLDERS' EQUITY**

Group, MSEK	Share capital	Restricted reserves	Non-restricted reserves	Profit for the year	Total share-holders' equity
Shareholders' equity on December 31 2000	842	449	302	449	2,042
Profit allocation transfer			449	-449	0
Dividend			-109		-109
Repurchase of own shares			-33		-33
Exchange rate differences			30		30
Accumulated translation differences in divested foreign operations			2		2
Transfers between restricted and non-restricted equity		99	-99		0
Net profit for the year				502	502
<b>Shareholders' equity on December 31 2001</b>	<b>842</b>	<b>548</b>	<b>542</b>	<b>502</b>	<b>2,434</b>
Profit allocation transfer			502	-502	0
Dividend			-179		-179
New share issue	30	37			67
Repurchase of own shares			-85		-85
Exchange rate differences			25		25
Transfers between restricted and non-restricted equity		8	-8		0
Net profit for the year				488	488
<b>Shareholders' equity on December 31 2002</b>	<b>872</b>	<b>593</b>	<b>797</b>	<b>488</b>	<b>2,750</b>

Restricted reserves include equity method reserve of SEK 66 million (60)

**Specification of the translation differences in equity**

Accumulated translation differences at beginning of year	34
Translation differences for the year in foreign subsidiaries	25
Accumulated translation difference at the end of the year	59

Parent company, MSEK	Share capital	Share premium reserve	Statutory reserve	Profit brought forward	Net profit/loss for the year	Total share-holders' equity
Shareholders' equity on December 31 2000	842	161	83	1,937	-217	2,806
Profit allocation transfer				-217	217	0
Dividend				-109		-109
Repurchase of own shares				-33		-33
Group contribution received				158		158
Tax effect on group contribution				-44		-44
Net profit for the year					272	272
<b>Reported equity on December 31 2001</b>	<b>842</b>	<b>161</b>	<b>83</b>	<b>1,692</b>	<b>272</b>	<b>3,050</b>
Profit allocation transfer				272	-272	0
Dividend				-179		-179
New share issue	30	37				67
Repurchase of own shares				-85		-85
Group contribution received				189		189
Tax effect on group contribution				-53		-53
Net profit for the year					-349	-349
<b>Reported equity on December 31 2002</b>	<b>872</b>	<b>198</b>	<b>83</b>	<b>1,836</b>	<b>-349</b>	<b>2,640</b>

During 2002, 1,900,000 B shares were repurchased for SEK 85 million at an average price of SEK 44.93.

Share capital is distributed in 87,195,944 shares at a nominal value of SEK 10 per share.

The dividend between the different categories of shares is as follows:

Class of share	Number
A shares	9,805,702
B shares	77,390,242
<b>Total</b>	<b>87,195,944</b>

An A share confers entitlement to 10 votes and a B share to one vote.

**NOTE 35 UNTAXED RESERVES**

MSEK	Parent company	
	2002	2001
Tax allocation reserve	114	129
<b>Total</b>	<b>114</b>	<b>129</b>

Of untaxed reserves SEK 32 million (36) consists of deferred tax liability.

**NOTE 36 OTHER PROVISIONS**

MSEK	Group		Parent company	
	2002	2001	2002	2001
Guarantee risk reserve	31	24		
Close-down costs	3	20		
Restructuring reserve	22	29		
Re-establishment costs	15	14		
<b>Total</b>	<b>71</b>	<b>87</b>	<b>—</b>	<b>—</b>

The Group 31 Dec. 2002 MSEK	Guarantee risk reserves	Close-down costs	Restructuring reserve	Re-establishment expenses
Reported value at the beginning of the year	24	20	29	14
Provisions set aside during the year	7	5		2
Amounts requisitioned during the year		-4	-7	-1
Reclassifications, write-down of assets		-15		
Conversion differential		-3		
<b>Reported value at the end of the year</b>	<b>31</b>	<b>3</b>	<b>22</b>	<b>15</b>

**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.

**Close-down costs**

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

**Restructuring reserve**

Refers to remaining reported provisions for personnel development costs in conjunction with the restructuring of the company acquired in 1999.

**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.

**NOTE 37 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		Parent company	
	2002	2001	2002	2001
Interest-bearing long-term liabilities	27	20		
<b>Total</b>	<b>27</b>	<b>20</b>	<b>—</b>	<b>—</b>

**NOTE 39 INTEREST-BEARING CURRENT LIABILITIES**

MSEK	Group		Parent company	
	2002	2001	2002	2001
Liabilities to credit institutions	39	152	13	100
Other liabilities	43	36	—	—
<b>Total</b>	<b>82</b>	<b>188</b>	<b>13</b>	<b>100</b>

**NOTE 38 INTEREST-BEARING LONG-TERM LIABILITIES**

MSEK	Group		Parent company	
	2002	2001	2002	2001
Liabilities to Group companies	—	—	3,258	1,964
Overdraft facilities	17	154	—	—
Other liabilities to credit institutions	1,428	1,724	—	—
Other liabilities	216	185	—	—
<b>Total</b>	<b>1,661</b>	<b>2,063</b>	<b>3,258</b>	<b>1,964</b>
Overdraft facilities granted	858	772	—	—

**NOTE 40 INVOICED INCOME NOT YET RECOGNISED**

MSEK	Group		Parent company	
	2002	2001	2002	2001
Invoiced sales on un-completed contracting projects	16,053	11,409		
Recognised income on uncompleted contracting projects	-14,529	-9,947		
<b>Total</b>	<b>1,524</b>	<b>1,462</b>	<b>—</b>	<b>—</b>

**NOTE 41 OTHER CURRENT LIABILITIES**

MSEK	Group		Parent company	
	2002	2001	2002	2001
Liabilities to Group companies	—	—	3	5
Liabilities to joint ventures	—	9	—	—
Other liabilities	605	361	60	1
<b>Total</b>	<b>605</b>	<b>370</b>	<b>63</b>	<b>6</b>

**NOTE 42 ACCRUED EXPENSES AND DEFERRED INCOME**

MSEK	Group		Parent company	
	2002	2001	2002	2001
Accrued payroll expenses	464	548	4	4
Accrued social security expenses	380	290	3	3
Accrued production expenses	93	96	1	—
Accrued interest expenses	21	31	—	1
Accrued overhead expenses	115	47	—	—
Prepaid rental income	5	5	—	—
Other items	22	26	1	2
<b>Total</b>	<b>1,100</b>	<b>1,043</b>	<b>9</b>	<b>10</b>

**NOTE 43 PLEDGED ASSETS**

MSEK	Group		Parent company	
	2002	2001	2002	2001
<b>For own liabilities and provisions</b>				
Related to long-term liabilities to credit institutions:				
Real estate mortgages	361	318		
Floating charges	10	28		
Related to current liabilities to credit institutions:				
Real estate mortgages	5	2		
Floating charges	—	18		
<b>Total related to own liabilities and provisions</b>	<b>376</b>	<b>366</b>	<b>—</b>	<b>—</b>
<b>For own contingent liabilities and guarantees</b>				
Restricted bank balance	0	0		
<b>Total for own contingent liabilities and guarantees</b>	<b>0</b>	<b>0</b>	<b>—</b>	<b>—</b>
<b>Other</b>				
Other	174	141		
<b>Total, other</b>	<b>174</b>	<b>141</b>	<b>—</b>	<b>—</b>
<b>Total assets pledged</b>	<b>550</b>	<b>507</b>	<b>—</b>	<b>—</b>

**NOTE 44 CONTINGENT LIABILITIES**

MSEK	Group		Parent company	
	2002	2001	2002	2001
Shared obligations as part-owner in limited partnerships	15	9	—	—
Obligations in consortia for other part-owners' liabilities	12	22	—	—
Guarantees and contracting guarantees for Group companies	—	—	5,764	5,225
Other guarantees and contingent liabilities	860	766	610	426
<b>Total contingent liabilities</b>	<b>887</b>	<b>797</b>	<b>6,374</b>	<b>5,651</b>

**NOTE 45 INTEREST PAID AND DIVIDEND RECEIVED**

MSEK	Group		Parent company	
	2002	2001	2002	2001
Dividends received	0	0	—	—
Interest received	96	93	13	9
Interest paid	152	165	130	132

**NOTE 46 TRANSACTIONS INVOLVING NO PAYMENTS**

MSEK	Group		Parent company	
	2002	2001	2002	2001
Acquisition of assets by financial leasing	67	127	—	—
Acquisition of assets by a liability being taken over	55	8	—	—

**NOTE 47 ACQUISITION OF SUBSIDIARIES AND OTHER BUSINESS UNITS**

MSEK	Group		Parent company	
	2002	2001	2002	2001
Fixed assets	177	153		
Current assets	124	272		
Liquid assets	61	119		
Minority interests	-24	1		
Allocations	-29	-4		
Long-term liabilities	-22	-85		
Current liabilities	-135	-68		
Purchase prices	152	388		
Part of purchase price not paid	-55	-8		
Paid purchase price	97	380		
Less: Liquid assets in acquired companies	-61	-119		
<b>Effect on liquid assets</b>	<b>36</b>	<b>261</b>	<b>—</b>	<b>—</b>

**NOTE 48 SALE OF SUBSIDIARIES**

MSEK	Group		Parent company	
	2002	2001	2002	2001
Fixed assets	58	72		
Inventories	150	—		
Current liabilities	67	20		
Liquid assets	14	—		
Minority interests	-1	—		
Long-term liabilities	-133	-66		
Current liabilities	-95	-21		
	60	5		
Sales price	46	3		
Part of not received purchase price	-1	—		
Received purchase price	45	3		
Less: Liquid funds in divested companies	-14	—		
<b>Effect on liquid funds</b>	<b>31</b>	<b>3</b>	<b>—</b>	<b>—</b>

**NOTE 49 PURCHASES AND SALES BETWEEN GROUP COMPANIES**

Of the Parent companies total purchases and sales measured in SEK, 13 per cent (14) of purchases and 99 per cent (99) of sales relate to other companies in the Peab Group.

**NOTE 50 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 2002, these owned 60 per cent of the votes in the parent company of the Group.

**The 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 20.

**Closely related transactions****The Group**

With regard to the Board of Director's, the Managing Director's and other chief executives' salaries and other remuneration, costs and obligations relative to pensions and similar benefits and severance pay agreements refer to Note 2.

**Skistar**

During 2002, the Group received income amounting to SEK 10 million stemming from contract work for the Skistar group. The Skistar group is subject to the joint controlling influence of the Mats and Erik Paulsson brothers together with their families and company. Mats and Erik Paulsson are also members of the board of Skistar.

**Wihlborgs**

During 2002, the Group received income of SEK 27 million related to contract work carried out for the Wihlborgs group and costs of SEK 4 million principally in connection with rental payments to the Wihlborgs group.

An agreement has been signed with Wihlborgs concerning the acquisition of projects and development properties for SEK 174 million.

In 2002, the Peab Group received contract income from Fastighets AB Certus amounting to SEK 424 million stemming from the rebuilding of Klara Zenit in Stockholm. Until December 2002, Fastighets AB Certus was 75 per cent owned by Wihlborgs and 25 per cent owned by Peab. In December Wihlborgs acquired Peab's 25 per cent holding and thus now owns 100 per cent of Fastighets AB Certus.

Sales to Dockan Exploatering AB during 2002 amounted to SEK 13 million. This company is owned 1/3 each by Peab, Wihlborg and JM.

Erik Paulsson is managing director and exerts a significant influence over Wihlborgs.

**Associated companies and joint ventures**

During the financial year associated companies and joint ventures (excluding Fastighets AB Certus and Dockan Exploatering AB which have been accounted for above) bought contracts to the value of approximately SEK 50 million from the Group, while the Peab Group bought contracts worth SEK 89 million from these companies. Outstanding balances with associated companies and joint ventures are listed in the notes to the balance sheet.

It has been assessed that transactions with related companies and parties were implemented on market terms.



**NOTE 51 DISCONTINUING OPERATIONS**

The Peab Board of Directors propose that the AGM on 15 May 2003 resolve on the transfer of the Group's investment properties to the shareholders of Peab via an extra dividend of holdings. The dividend will take the form of shares in the newly formed property company Brinova Fastigheter AB.

**Implementation model**

All the properties and property owning companies involved were transferred to Brinova in December 2002. Brinova's shares will be distributed in accordance with the so-called "Lex Asea".

**Income statement divided up by current operations and investment properties, Jan-Dec 2002**

MSEK	Current operation	Investment properties	Group total
Net sales	19,775	43	19,818
Operating costs	-19,184	-32	-19,216
Participations in associated companies/joint ventures	13	21	34
<b>Operating profit</b>	<b>604</b>	<b>32</b>	<b>636</b>
Result from financial investments	-68	-16	-84
<b>Profit after financial items</b>	<b>536</b>	<b>16</b>	<b>552</b>
Tax	-62	-4	-66
Minorities	2	0	2

<b>Net profit for the year</b>	<b>476</b>	<b>12</b>	<b>488</b>
<b>Earnings per share, SEK</b>	<b>5.70</b>	<b>0.10</b>	<b>5.80</b>

Cash flow from current operations attributable to investment properties amounted to SEK -3 million. This has been calculated as profit for the year after financial items adjusted for depreciation and participations in associated companies/joint ventures and tax.

**Preliminary time schedule 2003 for Brinova dividend**

<b>First week in May</b>	Information brochure published on Peab's website: <a href="http://www.peab.se">www.peab.se</a>
<b>15 May</b>	Annual General Meeting, decision on distribution.
<b>October/November</b>	Listing prospectus distributed. Record date for distribution. Market listing of shares in Brinova.

In the year-end accounts of 31 December 2002 the property business was accounted for according to previous principles. A large proportion of managed property has been accounted for as associated companies/joint ventures and subsidiaries under restructuring, and have thus not been consolidated. The balance sheet as per 31 December 2002 includes balance sheet items attributable to Brinova concerning financial fixed assets of approximately SEK 350 million, project and development properties of approximately SEK 450 million and interest-bearing debt and provisions of approximately SEK 270 million.

Through the distribution of Brinova during 2003 the Group's equity would be reduced by approximately SEK 530 million before distribution costs. Provided that the AGM resolves upon distribution, all assets and liabilities attributable to Brinova will be deconsolidated during 2003.

Of the Peab Group SEK 488 million annual profit, SEK 12 million, corresponding to SEK 0.10 per share, is attributable to those investment properties that were transferred to Brinova.

Förlöv, 17 March, 2003

  
Ulf H. Jansson  
Chairman

  
Annette Brodin Rampe

  
Karl-Axel Granlund

  
Jan Segerberg

  
Håkan Sundin

  
Kent Ericsson

  
Jan Erik Ljungberg

  
Bengt Ericsson

  
Mats Paulsson  
Managing Director

**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 2002. These accounts and the administration of the company are the responsibility of the board of directors and the managing director. 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 assessing the accounting principles used and their application by the board of directors and the managing director, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for my opinion concerning discharge from liability, I examined significant

decisions, 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.

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.

Förlöv, 19 March, 2003



Thomas Thiel

Authorised Public Accountant

## FIVE – YEAR REVIEW

### Group

MSEK	2002	2001	2000	1999 <sup>1)</sup>	1998 <sup>1)</sup>
<b>Income statement items</b>					
Net sales	19,818	18,721	15,704	13,841	12,616
Operating profit	636	655	664	246	280
Profit after financial items	552	577	642	162	211
Net profit for the year	488	502	449	233	145
<b>Balance sheet items</b>					
Fixed assets	2,630	2,440	2,250	3,145	2,873
Current assets	7,222	7,398	6,796	3,430	3,719
<b>Total assets</b>	<b>9,852</b>	<b>9,838</b>	<b>9,046</b>	<b>6,575</b>	<b>6,592</b>
Shareholders' equity	2,750	2,434	2,042	1,514	1,322
Minority interests	30	8	10	6	23
Provisions	182	96	220	173	248
Long-term liabilities	1,661	2,063	2,476	2,048	1,990
Current liabilities	5,229	5,237	4,298	2,834	3,009
<b>Total shareholders' equity and liabilities</b>	<b>9,852</b>	<b>9,838</b>	<b>9,046</b>	<b>6,575</b>	<b>6,592</b>
<b>Key ratios</b>					
Operating margin, per cent	3.2	3.5	4.2	1.8	2.2
Profit margin, per cent	3.5	4.0	5.1	2.2	2.8
Adjusted equity	2,780	2,442	2,052	1,520	1,345
Equity/assets ratio, per cent	28.2	24.8	22.7	23.1	20.4
Risk-bearing capital	2,780	2,492	2,101	1,914	1,737
Share of risk-bearing capital, per cent	28.2	25.3	23.2	29.1	26.3
Capital employed	4,523	4,743	4,690	3,712	3,592
Return on equity, per cent	15.3	18.7	25.9	10.1	11.6
Return on capital employed, per cent	15.1	16.0	19.1	8.3	10.8
Debt/equity ratio, multiple	0.6	0.9	1.3	1.4	1.7
Interest coverage ratio, multiple	5.0	4.3	5.1	2.1	2.6
Net borrowings	987	1,055	1,527	1,107	1,493
<b>Capital expenditures</b>					
Goodwill	48	44	72	49	162
Buildings and land	105	11	42	-2	222
Machinery and equipment	296	308	168	293	435
Shares and participations	52	113	-618	-223	158
Project and development properties	155	121	697	39	-44
<b>Depreciation</b>	<b>282</b>	<b>261</b>	<b>216</b>	<b>216</b>	<b>152</b>
<b>Orders: Construction and Civil Engineering</b>					
Orders received	19,121	16,747	17,362	12,111	12,721
Order backlog	12,852	11,573	10,895	7,188	6,855
<b>Personnel</b>					
Average number of employees	10,973	10,747	9,678	9,153	8,048
<b>Share data</b>					
Earnings after actual tax, SEK/share	5.80	6.00	6.30	3.40	2.10
– after completed subscription and conversion	5.70	5.80	5.10	2.50	1.60
Cash flow, SEK/share	9.60	7.50	5.70	2.40	-4.50
– after completed subscription and conversion	9.50	7.30	4.60	1.80	-3.30
Adjusted equity, SEK/share	33.00	29.40	24.40	22.00	19.50
– after completed subscription and conversion	33.00	29.10	24.30	21.20	19.30
Share price at year-end, SEK	49.40	37.10	33.50	18.10	17.50
Ordinary dividend, SEK/share <sup>2)</sup>	2.20	2.10	1.30	0.80	0.60
Extra dividend, SEK/share <sup>3)</sup>	5.60	—	—	—	—
Number of shares at year-end, millions	84.3	83.1	84.1	69.1	69.1
– after completed subscription and conversion	84.3	86.2	87.2	93.4	93.4
Average number of outstanding shares, millions	84.6	83.9	71.5	69.1	69.1
– after completed subscription and conversion	84.9	86.9	90.0	93.4	93.4

<sup>1)</sup> The years 1998-1999 have not been adjusted for changed accounting principles that came into effect in 2001.

<sup>2)</sup> For 2002, the Board of Directors' proposal to the AGM.

<sup>3)</sup> For 2002, the Board of Directors' proposal to the AGM. Calculated on outstanding shares on 31 December 2002.

## BOARD OF DIRECTORS AND AUDITORS



**Annette Brodin Rampe**  
Born in 1962. Elected 2000. MD of Senea AB. Board member of Vattenfall AB and Posten AB and Ruter Dam AB.  
Holding: 1,000 Class B shares

**Mats Paulsson**  
Born in 1944. Elected 1992. MD of Peab AB. Board member of Skistar AB.  
Holding: 2,753,244 Class A shares  
4,097,623 Class B shares



**Ulf H Jansson**  
Born in 1947. Elected 1996. MD of ABV Rock Group KB. Chairman of the Board of Peab AB.  
Holding: 300,000 Class B shares



**Jan Segerberg**  
Born in 1947. Elected 1994. Chairman of the Board of BK-Holding A/S, PlymoVent AB. Board member of Bosvik A/s, Hov + Dokka A/S, Dyma Well International AB.  
Holding: 8,000 Class B shares



**Karl-Axel Granlund**  
Born in 1955. Elected 2000. Main owner and Chairman of Volito AB. Chairman of CTT Systems AB. Chairman of Luvit AB, Board member of Avansys AB.  
Holding: 4,650,000 Class B shares

**Håkan Sundin**  
Born in 1945. Elected 1984. Deputy MD, Financial Director of LKAB. Board member of FöreningsSparbanken Finans AB.  
Holding: 34,425 Class B shares



**Leif Johansson**  
Born in 1952. Elected 2002. Calculator, Construction and Civil Engineering.  
Employee representative (PTK) (deputy).  
Holding: None



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



**Bo Larry Olsson**  
Born in 1944. Elected 2000. Construction worker, Peab Asfalt. Employee representative (deputy).  
Holding: None



**Bengt Ericsson**  
Born in 1946. Elected 2000. Carpenter, Construction and Civil Engineering.  
Employee representative  
Holding: 800 Class B shares



**Kent Ericsson**  
Born in 1949. Elected 1998. Project Manager, Construction and Civil Engineering. Employee representative.  
Holding: 500 Class B shares

### Auditors

**Thomas Thiel, b. 1947.**  
Authorised public accountant, KPMG. Auditor for Peab AB since 1992.

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



## EXECUTIVE MANAGEMENT

### The Peab Group's management

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

### Group 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 Group Management, operational managers and support functions. Meets once a quarter and deals with issues focused on structure and co-ordination.



**Mats O Paulsson   Mats Leifland   Mats Paulsson   Göte Brännvall   Jonas Svantesson**

**Mats O Paulsson**  
Deputy MD of Peab AB since 2000. Responsible for Industry and MD in Swerock AB.  
Born in 1958  
Employed since 1999  
Holding: 100,000 Class B shares

**Mats Leifland**  
Deputy MD of Peab AB since 1996. Accounting/Finance, Information and Legal Affairs.  
Born in 1957  
Employed since 1995  
Holding: 160,000 Class B shares

**Mats Paulsson**  
MD of Peab AB since 1996.  
Born in 1944  
Employed since 1959  
Holding: 2,753,244 Class A shares  
4,097,623 Class B shares

**Göte Brännvall**  
Deputy MD of Peab AB since 2000. Responsible for Construction and Civil Engineering. MD in Peab Sverige AB  
Born in 1946  
Employed since 1970  
Holding: 29,484 Class A shares  
266,282 Class B shares

**Jonas Svantesson**  
Deputy MD of Peab AB since 2001. Business development and Personnel.  
Born in 1951  
Employed since 2001  
Holding: 10,000 Class B shares

## Personnel responsible for operations



Jan Johansson  
Construction and Civil  
Engineering  
Southern Division  
Born in 1959  
Employed since 1986  
Holding: 92,740 Class B shares



Peter Hårte  
Construction and Civil  
Engineering  
Western Division  
Born in 1958  
Employed since 1997  
Holding: None



Tomas Anderson  
Construction and Civil  
Engineering  
Eastern/Central Division  
Born in 1956  
Employed since 1996  
Holding: 1,000 Class B shares



Staffan Nilsson  
Construction and Civil  
Engineering  
Northern Division  
Born in 1947  
Employed since 1970  
Holding: 10,000 Class B shares



Göran Landgren  
Construction and Civil  
Engineering  
Civil Engineering Division  
Born in 1956  
Employed since 2001  
Holding: 50,000 Class B shares



Malte Åkerström  
Industry  
Peab Asfalt  
Born in 1939  
Employed since 1993  
Holding: 49,140 Class A shares  
278,000 Class B shares



Bo Bernhardsson  
Industry  
Skandinaviska Byggelement  
Born in 1944  
Employed since 1987  
Holding: None



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



Benny Andersson  
Industry  
Lambertssons Kran  
Born in 1952  
Employed since 2002  
Holding: None

## Support operations



Jesper Göransson  
Group Accounting/Finance  
Born in 1971  
Employed since 1996  
Holding: 100,122 Class B shares



Gösta Sjöström  
Information  
Born in 1948  
Employed since 1997  
Holding: 75,000 Class B shares



Karin Malmgren  
Legal Affairs  
Born in 1960  
Employed since 1999  
Holding: 500 Class B shares



Torsten Hesslevik  
IT  
Born in 1943  
Employed since 2002  
Holding: None



Per Horstmann  
Purchasing  
Born in 1956  
Employed since 2001  
Holding: None



Jan Persson  
Construction and Civil  
Engineering  
Accounting  
Born in 1957  
Employed since 1990  
Holding: None



Roland Svensson  
Construction and Civil  
Engineering  
Project development  
Born in 1960  
Employed since 1980  
Holding: 100,845 Class B shares



Esa Grandell  
Personnel  
Born in 1946  
Employed since 2001  
Holding: None



Niclas Winkvist  
Industry  
Accounting  
Born in 1966  
Employed since 1995  
Holding: 24,000 Class B shares

Reported holdings apply to February 28, 2003 and include spouses', minors' and private companies' holdings.

#### DIARY

Annual General Meeting	May 15
Interim Report, January-March	May 15
Interim Report, January-June	August 28
Interim Report, January-September	November 20
Year-end Report, 2003	February 12, 2004
Annual Report, 2003	March 2004

#### FINANCIAL INFORMATION

Peab publishes quarterly reports in Swedish and English on progress within the company. The annual report and the interim reports are distributed to all shareholders and the Group's magazine, Peab Journalen is distributed to employees, clients and shareholders.

Financial information, Peab Journalen and other information about Peab's operations can be ordered from:

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

Financial information is also available on Peab's website [www.peab.se](http://www.peab.se) under the heading Financial Reports

#### ANALYSTS WHO FOLLOW PEAB

**ABG Sundal Collier**  
Fredrik Grevelius  
fredrik.grevelius@abgsc.se

**Nordea Securities**  
Jonas Andersson  
jonas.andersson@arosmaizels.com

**Enskilda Securities**  
Erik Nyman  
erik.nyman@enskilda.se

**Handelsbanken Investment Banking**  
Hans Derninger  
hade01@handelsbanken.se

**Julius Baer Nordic**  
Rickard Alte  
rickard.alte@juliusbaer.se

**Carnegie**  
Fredrik Skoglund  
fresko@carnegie.se

**Swedbank Markets**  
Tobias Kaj  
tobias.kaj@swedbank.com

#### SHAREHOLDER CONTACT

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

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

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





New combined heat and power plant for SYSAV in Malmö



## 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 after tax

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 less 28 per cent standard tax and adjusted for minority interests in net profit as a percentage of average adjusted equity.

### Risk-bearing capital

Shareholders' equity plus minority interests, the deferred tax liability, debenture loans and convertible debenture loans.

### Share of risk-bearing capital

Shareholders' equity plus minority interests, debenture loans and convertible debenture loans as a percentage of total assets at year-end.

### Yield

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

## CONSTRUCTION-RELATED DEFINITIONS

### À price

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

### Contract amount

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

### Contract total

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

### Current account

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

### Development property

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

### Fixed price

Contract to be carried out for a 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.

## ADDRESSES

### Head office

#### Peab AB

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

#### Peab Sverige AB

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

#### Peab Sverige AB

##### Division Syd

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

#### Peab Sverige AB

##### Division Väst

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

#### Peab Sverige AB

##### Division Mellersta

Box 877  
SE-721 23 Västerås  
(Betonggatan 1)  
Tel: +46 21-15 49 50  
Fax: +46 21-14 11 60

#### Peab Sverige AB

##### Division Öst

Box 955  
SE-191 29 Sollentuna  
(Sollentunavägen 15)  
Tel: +46 8-623 68 00  
Fax: +46 8-623 20 60

#### Peab Sverige AB

##### Division Nord

SE-851 84 Sundsvall  
(Gesällvägen 13)  
Tel: +46 60-16 80 00  
Fax: +46 60-52 57 60

#### Peab Sverige AB

##### Division Anläggning

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

#### Peab AS

Pb 9258  
Grönland  
NO-0134 Oslo  
Norge  
(Kvaernerveien 10)  
Tel: +47-23 30 30 00  
Fax: +47-23 30 30 01

#### Peab Suomi Oy

Rousilantie 1  
FI-00390 Helsingfors  
Finland  
Tel: +358-9 561 471 20  
Fax: +358-9 561 472 22

#### Swerock AB

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

#### Skandinaviska Byggelement

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

#### Peab Asfalt AB

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

#### Lambertsson Sverige AB

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

#### Lambertssons Kran AB

Östra Lindomevägen  
SE-437 34 Lindome  
Tel: +46 31-99 60 00  
Fax: +46 31-99 45 38

### Financial information

Peab will issue the following information concerning the 2003 financial year:

Interim report, January-March	May 15
Interim report, January-June	August 28
Interim report, January-September	November 20
Year-end report, 2003	February 12, 2004
Annual report, 2003	March 2004



### Peab Journalen

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



### Internet

Current information about Peab is available on our website at [www.peab.se](http://www.peab.se)

### Ordering information

Financial information and Peab Journalen 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](mailto:info@peab.se)



Peab AB, SE-260 92 Förslöv, Sweden Phone: +46 431-890 00. Fax: +46 431-45 19 75