

Half-year report

JANUARY – JUNE 2019



Higher net sales and improved operating profit

April – June 2019

- Net sales SEK 14,336 million (13,453)
- Operating profit SEK 821 million (677), divestiture of property from the partially owned company Acturum has affected operating profit positively by SEK 170 million
- Operating margin 5.7 percent (5.0)
- Pre-tax profit SEK 811 million (673)
- Earnings per share SEK 2.33 (1.94)
- Orders received SEK 10,817 million (16,257)
- Cash flow before financing SEK -1,321 million (-704)
- On July 4th Peab signed an agreement to acquire YIT's Nordic paving and mineral aggregates business

January – June 2019

- Net sales SEK 25,695 million (24,943)
- Operating profit SEK 1,086 million (967)
- Operating margin 4.2 percent (3.9)
- Pre-tax profit SEK 1,080 million (929)
- Earnings per share SEK 3.09 (2.68)
- Orders received SEK 22,685 million (29,163)
- Order backlog SEK 45,873 million (47,453)
- Cash flow before financing SEK -762 million (-1,094)
- Net debt SEK 7,241 million (3,592). Excluding additional IFRS 16 Leases, net debt was SEK 6,414 million
- Equity/assets ratio 27.6 percent (29.2). Excluding additional IFRS 16 Leases, the equity/assets ratio was 28.1 percent



PEAB
THE NORDIC COMMUNITY BUILDER

Comments from the CEO

Peab's net sales have grown and operating profit has improved during the first half-year of 2019. Demand continues to be good but conditions vary depending on location and product.

GROUP DEVELOPMENT

Net sales amounted to SEK 25,695 million (24,943) during the period. Operating profit was SEK 1,086 million (967) which meant an operating margin of 4.2 percent (3.9). Cash flow before financing was SEK -762 million (-1,094). Net debt was SEK 7,241 million compared to SEK 3,551 million at year-end. Excluding IFRS 16 leases, net debt was SEK 6,414 million. The second quarter was charged with the payment of SEK 1,239 million in dividends. More construction on properties on our own balance sheet entails eliminating a higher level of profit than in previous year and affected cash flow and net debt as well. The purpose of these investments is to garner rent or appreciation revenue, or a combination of both. The property divestiture in the partially owned company Acturum during the second quarter is a good example of the added value this kind of investment generates.

BUSINESS AREA DEVELOPMENT

Net sales in business area Construction rose as did the operating margin. Net sales in business area Civil Engineering was unchanged with slightly lower profit. Business area Industry showed higher net sales but had a slightly lower operating margin during the first half-year, still feeling the seasonal effects of greater activity in Asphalt. In addition, Rentals sustained higher costs from the establishment of complementary units aimed at increasing local presence that do not yet generate maximum income. Business area Project Development reported lower net sales but improved operating profit. Net sales in Housing Development were lower but the operating margin improved. In the second quarter there has been a normal level of production starts and a high rate of sales. Sold units in ongoing production was 65 percent compared to 63 percent at the start of 2019. The property divestitures in the partially owned company Acturum had a positive effect of SEK 170 million on operating profit in Property Development.

ORDER SITUATION

The level of orders received for the period was SEK 22,685 million (29,163). Orders received in the second quarter 2018 included the office project Platinum in Gothenburg worth SEK 2,100 million and the extension of the railroad system in Olskroken worth SEK 2,900 million. With a correction for these projects the level of orders received continues to be stable. Both business areas Construction and Civil Engineering showed a lower level of orders received compared to 2018. The level of orders received was higher in business area Industry which stemmed for the most part from Asphalt. The level in business area Project Development was relatively unchanged. Order backlog at the end of the period amounted to SEK 45,873 million compared to SEK 47,453 million at the end of the corresponding period last year.

MARKET AND OUTLOOK FOR THE FUTURE

Housing construction and other building construction in Sweden are expected to decrease in 2019. A stable demand for housing and a higher level of other building construction is expected in Norway in 2019. In Finland housing construction is expected to decrease and other building construction is expected to increase in 2019. The market conditions in the civil engineering market in Sweden and Norway are deemed good and growth is forecasted for the next two years.

The stable economy in the Nordic countries, low interest rates and a significant underlying need provide a good foundation for the construction market in the foreseeable future. We have a strong order backlog in 2019 and with the wide range of our business we can handle a downturn in some product areas with an upturn in others.



Peab has a unique position through our four complementary business areas and all our employees who are welded together by a strong company culture. Our business model creates opportunities throughout the entire value chain in a construction project and provides us with a good platform to deliver comprehensive solutions to our customers. Peab's business model is founded on our four cooperating business areas and local presence.

On July 4th we signed an agreement with YIT to acquire their paving and mineral aggregates business. The acquisition means that Peab will develop and strengthen business area Industry in Sweden, Norway and Finland and establish the company in Denmark. The acquisition also means our offer will be more complete on our markets outside of Sweden and we can further build on our business model. The acquired business had net sales of around SEK 6 billion in 2018 and some 1,700 employees. The deal requires approval from competition authorities and we expect to implement the takeover on January 1, 2020.

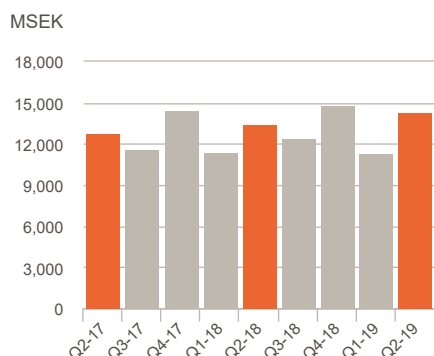
We will continue to strive towards our strategic goals to have the most satisfied customers, be the best workplace and the most profitable company in the industry.

Peab started in 1959 which means Peab is 60 years old this year. Guided by our core values we continue our journey of contributing to positive community development on the markets where we are active.

Jesper Göransson
CEO and President

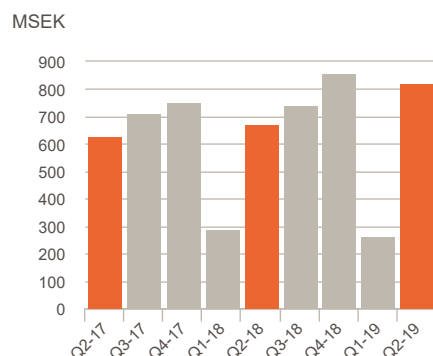
Half-year report January – June 2019

Net sales



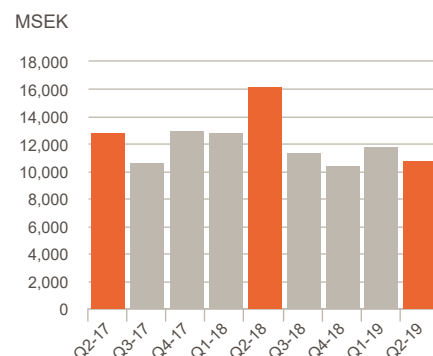
Group net sales for the first half-year 2019 amounted to SEK 25,695 million (24,943), which was an increase of three percent. Even after adjustments for acquired and divested units net sales increased by three percent compared to the same period last year.

Operating profit



Operating profit for the first half-year 2019 amounted to SEK 1,086 million compared to SEK 967 million for the same period last year.

Orders received



Orders received for the first half-year 2019 amounted to SEK 22,685 million compared to SEK 29,163 million for the same period last year. Order backlog amounted to SEK 45,873 million compared to SEK 45,819 million at the end of 2018.

Group

MSEK	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jul-Jun 2018/2019	Jan-Dec 2018
Net sales	14,336	13,453	25,695	24,943	52,985	52,233
Operating profit	821	677	1,086	967	2,692	2,573
Operating margin, %	5.7	5.0	4.2	3.9	5.1	4.9
Pre-tax profit	811	673	1,080	929	2,669	2,518
Profit for the period	688	572	912	790	2,222	2,100
Earnings per share, SEK	2.33	1.94	3.09	2.68	7.53	7.12
Return on equity, %	19.8 ¹⁾	20.1 ¹⁾	19.8 ¹⁾	20.1 ¹⁾	19.8	19.6
Net debt ²⁾	7,241	3,592	7,241	3,592	7,241	3,551
Equity/assets ratio, % ³⁾	27.6	29.2	27.6	29.2	27.6	30.4
Cash flow before financing	-1,321	-704	-762	-1,094	-689	-1,021
Number of employees at the end of the period	14,862	15,187	14,862	15,187	14,862	14,614

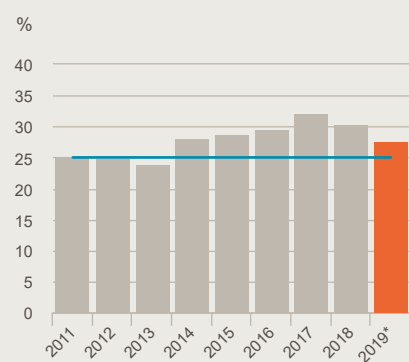
¹⁾ Calculated on rolling 12 months.

²⁾ Excluding additional IFRS 16, Leases net debt was SEK 6,414 million per June 30, 2019.

³⁾ Excluding additional IFRS 16, Leases the equity/assets ratio was 28.1 percent per June 30, 2019.

Financial goals ¹⁾

Equity/assets ratio



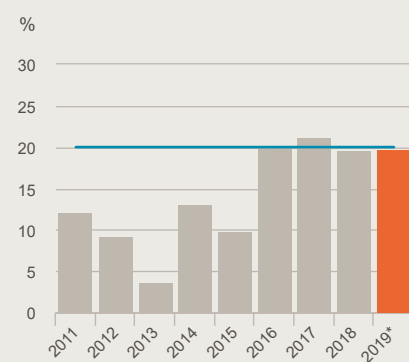
* As of June 30, 2019

Goal > 25%

The goal for the equity/assets ratio is at least 25 percent. On June 30, 2019 the equity/assets ratio was 27.6 percent compared to 30.4 percent at the end of last year. Excluding additional IFRS 16, Leases the equity/assets ratio was 28.1 percent per June 30, 2019.

¹⁾ Years 2011-2015 have not been recalculated taking IFRS 15 into account.

Return on equity

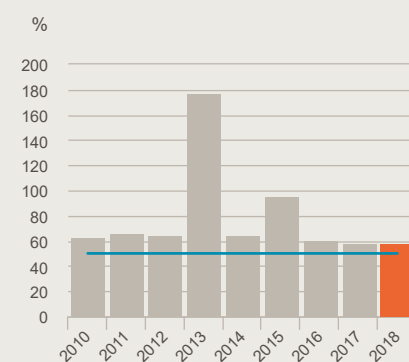


* Rolling 12 months as of June 30, 2019

Goal > 20%

The goal for return on equity is a yield of at least 20 percent. The return on equity calculated on a rolling 12 months period was 19.8 percent (20.1). For full year 2018 the return on equity amounted to 19.6 percent.

Dividends



Goal > 50%

The goal for dividends is at least 50 percent of profit for the year. Dividend for 2018 of SEK 4.20 (4.00) per share corresponds to 59 percent (58) of profit for the year.

Net sales and profit

NET SALES AND PROFIT

April – June 2019

Group net sales for the second quarter 2019 increased by seven percent and amounted to SEK 14,336 million (13,453).

Net sales in business area Construction increased by five percent and the increase was related to our Swedish operations. Net sales in business area Civil Engineering decreased by two percent while business area Industry presented an increase in net sales of three percent. Net sales in business area Project Development increased by 17 percent compared to the second quarter last year. The increase stemmed from both Property Development and Housing Development where more turned over housing projects in Norway and Finland had a positive effect.

Of the quarter's net sales SEK 2,506 million (2,351) were attributable to sales and production outside Sweden.

Operating profit for the second quarter 2019 amounted to SEK 821 million (677) and the operating margin was 5.7 percent (5.0). In business area Construction operating margin improved to 2.6 percent (2.4) and in business area Civil Engineering the operating margin was 3.7 percent (3.8). Business area Industry showed a margin of 7.0 percent (7.3). The lower operating margin in Industry is partially explained by seasonal effects, primarily in Asphalt. In addition, Rentals sustained higher costs from the establishment of complementary units aimed at increasing local presence that do not yet generate maximum income. Business area Project Development had a higher operating profit in both Property Development and Housing Development. In Property Development Peab's partially owned company Acturum divested a number of properties in the second quarter, which was announced earlier. The divestitures had a positive effect of SEK 170 million in profit contributions from partially owned companies. In Housing Development operating profit and operating margin contracted in Sweden while more turned over housing projects in Norway and Finland had a positive effect.

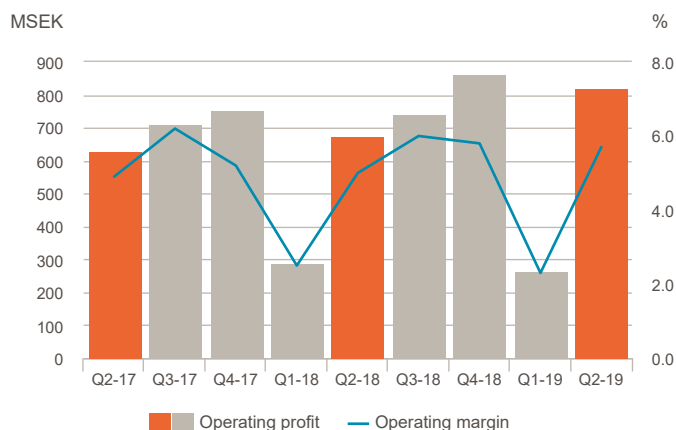
Depreciation and write-downs for the second quarter were SEK -306 million (-247). Depreciation was effected by SEK -36 million through additional IFRS 16, Leases in the second quarter 2019.

Net financial items amounted to SEK -10 million (-4) of which net interest was SEK -24 million (-18). Net interest was effected by SEK -8 million through additional IFRS 16 Leases in the second quarter 2019.

Pre-tax profit was SEK 811 million (673).

Profit for the second quarter improved to SEK 688 million (572).

Operating profit and operating margin, per quarter



January – June 2019

Group net sales for the first half-year 2019 amounted to SEK 25,695 million (24,943), which was an increase of three percent. Even after adjustments for acquired and divested units net sales increased by three percent.

Net sales in business area Construction grew by four percent and the increase was related to our Swedish operations. Net sales includes a greater portion of other building construction. In business area Civil Engineering net sales were unchanged compared to same period last year. Net sales in business area Industry grew by three percent with an increase in all product areas except Construction System where net sales fell. In business area Project Development net sales grew in Property Development but contracted in Housing Development where the decrease was related to our Swedish operations.

Of the period's net sales SEK 4,431 million (4,876) were attributable to sales and production outside Sweden.

Operating profit for the first half-year 2019 improved to SEK 1,086 million (967) and the operating margin increased to 4.2 percent (3.9). The operating profit was effected positively by SEK 11 million through additional IFRS 16 Leases in the first half-year 2019. The operating margin for the latest rolling 12 month period was 5.1 percent compared to 4.9 percent for the entire year 2018.

The operating margin in business area Construction was 2.4 percent (2.3) during the first half-year 2019. In business area Civil Engineering the operating margin was 2.5 percent (2.7). Operating margin in business area Industry was 3.6 percent (3.9). The lower operating margin in Industry is partially explained by seasonal effects, primarily in Asphalt, where larger operations require more maintenance. In addition, Rentals sustained higher costs from the establishment of complementary units aimed at increasing local presence that do not yet generate maximum income. The operating margin in business area Project Development was higher than the corresponding period last year. In Housing Development operating profit contracted slightly in Sweden in the first half-year which was for the most part countered by more turned over projects in Norway and Finland. The operating margin in Housing Development was 8.8 percent (8.4). In Property Development Peab's partially owned company Acturum divested a number of properties in the second quarter. The divestitures had a positive effect of SEK 170 million in profit contributions from partially owned companies.

Eliminations and reversal of internal profit in our own projects have affected operating profit by SEK -55 million (-15). As a result of more construction on property on our own balance sheet including housing projects in Norway and Finland, apartments for rent in Sweden, Peab's own offices as well as other commercial property, a higher level of profit has been eliminated than in previous year. Elimination is reversed in connection with the external divestment of a project.

Depreciation and write-downs for the period were SEK -598 million (-485). Depreciation was affected by SEK -80 million through additional IFRS 16, Leases in the first half-year 2019.

Net financial items amounted to SEK -6 million (-38), of which net interest amounted to SEK -42 million (-21). Net interest was affected by SEK -14 million through additional IFRS 16, Leases in the first half-year 2019. Net financial items included positive effects from, among other things, dividends and currency exchange rates.

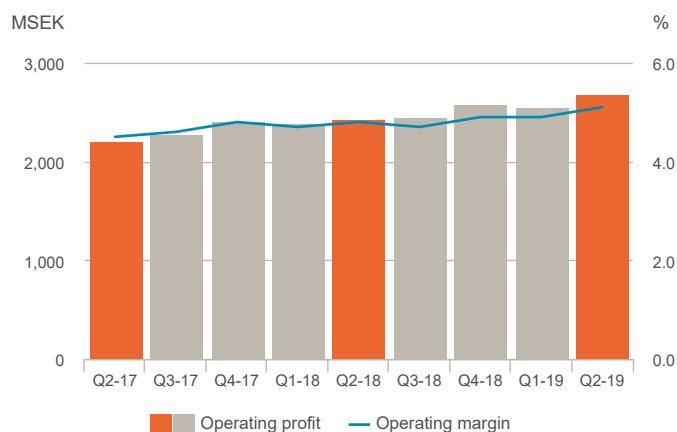
Pre-tax profit was SEK 1,080 million (929).

Profit for the period improved to SEK 912 million (790).

SEASONAL VARIATIONS

Group operations, particularly in Industry and Civil Engineering, are affected by fluctuations that come with the cold weather during the winter half of the year. Normally the first quarter is weaker than the rest of the year.

Operating profit and operating margin, rolling 12 months



Financial position and cash flow

IFRS 16 LEASES

IFRS 16, Leases replaced IAS 17, Leases as of January 1, 2019. When changing over Peab chose the changeover method in which comparable periods are not recalculated. Additional leases primarily comprise office and premise rents, leaseholds, land rentals and vehicles. Total assets and net debt were affected at changeover on January 1, 2019 by SEK 850 million. IFRS 16, Leases is applied in segment reporting. For further information see note 1.

FINANCIAL POSITION

The equity/assets ratio on June 30, 2019 was 27.6 percent compared to 30.4 percent at year-end. Excluding additional IFRS 16, Leases the equity/asset ratio on June 30, 2019 was 28.1 percent. Interest-bearing net debt amounted to SEK 7,241 million compared to SEK 3,551 million at the end of 2018. Excluding additional IFRS 16, Leases net debt on June 30, 2019 was SEK 6,414 million. The increase in net debt is explained by more construction on property on our own balance sheet, our own developed housing projects in Norway and Finland and payment of SEK 1,239 million in dividends in the second quarter. The average interest rate in the loan portfolio, including derivatives but excluding additional IFRS 16, Leases was 1.5 percent (1.6) on June 30, 2019.

Group liquid funds, including unutilized credit facilities, were SEK 4,078 million at the end of the period compared to SEK 5,846 million on December 31, 2018.

At the end of the period Group contingent liabilities, excluding joint and several liabilities in trading and limited partnerships, amounted to SEK 9,919 million compared to SEK 10,302 million on December 31, 2018. Of contingent liabilities surety given for credit lines for tenant-owned apartments under production was SEK 7,069 million compared to SEK 7,580 million on December 31, 2018.

INVESTMENTS AND DIVESTMENTS

During the quarter SEK 594 million (503) was net invested in tangible and intangible fixed assets and investment property. During the period January-June SEK 1,086 million (938) was net invested in tangible and intangible fixed assets and investment property and consisted primarily of office building construction and investments in machinery.

Net investments in project and development properties, which are recognized as inventory items, totaled SEK 402 million (905) during the quarter. Net investments in project and investment properties totaled SEK 1,052 million (1,002) during the period January-June 2019. Most of the investments refer to ongoing housing projects in Finland and Norway and our own developed rental projects in Project Development in Sweden.

CASH FLOW

April – June 2019

Cash flow from current operations was SEK -976 million (-191), of which cash flow from changes in working capital was SEK -1,763 million (-886). The change in working capital included increased accounts receivables and was negatively affected by in part construction of housing projects in Finland and Norway and our own developed rental projects in Project Development in Sweden.

Cash flow from investment activities was SEK -345 million (-513).

Cash flow before financing was SEK -1,321 million (-704).

January – June 2019

Cash flow from current operations was SEK -334 million (-437), of which cash flow from changes in working capital was SEK -1,582 million (-1,236). The change in working capital included, among other things, construction of housing projects in Finland and Norway and our own developed rental projects in Project Development in Sweden.

Cash flow from investment activities was SEK -428 million (-657).

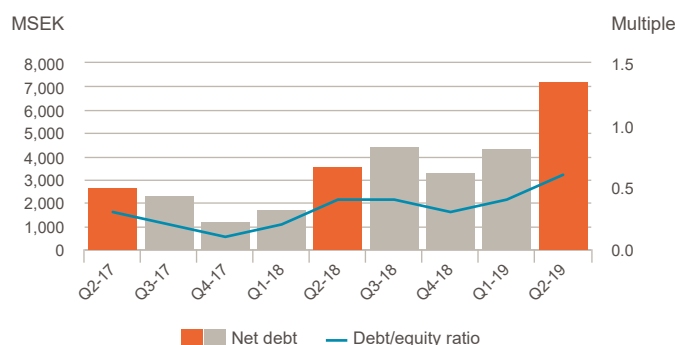
Cash flow before financing amounted to SEK -762 million (-1,094).

Cash flow from financing operations amounted to SEK 502 million (999) of which SEK -1,239 million (-1,180) consisted of paid dividends.

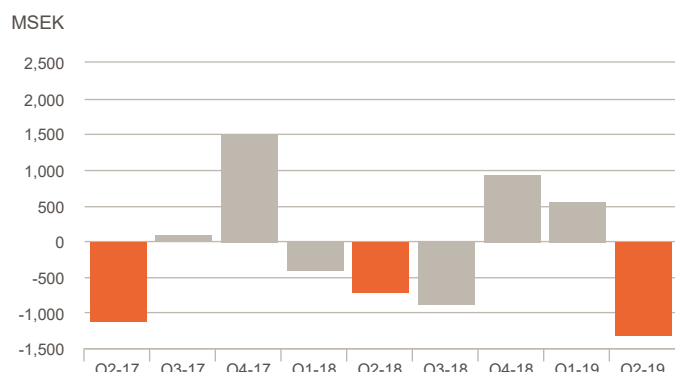
Net debt

MSEK	Jun 30 2019	Jun 30 2018	Dec 31 2018
Bank loans	5,501	3,133	3,383
Commercial papers	749	1,350	730
Bonds	2,248	1,049	2,248
Financial leasing liabilities	598	577	593
Additional leasing liabilities according to IFRS 16	827	–	–
Other interest-bearing liabilities	0	60	58
Interest-bearing receivables	-1,554	-2,042	-2,085
Liquid funds	-1,128	-535	-1,376
Net debt	7,241	3,592	3,551

Net debt and debt/equity ratio



Cash flow before financing



Order situation

April – June 2019

Orders received in the second quarter 2019 amounted to SEK 10,817 million compared to SEK 16,257 million for the same period last year. The level of orders received in business areas Construction and Civil Engineering contracted during the second quarter. In business area Construction the comparable period included the office project Platinan in Gothenburg for Vasakronan worth SEK 2,100 million and in business area Civil Engineering the extension of the west Sweden railroad system at Olskroken in Gothenburg worth SEK 2,900 million for the Swedish Transport Administration. The level increased in business area Industry, primarily due to Asphalt. The level of orders received in business area Project Development increased as well. With a correction for these large projects in the second quarter of 2018 the level of orders received in the Group continues to be stable. Orders received in the second quarter 2019 are well spread geographically and there is good product diversity.

January – June 2019

Orders received in the first half-year 2019 amounted to SEK 22,685 million compared to SEK 29,163 million for the same period last year. The level of orders received in business areas Construction and Civil Engineering contracted. The level increased in business area Industry, primarily due to Asphalt. The level of orders received in business area Project Development are relatively unchanged compared to the same period last year. Orders received for the Group in the first half-year 2019 are well spread geographically and there is good product diversity.

Order backlog yet to be produced at the end of the period increased to SEK 45,873 million compared to SEK 47,453 million at the end of the same period last year. Of the total order backlog, 55 percent (58) is expected to be produced after 2019 (2018). Swedish operations accounted for 80 percent (86) of the order backlog.

Orders received

MSEK	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jul-Jun 2018/2019	Jan-Dec 2018
Construction	6,785	9,846	13,153	17,990	26,170	31,007
Civil Engineering	3,498	6,193	6,567	10,052	12,864	16,349
Industry	995	893	3,275	2,439	5,947	5,111
Project Development	1,529	1,157	3,156	3,218	6,619	6,681
Eliminations	-1,990	-1,832	-3,466	-4,536	-6,991	-8,061
Group	10,817	16,257	22,685	29,163	44,609	51,087

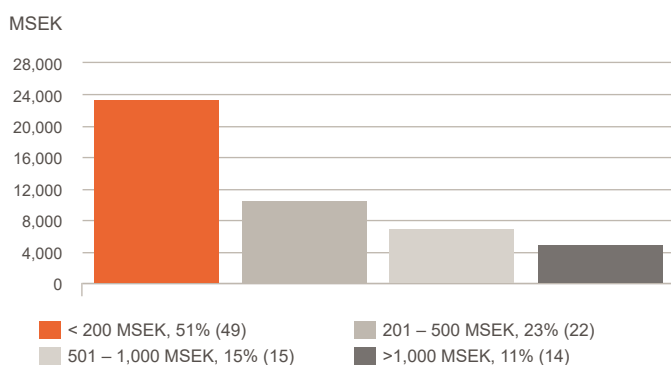
Order backlog

MSEK	Jun 30 2019	Jun 30 2018	Dec 31 2018
Construction	28,615	30,988	29,776
Civil Engineering	13,992	14,749	13,620
Industry	3,172	2,904	2,246
Project Development	6,131	7,492	7,134
Eliminations	-6,037	-8,680	-6,957
Group	45,873	47,453	45,819

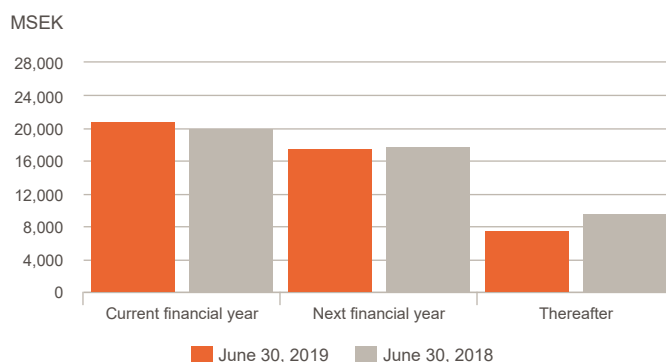
We received several major contracts and agreements during the second quarter, including:

- Construction of 163 rental apartments in Enköping. The customer is Enköpings Hyresbostäder and the contract is worth SEK 210 million.
- Construction of a new school and multi-purpose hall in Evenes in Northern Norway. The customer is Evenes Municipality and the contract is worth NOK 193 million.
- Construction of a research building in the Brunnhög area in Lund. The customer is Fastighets AB ML 4 and the contract is worth SEK 247 million.
- Construction of 80 apartments for rent in Sorgenfri in Malmö. The customer is MKB Fastighets AB and the contract is worth SEK 154 million.
- Commission to take responsibility for operation and maintenance of public roads in Uppsala for four years. The customer is the Swedish Transport Administration and the cumulative worth of the contract is SEK 193 million.
- Construction of a service building on Malmö hospital grounds. The customer is Region Skåne and the contract is worth SEK 692 million.
- Commission to do the foundation work for the new residential area Väsjö Square in Sollentuna, north of Stockholm. The customer is Sollentuna Municipality and the contract is worth SEK 273 million.
- Commission to build a completely new infrastructure for city block Tora in Bromsten industrial area in Spånga. This is the second stage of the ground construction. The customer is the Stockholm City Development Department and the contract is worth SEK 491 million.
- Construction of a nursing home in Vallby, Västerås. The customer is Hemsö Fastighets AB and the contract is worth SEK 265 million.
- Construction of 60 apartments and 28 terraced houses in Billingstad in Asker just west of Oslo. The customer is Bergerveien 24 and the contract is worth NOK 235 million.
- Commission to extend a sports hall in Oulu. The customer is Oulun Tilapalvelut and the contract is worth EUR 19 million.
- Commission to build a new flyover on E6 in Moelv, between Hamar and Lillehammer in Norway. The customer is Nye Veier and the contract is worth NOK 264 million.
- Commission to build 1.5 kilometers of new trunk road which is part of the new ring road surrounding Umeå. The customer is the Swedish Transport Administration and the contract is worth SEK 268 million.

Project allocation of order backlog, June 30, 2019



Order backlog allocated over time



Overview business areas

The Peab Group is presented in four different business areas: Construction, Civil Engineering, Industry and Project Development. The business areas are also operating segments.

RECOGNITION OF INTERNAL PROJECTS BETWEEN BUSINESS AREAS CONSTRUCTION AND PROJECT DEVELOPMENT

Business area Construction reports net sales and profit/loss referring to the contract construction in our own housing projects, in rental projects and other property projects to business area Project Development. Recognition takes place over time as the projects are completed. Business area Project Development reports net sales for both contract construction and the developer part of our own housing projects. The recognized profit/loss consists of the profit/loss in the developer part recognized over time.

RECOGNITION OF PROPERTY PROJECTS ON OUR OWN BALANCE SHEET

The underlying sales value of property projects on our own balance sheet, reported as project and development property, that are sold in the form of a company via shares is recognized as net sales and the reported value on the balance sheet is recognized as an expense. When property projects recognized as operations property or investment property are divested the net effect on profit/loss is recognized as other operating income or other operating cost.

GROUP FUNCTIONS

In addition to the business areas central companies, certain subsidiaries and other holdings are presented as Group functions. The central companies primarily consist of the parent company Peab AB, Peab Finans and Peab Support (Shared Service Center).

Net sales and operating profit per business area

MSEK	Net sales						Operating profit					
	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jul-Jun 2018/2019	Jan-Dec 2018	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jul-Jun 2018/2019	Jan-Dec 2018
Construction	7,782	7,423	14,525	13,986	28,879	28,340	199	178	355	321	704	670
Civil Engineering	3,374	3,439	6,290	6,255	13,780	13,745	124	130	160	172	403	415
Industry	3,697	3,580	5,927	5,758	13,453	13,284	258	262	214	224	967	977
Project Development	2,068	1,775	3,931	4,062	7,713	7,844	371	174	549	375	959	785
– of which Property Development	254	171	427	327	838	738	195	13	241	63	348	170
– of which Housing Development	1,814	1,604	3,504	3,735	6,875	7,106	176	161	308	312	611	615
Group functions	287	285	562	544	1,061	1,043	-89	-55	-137	-110	-301	-274
Eliminations	-2,872	-3,049	-5,540	-5,662	-11,901	-12,023	-42	-12	-55	-15	-40	0
Group	14,336	13,453	25,695	24,943	52,985	52,233	821	677	1,086	967	2,692	2,573

%	Operating margin					
	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jul-Jun 2018/2019	Jan-Dec 2018
Construction	2.6	2.4	2.4	2.3	2.4	2.4
Civil Engineering	3.7	3.8	2.5	2.7	2.9	3.0
Industry	7.0	7.3	3.6	3.9	7.2	7.4
Project Development	17.9	9.8	14.0	9.2	12.4	10.0
– of which Property Development	76.8	7.6	56.4	19.3	41.5	23.0
– of which Housing Development	9.7	10.0	8.8	8.4	8.9	8.7
Group functions						
Eliminations						
Group	5.7	5.0	4.2	3.9	5.1	4.9

Business area Construction

With local roots close to customers business area Construction performs construction work for both external and internal customers. Construction projects include everything from new production of housing, public and commercial premises to renovations and extensions as well as construction maintenance.

Operations in business area Construction are run via some 150 local offices around the Nordic area, organized in eleven regions in Sweden, three in Norway and two in Finland. There are specialized housing production units in Stockholm, Gothenburg and the Öresund region. Construction maintenance operations are run in a nationwide region in Sweden primarily focused on the big city areas. Other regions are responsible for all types of construction projects in their geographic area.

NET SALES AND PROFIT

April – June 2019

Net sales for the second quarter 2019 increased by five percent and amounted to SEK 7,782 million (7,423). The increase is attributable to Sweden. There is a greater portion of other building construction for both private and public customers in net sales.

Operating profit for the second quarter amounted to SEK 199 million (178) and the operating margin was 2.6 percent (2.4).

January – June 2019

Net sales for the first half-year 2019 increased by four percent and amounted to SEK 14,525 million (13,986). The increase is attributable to Sweden. There is a greater portion of other building construction for both private and public customers in net sales.

Operating profit for the first-half year amounted to SEK 355 million (321) and the operating margin amounted to 2.4 percent (2.3). The operating margin for the latest rolling 12 month period was at 2.4 percent, which was unchanged compared to the entire year of 2018.

ORDERS RECEIVED AND ORDER BACKLOG

April – June 2019

Orders received during the second quarter amounted to SEK 6,785 million (9,846). The comparable period included the office project Platinan in Gothenburg for Vasakronan worth SEK 2,100 million.

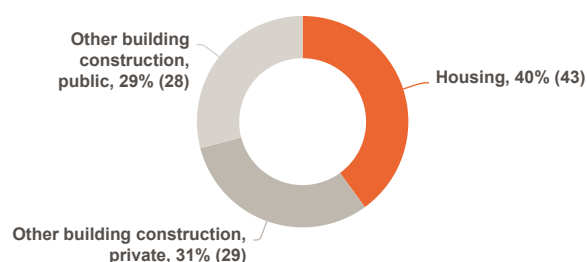
January – June 2019

Orders received during the first half-year contracted to SEK 13,153 million (17,990). The orders received are relatively well spread regarding products and location.

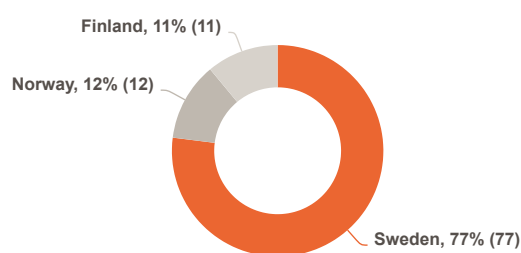
Order backlog June 30, 2019 was SEK 28,615 million compared to SEK 30,988 million at the end of June 2018.

Net sales

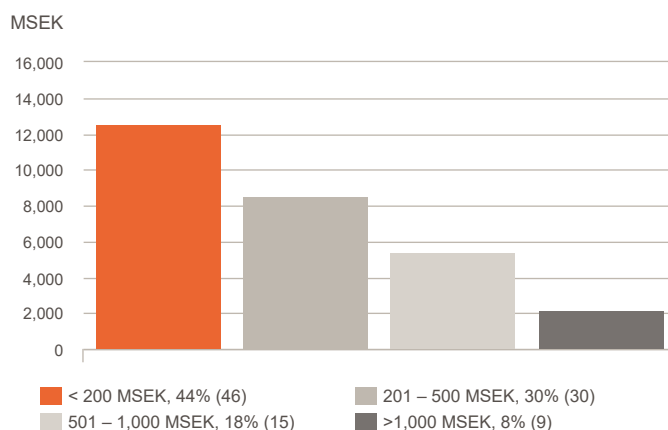
per product area, rolling 12 months



per geographic market, rolling 12 months



Project allocation of order backlog, June 30, 2019



Key ratios

	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jul-Jun 2018/2019	Jan-Dec 2018
Net sales, MSEK	7,782	7,423	14,525	13,986	28,879	28,340
Operating profit, MSEK	199	178	355	321	704	670
Operating margin, %	2.6	2.4	2.4	2.3	2.4	2.4
Orders received, MSEK	6,785	9,846	13,153	17,990	26,170	31,007
Order backlog, MSEK	28,615	30,988	28,615	30,988	28,615	29,776
Number of employees at the end of the period	6,474	6,907	6,474	6,907	6,474	6,631

Business area Civil Engineering

Business area Civil Engineering is a leading player in Sweden and with operations in Norway and Finland as well. The business area works with landscaping and pipelines, builds and maintains roads, railroads, bridges and other infrastructure as well as foundation work. Operations are organized in geographic regions and the specialized product areas Local market, Infrastructure and Operation and maintenance.

Business area Civil Engineering is active on the local civil engineering market working with landscaping and pipelines, foundation work and builds different kinds of facilities.

In the area of infrastructure and heavy construction it builds roads, railroads, bridges, tunnels and ports.

Civil Engineering also provides operation and maintenance for national and municipal highways and street networks as well as cares for parks and outdoor property. It also operates water and sewage supply networks.

NET SALES AND PROFIT

April – June 2019

Net sales for the second quarter 2019 amounted to SEK 3,374 million (3,439). Net sales increased in Local market during the first half-year while net sales in Operations and maintenance as well as Infrastructure were lower.

Operating profit for the second quarter 2019 amounted to SEK 124 million (130) and the operating margin was 3.7 percent (3.8).

January- June 2019

Net sales were relatively unchanged during the first half-year of 2019 and amounted to SEK 6,290 million (6,255). Even after adjustments for acquired units net sales were unchanged. Net sales increased in Local market during the first half-year while net sales in Operations and maintenance was lower.

Operating profit for the first half-year 2019 amounted to SEK 160 million (172) and the operating margin contracted to 2.5 percent (2.7). The operating margin for the latest rolling 12 month period was 2.9 percent compared to 3.0 percent for the entire year of 2018.

ORDERS RECEIVED AND ORDER BACKLOG

April – June 2019

Orders received during the second quarter 2019 amounted to SEK 3,498 million (6,193). The comparable period included the extension of the west Sweden railroad system at Olskroken in Gothenburg, worth SEK 2,900 million, for the Swedish Transport Administration.

January- June 2019

Orders received during the first half-year 2019 amounted to SEK 6,567 million (10,052).

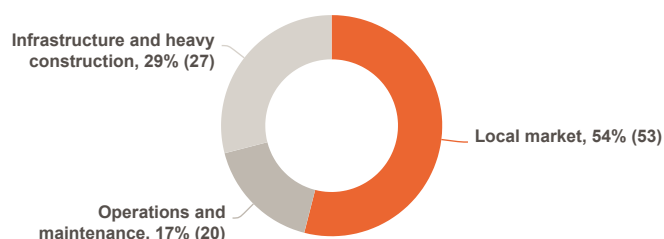
Order backlog on June 30, 2019 amounted to SEK 13,992 million (14,749).

Key ratios

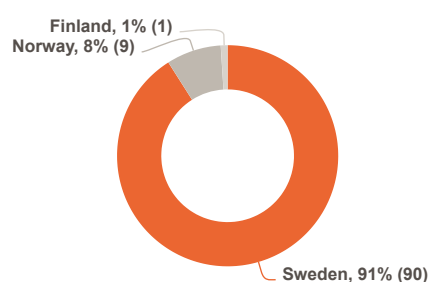
	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jul-Jun 2018/2019	Jan-Dec 2018
Net sales, MSEK	3,374	3,439	6,290	6,255	13,780	13,745
Operating profit, MSEK	124	130	160	172	403	415
Operating margin, %	3.7	3.8	2.5	2.7	2.9	3.0
Orders received, MSEK	3,498	6,193	6,567	10,052	12,864	16,349
Order backlog, MSEK	13,992	14,749	13,992	14,749	13,992	13,620
Number of employees at the end of the period	3,758	3,871	3,758	3,871	3,758	3,580

Net sales

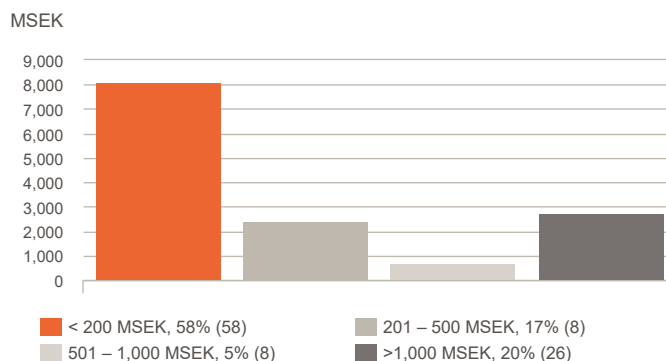
per product area, rolling 12 months



per geographic market, rolling 12 months



Project allocation of order backlog, June 30, 2019



Business area Industry

Business area Industry is a complete supplier of the products and services needed to carry out a sustainable and cost-efficient construction and civil engineering project on the Swedish, Norwegian and Finnish markets. Industry offers everything from gravel and rock material, concrete, asphalt and temporary electricity to prefabricated concrete elements. Business area Industry also assists with crane rental, import and distribution of binder to the concrete industry, machines and transportation as well as recycles production waste.

Business area Industry is run in six product areas: Asphalt, Concrete, Gravel and Rock, Transportation and Machines, Rentals and Construction System. All the product areas operate on the Nordic construction and civil engineering market.

NET SALES AND PROFIT

April – June 2019

Net sales for the second quarter 2019 increased by three percent and amounted to SEK 3,697 million (3,580). The increase in net sales stems from the product areas Asphalt, Gravel and Rock and Concrete, while net sales were lower in Construction System.

Operating profit for the second quarter 2019 amounted to SEK 258 million (262) and the operating margin contracted to 7.0 percent (7.3). The lower operating margin stems to a certain extent from seasonal effects, primarily in Asphalt. In addition, Rentals sustained higher costs from the establishment of complementary units aimed at increasing local presence that do not yet generate maximum income.

January – June 2019

Net sales for the first half-year 2019 increased by three percent and amounted to SEK 5,927 million (5,758). Even adjusted for acquisitions net sales increased by three percent. Net sales increased in all product areas except Construction System where net sales fell.

Operating profit for the first half-year 2019 dropped to SEK 214 million (224) and the operating margin contracted to 3.6 percent (3.9). The lower operating margin stems to a certain extent from seasonal effects, primarily in Asphalt, where larger operations generate higher maintenance costs. In addition, Rentals sustained higher costs from the establishment of complementary units aimed at increasing local presence that do not yet generate maximum income. The operating margin for the latest rolling 12 month period was 7.2 percent compared to 7.4 percent for the entire year 2018.

Capital employed in Industry was at the end of the period SEK 6,930 million compared to SEK 6,279 million at the end of the corresponding period last year. The increase is primarily attributable to investments in machinery. The effect of additional IFRS 16, Leases was SEK 108 million per June 30, 2019.

Key ratios

	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jul-Jun 2018/2019	Jan-Dec 2018
Net sales, MSEK	3,697	3,580	5,927	5,758	13,453	13,284
Operating profit, MSEK	258	262	214	224	967	977
Operating margin, %	7.0	7.3	3.6	3.9	7.2	7.4
Orders received, MSEK	995	893	3,275	2,439	5,947	5,111
Order backlog, MSEK	3,172	2,904	3,172	2,904	3,172	2,246
Capital employed at the end of the period, MSEK	6,930	6,279	6,930	6,279	6,930	6,432
Number of employees at the end of the period	3,658	3,533	3,658	3,533	3,658	3,484
Concrete, thousands of m ³ ¹⁾	372	402	629	599	1,324	1,294
Asphalt, thousands of tons ¹⁾	883	780	902	791	2,817	2,706
Gravel and Rock, thousands of tons ¹⁾	4,067	4,237	6,527	6,644	14,564	14,681

1) Refers to sold volume

ORDERS RECEIVED AND ORDER BACKLOG

April – June 2019

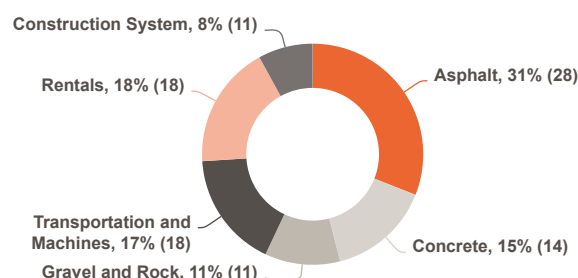
Orders received increased by eleven percent during the second quarter and amounted to SEK 995 million (893). The increase is primarily related to Asphalt.

January- June 2019

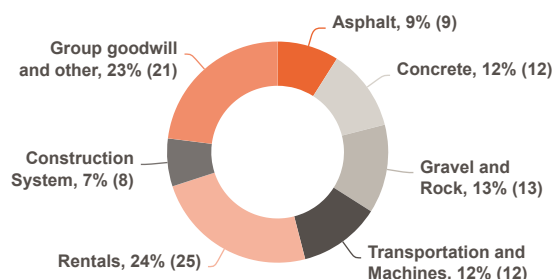
Orders received during the first half-year 2019 amounted to SEK 3,275 million (2,439). The increase is primarily related to Asphalt. Order backlog on June 30, 2019 amounted to SEK 3,172 million (2,904).

Net sales

per product area, rolling 12 months



Capital employed, June 30, 2019



Business area Project Development

Business area Project Development, which comprises Housing Development and Property Development, creates sustainable and vibrant urban environments with both residential and commercial property. The business area is responsible for the Group's property acquisitions and divestitures as well as project development which generates contract work for the other business areas. Project Development works through wholly owned projects or in collaboration with other partners in joint ventures.

Housing Development develops all kinds of housing such as apartment buildings in tenancy ownership, ownership and rental form as well as single homes.

Operations in Property Development revolve around the acquisition, development, maintenance and management as well as the divestiture of commercial property. In cases where no divestment is planned property may remain in the Group for a long period of time in order to generate rental and appreciation revenues or a combination of both.

Peab's primary ambition is to work with development projects on our own balance sheet. Collaboration with other partners via joint ventures may take place from time to time during a project. The goal is to create capital efficient developments with partners that bolster business and profit generation.

NET SALES AND PROFIT

April – June 2019

Net sales for the second quarter 2019 in business area Project Development amounted to SEK 2,068 million (1,775). Operating profit amounted to SEK 371 million (174). In Property Development Peab's partially owned company Acturum divested a number of properties in the second quarter, which was announced earlier. The divestitures had a positive effect of SEK 170 million in profit contributions from partially owned companies.

January – June 2019

Net sales for the first half-year 2019 in business area Project Development amounted to SEK 3,931 million (4,062) and operating profit was SEK 549 million (375).

Capital employed in Project Development at the end of the period amounted to SEK 15,269 million (11,549). The increase is due to investments in project and development properties, more ongoing housing projects in Finland and Norway, investments in rental projects as well as investments in operations and investment properties in Property Development. The increase also included additional IFRS 16, Leases per June 30, 2019 of SEK 362 million divided into SEK 114 million in operations properties, SEK 55 million in investment properties, SEK 196 million in project and development properties and SEK -3 million in other receivables.



Capital employed

MSEK	Jun 30 2019	Jun 30 2018	Dec 31 2018
Operations property	1,232	1,102	915
Investment property	701	1,030	589
Project and development property	11,057	8,531	9,685
<i>of which housing development rights</i>	5,806	5,543	5,394
<i>of which commercial development rights</i>	612	598	656
<i>of which ongoing housing projects in Norway and Finland</i>	2,507	1,447	2,034
<i>of which ongoing rental projects in Sweden</i>	1,063	297	925
<i>of which ongoing commercial projects</i>	431	216	302
<i>of which completed projects</i>	249	130	14
<i>of which other</i>	389	300	360
Participation in joint ventures	1,472	944	1,019
Loans to joint ventures	1,207	1,430	1,466
Working capital and other	-400	-1,488	-690
Total	15,269	11,549	12,984

Key ratios

	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jul-Jun 2018/2019	Jan-Dec 2018
Net sales, MSEK	2,068	1,775	3,931	4,062	7,713	7,844
<i>of which Property Development</i>	254	171	427	327	838	738
<i>of which Housing Development</i>	1,814	1,604	3,504	3,735	6,875	7,106
Operating profit, MSEK	371	174	549	375	959	785
<i>of which Property Development</i>	195	13	241	63	348	170
<i>of which Housing Development</i>	176	161	308	312	611	615
Operating margin, %	17.9	9.8	14.0	9.2	12.4	10.0
<i>of which Property Development</i>	76.8	7.6	56.4	19.3	41.5	23.0
<i>of which Housing Development</i>	9.7	10.0	8.8	8.4	8.9	8.7
Capital employed at the end of the period, MSEK	15,269	11,549	15,269	11,549	15,269	12,984
Orders received, MSEK	1,529	1,157	3,156	3,218	6,619	6,681
Order backlog, MSEK	6,131	7,492	6,131	7,492	6,131	7,134
Number of employees at the end of the period	336	383	336	383	336	379

HOUSING DEVELOPMENT

April – June 2019

Net sales increased by 13 percent and amounted to SEK 1,814 million (1,604) due to more turned over housing projects in Finland and Norway. Net sales contracted in Sweden during the second quarter. Operating profit increased to SEK 176 million (161) but the operating margin decreased to 9.7 percent (10.0).

The number of start-ups of our own developed homes during the second quarter amounted to 540 units (559), most of which were in Sweden and Finland, with a good geographic spread in both countries. The number of sold homes was 669 (391), most of which were in Sweden and Finland.

January – June 2019

Net sales decreased to SEK 3,504 million (3,735) and the reduction is related to Sweden. Operating profit amounted to SEK 308 million (312) and the operating margin amounted to 8.8 percent (8.4). Operating profit and the operating margin contracted in Sweden but was for the most part countered by more turned over projects in Norway and Finland. In the latest rolling 12 month period the operating margin amounted to 8.9 percent compared to 8.7 percent for the entire year of 2018.

The number of start-ups of our own developed homes amounted to 1,007 units (1,116) mainly divided between Sweden and Finland, with a good geographic spread in both countries. The number of sold homes was 1,259 (763), most of them sold in Sweden. Greater sales efforts in Stockholm led to higher sales during the period compared to the first half-year 2018. The number of own developed homes in production at the end of the period was 5,187 (6,020). The level of sold homes in production was 65 percent (64). The number of repurchased homes per June 30, 2019 was 174 (82) and around half of them were in Sweden and half of them in Finland. Peab develops and builds housing all over Sweden and in large parts of Norway and Finland. Our housing is primarily in the medium price segment and we see that there continues to be a considerable need for new production of housing in this range.

At the end of June 2019 the level of capital employed rose due to investments in project and development property along with rental projects in Sweden. The rental projects may be converted into tenant-owned housing or be sold on the investor market. The level of capital employed has also risen due to increased activity in our own developed housing projects in Norway and Finland, which remain on our balance sheet until they are finished. The diagram shows when in time the housing projects in Norway and Finland are expected to be completed. The total number of ongoing own housing developments in Norway and Finland were 1,459 per June 30, 2019 (1,233).

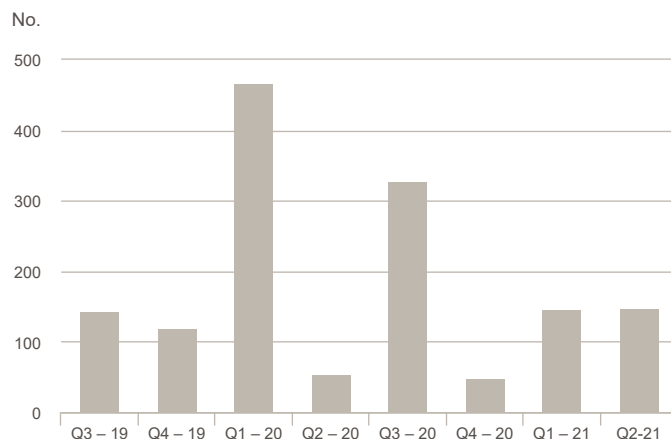
Own housing development construction

	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jul-Jun 2018/2019	Jan-Dec 2018
Number of housing starts during the period	540	559	1,007	1,116	2,104	2,213
Number of sold homes during the period	669	391	1,259	763	2,321	1,825
Total number of homes under construction, at the end of the period	5,187	6,020	5,187	6,020	5,187	6,231
Share of sold homes under construction, at the end of the period	65%	64%	65%	64%	65%	63%
Number of repurchased homes in the balance sheet, at the end of the period	174	82	174	82	174	104

Development rights for housing

Number, approx.	Jun 30 2019	Jun 30 2018	Dec 31 2018
Development rights on our own balance sheet	20,300	20,900	21,300
Development rights via joint ventures	5,300	5,700	5,000
Development rights via options etc.	9,400	7,800	9,100
Total	35,000	34,400	35,400

When in time ongoing housing projects in Norway and Finland will be completed



PROPERTY DEVELOPMENT

Net sales and operating profit from operations are derived from acquisitions, development, maintaining and managing wholly owned property, shares in the result from partly owned companies as well as capital gains/losses from the divestiture of completed projects and shares in partly owned companies.

April – June 2019

During the second quarter 2019 net sales were SEK 254 million (171) and operating profit was SEK 195 million (13). Peab's partially owned company Acturum divested a number of properties in the second quarter, which was announced earlier. In December 2018 Acturum signed a contract with Fastator and Offentliga hus to sell all its remaining property with the transfer planned for the second quarter 2019. Acturum was founded by Peab and FAM – The Wallenberg Foundations' holding company – as equal partners in 2013. The company acquired a property portfolio in Södertälje from AstraZeneca and has since then developed a number of properties. The divestitures had a positive effect of SEK 170 million in the second quarter in profit contributions from partially owned companies. No other major property transactions have taken place during the quarter.

January – June 2019

During the first half-year 2019 net sales in Property Development were SEK 427 million (327) and operating profit was SEK 241 million (63). Our partially owned companies continue to develop well and profit in the first half-year from partially owned companies amounted to SEK 214 million (45), of which SEK 170 million refers to divestitures in Acturum.

In cases where no divestiture is planned properties can remain in the Group for a considerable length of time in order to garner rent and appreciation revenue or a combination of both. Capital employed in Property Development includes operations property for a recognized value of SEK 1,232 million (1,102), of which SEK 114 million is additional IFRS 16 Leases and SEK 701 million (1,030) is investment property, of which SEK 55 million is additional IFRS 16 Leases. The tables below show our major property projects per June 30, 2019.



PROPERTY PROJECTS

Completed projects	Location	Area in m ²	Degree rented, %	Recognized value, MSEK
Businesspark	Ängelholm	62,800	95	244
Businesspark	Ljungbyhed	76,000	64	121
Office building	Helsinki	9,300	85	279
Office building	Helsinki	7,600	41	269
Tenancy	Malmö	4,600	100	141
Office building	Sigtuna	3,600	74	66
Other completed projects				104
Total				1,224
<i>of which operations property</i>				599
<i>of which investment property</i>				611
<i>of which project and development property</i>				14

Ongoing projects	Location	Area in m ²	Degree rented, %	Recognized value, MSEK	Total investment at completion, MSEK	Timepoint of completion	Level of completion, %
Offices	Solna	12,400	100	393	449	Q4-2019	88
Retail and offices	Gothenburg	6,400	98	146	171	Q3-2019	85
Retail	Oslo	3,600	100	122	192	Q3-2020	64
Office building	Malmö	4,900	68	126	185	Q1-2020	68
Office building and parking	Solna	2,900	89	131	277	Q2-2020	47
Office building	Helsingborg	4,500	100	35	117	Q1-2021	30
Other ongoing projects				32			
Total				985			
<i>of which operations property</i>				519			
<i>of which investment property</i>				35			
<i>of which project and development property</i>				431			

SIGNIFICANT JOINT VENTURES

Peab's significant joint venture companies Fastighets AB Centur, Tornet Bostadsproduktion AB, Fastighets AB ML4 and Point Hyllie Holding AB are developing well and via them Peab has built up considerable indirect holdings in investment property and development property for both commercial and residential purposes. Ongoing returns are in the form of shares in the profit from joint ventures recognized in operating profit and interest income on lending. Changes in market values that effect booked values in joint venture companies are not reported in Peab's profit.

Significant joint ventures

FASTIGHETS AB CENTUR

Own, manage and develop commercial property and housing.

Peab's share: 50 percent

Partner: Balder

Location: Stockholm, the Mälardalen region, Gothenburg and the Öresund region

Recognized value on properties June 30, 2019 ¹⁾: SEK 6,296 million (5,151)

Peab's portion of unrecognized fair value exclusive tax ¹⁾: SEK 372 million (328)

Major ongoing projects: Hotel Stay-at Varvsstaden, Malmö Rentable area 3,900 m², Lyckholms Gothenburg, Rentable area 6,400 m²

FASTIGHETS AB ML4

Own and manage the research facility Max IV. The facility is rented to Lund University.

Peab's share: 50 percent

Partner: Wihlborgs

Location: Lund

Recognized value on properties June 30, 2019: SEK 1,831 million (1,861)

Major ongoing projects: Research building 6,400 m²

TORNET BOSTADSPRODUKTION AB

Build and manage attractive and environmentally friendly rentals in larger cities in Sweden.

Peab's share: 33 percent

Partner: Folksam and Balder

Location: Stockholm, the Mälardalen region, Gothenburg and the Öresund region

Recognized value on properties June 30, 2019 ¹⁾: SEK 3,832 million (3,127)

Peab's portion of unrecognized fair value exclusive tax ¹⁾: SEK 230 million (179)

Major ongoing projects: Munkeböck, Gothenburg Rentable area 14,800 m², Kungsängen, Upplandsbro Rentable area 8,800 m² and several apartment building projects in Västerås, Helsingborg, Malmö and Örebro

POINT HYLLIE HOLDING AB

Develop, own and manage the office property The Point as well as own and manage the hotel property Vårdshuset 5 (Operator Quality Hotel View).

Peab's share: 50 percent

Partner: Volito

Location: Hyllie, Malmö

Recognized value of properties June 30, 2019: SEK 1,157 million (880)

Major ongoing projects: 29 floor office building, The Point, Rentable area 20,000 m²

1) Valued at market price in joint venture companies. The market prices on properties that affect the recognized values in joint venture companies are not recognized in Peab's profit.

Construction market

SWEDEN

New housing production is expected to decline in the coming years but renovation volumes can increase instead. All in all housing construction is expected to decline in both 2019 and 2020. It looks like construction of premises will drop in 2019 and then level out during the next two years. There is a substantial need for investments in public premises in areas such as health-care and education which can counteract the decline in private premises that follows the economic cycle. All in all other building construction is expected to contract in 2019 and then level out in 2020. The forecast for civil engineering investments is positive and signals growth in 2019 and 2020.

NORWAY

Housing construction investments are expected to be about the same this year as in 2018 and then take off again in 2020, driven by good growth and strong demand. However, construction of premises is expected to increase already this year largely due to positive indications from industrial building construction. Public building construction will most likely develop sideways this year and then accelerate in 2020. The forecast for civil engineering investments indicates a continued good rate of development over the next two years.

FINLAND

Apartment building construction is expected to decline this year and continue to fall over the next two years. However, single home construction is showing a positive trend in 2019 but will level out in 2020. All in all housing construction is expected to remain on the same level during 2019 followed by a slight decline in 2020. Construction of private premises will mostly likely contract due to the weaker economic growth while public building construction will most likely increase during the period, which means other building construction is expected to grow in both 2019 and 2020. The forecast for civil engineering investments signals a slight decline in 2019 followed by a leveling out in 2020.

Housing

	2019	2020	2021
Sweden	↘	↘	→
Norway	→	↗	→
Finland	→	↘	↘

Forecast for started-up housing investments, new and renovations

Source: Industrifakta

Other building construction

	2019	2020	2021
Sweden	↘	→	→
Norway	↗	↗	↘
Finland	↗	↗	→

Forecast for started-up other building construction investments, new and renovations (Industry, office/retail etc. and public premises)

Source: Industrifakta

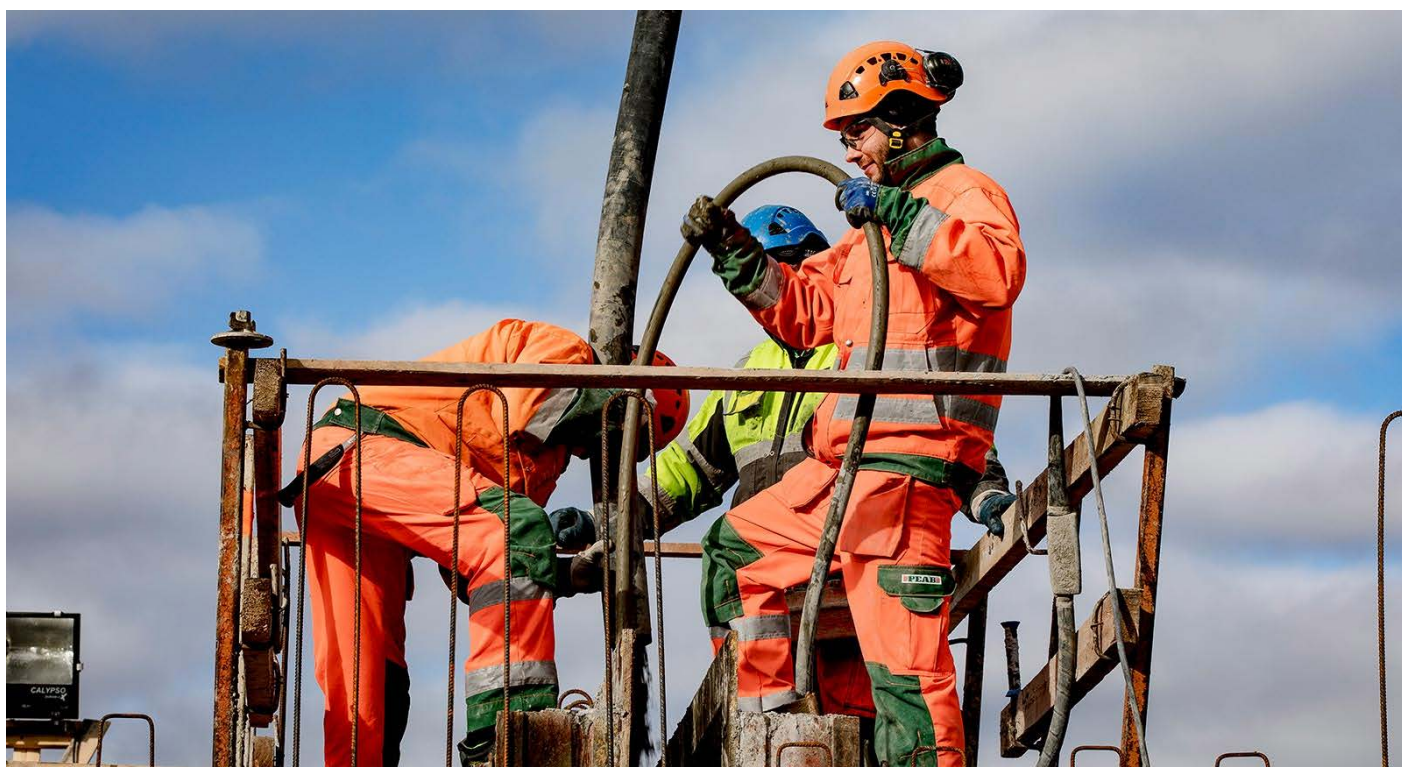
Civil engineering

	2019	2020	2021
Sweden	↗	↗	–
Norway	↗	↗	–
Finland	↘	→	–

Forecast for civil engineering investments

Source: Industrifakta

- Worse forecast compared to the previous quarterly report
- Better forecast compared to the previous quarterly report
- Same forecast compared to the previous quarterly report



Other information

RISKS AND UNCERTAINTY FACTORS

Peab's business is exposed to operational and financial risks. The impact of these risks on Peab's result and position depends on how well the day-to-day business is handled in the company. In addition, Peab faces circumstantial risks such as developments in the economy and altered conditions like changes in laws and regulations and other political decisions.

Handling operational risks is a constant ongoing process since there are always a large number of projects that are beginning, up and running and ending. Operational risks are taken care of in the line organization in each business area. Peab's business is to a large extent project related. Grey areas concerning contract terms can lead to borderline issues followed by negotiations with customers.

The financial risks are connected to tying up capital and the need for capital, primarily in the form of interest rate risk and refinancing risk. Financial risks are dealt with on Group level. For further information on risks and uncertainty factors, see the 2018 Annual and Sustainability Report.

HOLDINGS OF OWN SHARES

At the beginning of 2019 Peab's own B shareholding was 1,086,984 which corresponds to 0.4 percent of the total number of shares. No changes have taken place during the first half-year 2019.

THE PEAB SHARE

Peab's B share is listed on the Nasdaq Stockholm, Large Cap list. As of July 18, 2019, the price of the Peab share was SEK 84.00, an increase of 16 percent during 2019. During the same period, the Swedish stock market also increased by 16 percent according to the general index in the business magazine "Affärsvärlden". During 2019 the Peab share has been quoted at a maximum of SEK 89.70 and a minimum of SEK 71.00.

IMPORTANT EVENTS AFTER THE REPORT PERIOD

Peab has signed an agreement to acquire YIT's Nordic paving and mineral aggregates business. Through the acquisition Peab will expand its presence in Sweden, Norway and Finland and become established in the paving business in Denmark and this will give Peab a unique and market leading position in this business in the Nordic region. The deal will also increase the importance of industrial operations for the Group as well as reduce sensitivity to fluctuations in the business cycle.

Peab is currently a leading player in manufacturing and paving of asphalt as well as in mineral aggregates operations in Sweden and Norway. Now Peab is expanding its operations through the acquisition of YIT's corresponding operations in Sweden, Norway, Finland and Denmark. The acquisition entails taking over some 200 strategically located quarries along with 63 production asphalt plants in the Nordic region. The acquisition also entails taking over some 1,700 employees. After the acquisition Peab will have a unique and market leading position in the Nordic region in these areas. Greater geographic proliferation in businesses that are normally less sensitive to the business cycle increases stability in the Group. It also provides conditions for further expansion and development in other operations such as Recycling and Concrete.

The transaction is a combination of an asset deal and a share purchase. The purchase price is expected to amount to SEK 2,966 million for a debt-free business and is fully financed.

The acquired business had net sales of SEK 6,005 million with an adjusted EBITDA of SEK 240 million in 2018.

The transaction is conditional on approval from competition authorities as well as the fulfillment of certain contractual conditions. The takeover is expected to occur on January 1, 2020.



Report on the Group income statement

MSEK	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jul-Jun 2018/2019	Jan-Dec 2018
Net sales	14,336	13,453	25,695	24,943	52,985	52,233
Production costs	-12,777	-12,038	-23,144	-22,520	-47,669	-47,045
Gross profit	1,559	1,415	2,551	2,423	5,316	5,188
Sales and administrative expenses	-773	-761	-1,524	-1,498	-2,810	-2,784
Other operating income	38	27	65	52	229	216
Other operating costs	-3	-4	-6	-10	-43	-47
Operating profit	821	677	1,086	967	2,692	2,573
Financial income	31	19	85	46	139	100
Financial expenses	-41	-23	-91	-84	-162	-155
Net finance	-10	-4	-6	-38	-23	-55
Pre-tax profit	811	673	1,080	929	2,669	2,518
Tax	-123	-101	-168	-139	-447	-418
Profit for the period	688	572	912	790	2,222	2,100
Profit for the period, attributable to:						
Shareholders in parent company	688	572	912	790	2,222	2,100
Non-controlling interests	0	0	0	0	0	0
Profit for the period	688	572	912	790	2,222	2,100
Key ratios						
Earnings per share before and after dilution, SEK	2.33	1.94	3.09	2.68	7.53	7.12
Average number of outstanding shares, million	295.0	295.0	295.0	295.0	295.0	295.0
Return on capital employed, %			14.9 ¹⁾	17.6 ¹⁾	14.9	15.9
Return on equity, %			19.8 ¹⁾	20.1 ¹⁾	19.8	19.6

1) Calculated on rolling 12 months

Report on the Group income statement and other comprehensive income in summary

MSEK	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jul-Jun 2018/2019	Jan-Dec 2018
Profit for the period	688	572	912	790	2,222	2,100
Other comprehensive income						
Items that can be reclassified or have been reclassified to profit for the period						
Translation differences for the period from translation of foreign operations	30	58	104	188	2	86
Changes in fair value of cash flow hedges for the period	-4	10	8	18	10	20
Shares in joint ventures' other comprehensive income	0	0	0	1	-1	0
Tax referring to items that can be reclassified or have been reclassified to profit for the period	4	5	11	11	-3	-3
Other comprehensive income for the period	30	73	123	218	8	103
Total comprehensive income for the period	718	645	1,035	1,008	2,230	2,203
Total comprehensive income for the period, attributable to:						
Shareholders in parent company	718	645	1,034	1,008	2,229	2,203
Non-controlling interests	0	0	1	0	1	0
Total comprehensive income for the period	718	645	1,035	1,008	2,230	2,203

Report on financial position for the Group in summary

MSEK	Jun 30 2019	Jun 30 2018	Dec 31 2018
Assets			
Intangible assets	2,312	2,225	2,250
Tangible assets	6,731	5,746	5,741
Investment property	701	1,030	589
Interest-bearing long-term receivables	1,067	1,398	1,445
Other financial fixed assets	1,712	1,237	1,292
Deferred tax recoverables	–	4	–
Total fixed assets	12,523	11,640	11,317
Project and development properties	10,941	8,611	9,685
Inventories	505	473	441
Interest-bearing current receivables	487	644	640
Other current receivables	14,852	12,899	13,857
Liquid funds	1,128	535	1,376
Total current assets	27,913	23,162	25,999
Total assets	40,436	34,802	37,316
Equity and liabilities			
Equity	11,144	10,153	11,348
Liabilities			
Interest-bearing long-term liabilities	6,851	3,627	5,194
Deferred tax liabilities	147	110	123
Other long-term liabilities	992	830	977
Total long-term liabilities	7,990	4,567	6,294
Interest-bearing current liabilities	3,072	2,542	1,818
Other current liabilities	18,230	17,540	17,856
Total current liabilities	21,302	20,082	19,674
Total liabilities	29,292	24,649	25,968
Total equity and liabilities	40,436	34,802	37,316
Key ratios			
Capital employed	21,067 ¹⁾	16,322	18,360
Equity/assets ratio, %	27.6 ²⁾	29.2	30.4
Net debt	7,241 ³⁾	3,592	3,551
Equity per share, SEK	37.77	34.42	38.47
Number of outstanding shares at the end of the period, million	295.0	295.0	295.0

¹⁾ Excluding additional IFRS 16 Leases, capital employed was SEK 20,242 million per June 30, 2019.

²⁾ Excluding additional IFRS 16 Leases, the equity/asset ratio was 28.1 percent per June 30, 2019.

³⁾ Excluding additional IFRS 16 Leases, net debt was SEK 6,414 million per June 30, 2019.

Report on changes in Group equity in summary

MSEK	Jun 30 2019	Jun 30 2018	Dec 31 2018
Equity attributable to shareholders in parent company			
Opening equity on January 1	11,347	10,331	10,331
Adjustment for retroactive application of IFRS 9 per January 1, 2018	–	-7	-7
Adjusted equity on January 1	11,347	10,324	10,324
Profit for the period	912	790	2,100
Other comprehensive income for the period	122	218	103
Comprehensive income for the period	1,034	1,008	2,203
Cash dividend	-1,239	-1,180	-1,180
Closing equity	11,142	10,152	11,347
Non-controlling interests			
Opening equity on January 1	1	1	1
Comprehensive income for the period	1	0	0
Closing equity	2	1	1
Total closing equity	11,144	10,153	11,348

Report on Group cash flow in summary

MSEK	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jul-Jun 2018/2019	Jan-Dec 2018
Cash flow from current operations before changes in working capital	787	695	1,248	799	3,143	2,694
Increase (-) / Decrease (+) of project and development properties	-371	-813	-905	-892	-2,081	-2,068
Increase (-) / Decrease (+) of inventories	16	10	-53	-49	-43	-39
Increase (-) / Decrease (+) of current receivables / current liabilities	-1,408	-83	-624	-295	-1,166	-837
Cash flow from changes in working capital	-1,763	-886	-1,582	-1,236	-3,290	-2,944
Cash flow from current operations	-976	-191	-334	-437	-147	-250
Acquisition of subsidiaries / businesses, net effect on liquid funds	-20	-	-20	-15	-28	-23
Sale of subsidiaries / businesses, net effect on liquid funds	-	-	-	-	15	15
Acquisition of fixed assets	-589	-578	-1,004	-813	-2,281	-2,090
Sale of fixed assets	264	65	596	171	1,752	1,327
Cash flow from investment operations	-345	-513	-428	-657	-542	-771
Cash flow before financing	-1,321	-704	-762	-1,094	-689	-1,021
Increase (+) / Decrease (-) of interest-bearing liabilities	2,529	2,117	1,741	2,179	2,512	2,950
Dividend distributed to shareholders in parent company	-1,239	-1,180	-1,239	-1,180	-1,239	-1,180
Cash flow from financing operations	1,290	937	502	999	1,273	1,770
Cash flow for the period	-31	233	-260	-95	584	749
Cash at the beginning of the period	1,156	289	1,376	595	535	595
Exchange rate differences in cash	3	13	12	35	9	32
Cash at the end of the period	1,128	535	1,128	535	1,128	1,376

Parent company

The parent company Peab AB's net sales for the first half-year 2019 amounted to SEK 156 million (155) and mainly consisted of internal Group services. Profit for the period amounted to SEK 34 million (1,180). Profit for the period included dividends of SEK 200 million (1,409) from subsidiaries.

The parent company's assets mainly consist of participations in Group companies amounting to SEK 11,952 million (11,994). The assets have been financed from equity of SEK 7,828 million (7,404) and long-term liabilities amounting to SEK 2,711 million (3,604).

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

Report on the parent company income statement in summary

MSEK	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jul-Jun 2018/2019	Jan-Dec 2018
Net sales	82	80	156	155	300	299
Administrative expenses	-133	-126	-242	-235	-477	-470
Operating profit	-51	-46	-86	-80	-177	-171
Result from financial investments						
Profit from participation in Group companies	130	1,287	130	1,287	231	1,388
Other financial items	-13	-20	-36	-49	-76	-89
Result after financial items	66	1,221	8	1,158	-22	1,128
Appropriations	-	-	-	-	2,083	2,083
Pre-tax profit	66	1,221	8	1,158	2,061	3,211
Tax	15	8	26	22	-398	-402
Profit and comprehensive income for the period	81	1,229	34	1,180	1,663	2,809

Report on financial position for the parent company in summary

MSEK	Jun 30 2019	Jun 30 2018	Dec 31 2018
Assets			
Fixed assets			
Intangible assets	52	48	51
Tangible assets	1	1	1
Financial assets			
Participation in Group companies	11,952	11,994	12,045
Deferred tax recoverables	112	103	111
Total financial assets	12,064	12,097	12,156
Total fixed assets	12,117	12,146	12,208
Current asset			
Current receivables			
Accounts receivable	0	2	0
Receivables from Group companies	262	53	2,736
Current tax assets	209	244	85
Other receivables	12	1	2
Prepaid expenses and accrued income	14	14	11
Total current receivables	497	314	2,834
Cash and bank	0	0	0
Total current assets	497	314	2,834
Total assets	12,614	12,460	15,042
Equity and liabilities			
Equity			
Restricted equity	1,903	1,907	1,905
Non-restricted equity	5,925	5,497	7,128
Total equity	7,828	7,404	9,033
Untaxed reserves	1,930	1,315	1,930
Provisions			
Other provisions	37	34	36
Total provisions	37	34	36
Long-term liabilities			
Liabilities to Group companies	2,711	3,604	3,883
Total long-term liabilities	2,711	3,604	3,883
Current liabilities			
Accounts payable	31	19	31
Liabilities to Group companies	6	6	59
Other liabilities	8	15	4
Accrued expenses and deferred income	63	63	66
Total current liabilities	108	103	160
Total liabilities	2,819	3,707	4,043
Total equity and liabilities	12,614	12,460	15,042

Note 1 – Accounting principles

The quarterly report has been prepared according to the IFRS standards that have been adopted by EU as well as the interpretations of the valid standards adopted by EU, IFRICs. This report for the Group has been prepared according to IAS 34, Interim financial reporting as well as applicable regulations in the Annual Accounts Act. The parent company quarterly report has been prepared according to chapter 9 in the Annual Accounts Act, Quarterly reports and RFR 2, Accounting rules for legal entities. The quarterly report has been prepared for the Group and parent company according to the same accounting principles and conditions applied in the latest Annual Report, except for the amended accounting principles described below.

In addition to the financial reports and their accompanying notes further information according to IAS 34.16A can be found in other sections of the quarterly report.

The Group began to apply IFRS 16, Leases in 2019.

IFRS 16 LEASES

IFRS 16, Leases replaced IAS 17, Leases as of January 1, 2019. IFRS 16 will basically require Peab as a lessee to report all leasing contracts as assets and liabilities on the balance sheet, representing the right to use the leased asset respectively the obligation to pay leasing fees. Regarding leasing contracts, depreciation of the leasing asset and interest costs on the leasing liability are recognized in the income statement. This will not have any material effect on pre-tax profit. Affected leases primarily cover rent for offices and other premises, leaseholds, land rentals and vehicles. IFRS 16, Leases is applied in segment reporting.

When changing over to the new standard Peab has elected the modified retroactive method with the alternative to let the right-of-use asset be measured at the amount of the lease liability at the changeover with adjustments for any prepaid or accrued leasing fees. The elected changeover method does not require recalculating comparable periods.

Right-of-use leases shorter than 12 months or which end within 12 months from the changeover date are classified as current leases and therefore not included in liabilities or right-of-use assets. In addition, Peab has elected not to recognize leases for which the underlying asset has a low value as a right-of-use asset respectively a lease liability.

Existing finance leases previously recognized according to IAS 17, Leases are reclassified according to IFRS 16 for the amount they were recognized at the day immediately before application of the new standard.

An incremental borrowing rate has been determined per country, right-of-use period and type of asset per January 1, 2019.

Effects of the changeover to IFRS 16 are given below. For further information concerning the changeover to IFRS 16 see the Annual Report 2018, note 45.

Group, MSEK	Reported balance sheet 2018-12-31	Adjustment 2019-01-01	Adjusted balance sheet 2019-01-01
Assets			
Tangible assets	5,741	618	6,359
Investment property	589	53	642
Project and development properties	9,685	206	9,891
Other current receivables	13,857	-27	13,830
Other assets	7,444	-	7,444
Total assets	37,316	850	38,166
Equity and liabilities			
Equity	11,348	-	11,348
Interest-bearing liabilities	7,012	850	7,862
Other liabilities	18,956	-	18,956
Total equity and liabilities	37,316	850	38,166

Recognition of additional leases according to IFRS 16

Group, MSEK	Jan-Jun 2019	Group, MSEK	2019-01-01	2019-06-30
Production costs	9	Fixed assets	671	657
Sales and administrative expenses	2	Deferred tax recoverables	-	1
Operating profit	11	Current assets	179	167
Financial expenses	-14	Total assets	850	825
Pre-tax profit	-3	Equity	-	-2
Tax	1	Interest-bearing long-term liabilities	702	674
Profit for the period	-2	Interest-bearing current liabilities	148	153
		Total equity and liabilities	850	825

Parent company

The new standard IFRS 16, Leases which is applied as of January 1, 2019 does not affect the parent company since the standard is exempt from application in corporations and leasing in the parent company is insignificant.

REVENUE RECOGNITION OF SWEDISH TENANT-OWNED HOUSING PROJECTS

Peab has in quarterly reports and the Annual Report 2018 communicated that together with several other major housing developers Peab has received questions from Nasdaq Stockholm AB (Nasdaq) during 2018 regarding the application of IFRS 15 Revenue from contracts with customers as well as whether the tenant-owned housing association or the final home buyers are, in terms of accounting, Peab's customers according to IFRS 15. The reconciliation between Nasdaq and ESMA (European Securities and Markets Authority) came to the conclusion that, in this case, the accounting review should be focused on the application of IFRS 10 Consolidated financial statements and to what extent tenant-owned housing associations should be included in Peab's consolidated financial statements. For more information, see the Annual Report 2018, section Revenue recognition of Swedish tenant-owner projects, page 53.

Regarding the matter of whether or not a company has controlling interest over a tenant-owned housing association, and thereby ought to consolidate the association, there is, taking into consideration all relevant facts and circumstances, room for companies within the framework of IFRS 10 Consolidated financial statements to arrive at different conclusions. After a review of several crucial factors our conclusion is that Peab cannot be considered to have controlling interest over tenant-owned housing associations from the time a tenant-owned housing association signs a contract for a land transfer and turnkey contract according to the stipulations in IFRS 10 Consolidated financial statements. This conclusion is shared by our accountants.

In the beginning of December 2018 Nasdaq sent a letter to Peab with the information that Nasdaq had decided to criticize Peab for a lack of clarity in the Annual Report for 2017 concerning the grounds for Peab's assessment that controlling interest does not exist when revenue over time is applied to tenant-owned housing associations. Nasdaq required that clearer information should be presented in the Annual Report for 2018, which Peab has done. The letter also stated that Nasdaq considered the case closed and that Finansinspektionen had been notified, which took over the matter as of January 1, 2019. During the spring of 2019 Finansinspektionen continued to examine the matter and put further questions to Peab which the company has answered. On June 3, 2019 Peab received a reconciliation letter from Finansinspektionen containing observations and preliminary judgements from Finansinspektionen. Finansinspektionen's preliminary judgement is that Peab should have consolidated the tenant-owned housing associations in 2017. Peab was given the opportunity to reply in the form of an opinion regarding Finansinspektionen's reconciliation letter. Peab delivered its opinion on June 27, 2019 and contested Finansinspektionen's preliminary conclusion. Peab believes it is wrong to consolidate the tenant-owned housing associations since the company does not have a controlling interest. In addition, in Peab's opinion the current application best describes Peab's housing business both in terms of internal steering and risk profile. When there is a broad spectrum of differences in practice in interpretations of IFRS the IFRS Interpretations Committee is usually requested to provide a clarification and possibly make changes in the IFRS. Peab believes the matter is so generally widespread and of such importance that the IFRS Interpretations Committee ought to review it. After reading Peab's opinion Finansinspektionen will determine how to further handle the matter. Regardless of the accounting method applied Peab's risk profile, internal steering and monitoring will remain the same. It will only affect the external legal accounting of these operations.

Note 2 – Revenue allocation

Group Jan-Jun 2019 MSEK	Construction	Civil Engineering	Industry	Project Development	Group functions	Eliminations	Group
Allocation per external/internal							
External sales	11,815	5,709	4,217	3,906	48		25,695
Internal sales	2,710	581	1,710	25	514	-5,540	–
Total	14,525	6,290	5,927	3,931	562	-5,540	25,695
Allocation per country							
Sweden	11,415	5,741	5,253	2,922	473	-4,540	21,264
Norway	1,598	492	389	274	56	-365	2,444
Finland	1,512	57	266	735	33	-635	1,968
Other			19				19
Total	14,525	6,290	5,927	3,931	562	-5,540	25,695
Allocation per type of customer							
Public sector	5,105	3,158	820	20	24		9,127
Private customers	6,710	2,551	3,397	3,886	24		16,568
Internal customers	2,710	581	1,710	25	514	-5,540	–
Total	14,525	6,290	5,927	3,931	562	-5,540	25,695
Allocation per point in time							
At one point in time	46	21	2,738	847	55	-799	2,908
Over time	14,477	6,261	2,209	2,987	439	-4,021	22,352
Rent revenue ¹⁾	2	8	980	97	68	-720	435
Total	14,525	6,290	5,927	3,931	562	-5,540	25,695
Allocation per type of revenue							
Contract work	14,477	6,261	2,209	2,984	19	-3,601	22,349
Sales of products	2		1,756			-438	1,320
Sales of development projects				791			791
Transportation services etc.			874			-303	571
Administrative services				3	420	-420	3
Rent revenue	2	8	980	97	68	-720	435
Other	44	21	108	56	55	-58	226
Total	14,525	6,290	5,927	3,931	562	-5,540	25,695

¹⁾ Rent revenue is recognized according to IFRS 16

Group Jan-Jun 2018 MSEK	Construction	Civil Engineering	Industry	Project Development	Group functions	Eliminations	Group
Allocation per external/internal							
External sales	11,339	5,465	4,058	4,033	48		24,943
Internal sales	2,647	790	1,700	29	496	-5,662	–
Total	13,986	6,255	5,758	4,062	544	-5,662	24,943

Allocation per country

Sweden	10,738	5,447	5,143	3,120	465	-4,846	20,067
Norway	1,633	737	350	20	46	-326	2,460
Finland	1,612	71	259	922	33	-487	2,410
Other	3		6			-3	6
Total	13,986	6,255	5,758	4,062	544	-5,662	24,943

Allocation per type of customer

Public sector	4,955	3,580	764	7	26		9,332
Private customers	6,384	1,885	3,294	4,026	22		15,611
Internal customers	2,647	790	1,700	29	496	-5,662	–
Total	13,986	6,255	5,758	4,062	544	-5,662	24,943

Allocation per point in time

At one point in time	29	17	2,901	1,415	57	-990	3,429
Over time	13,954	6,235	1,999	2,538	437	-4,115	21,048
Rent revenue ¹⁾	3	3	858	109	50	-557	466
Total	13,986	6,255	5,758	4,062	544	-5,662	24,943

¹⁾ Rent revenue is recognized according to IAS 17

Allocation per type of revenue

Contract work	13,951	6,235	1,999	2,538		-3,675	21,048
Sales of products	3		1,913			-638	1,278
Sales of development projects				1,353		-6	1,347
Transportation services etc.		1	842			-292	551
Administrative services	3				437	-440	–
Rent revenue	3	3	858	109	50	-557	466
Other	26	16	146	62	57	-54	253
Total	13,986	6,255	5,758	4,062	544	-5,662	24,943

Group Jan-Dec 2018 MSEK	Construction	Civil Engineering	Industry	Project Development	Group functions	Eliminations	Group
Allocation per external/internal							
External sales	22,850	12,032	9,474	7,775	102		52,233
Internal sales	5,490	1,713	3,810	69	941	-12,023	–
Total	28,340	13,745	13,284	7,844	1,043	-12,023	52,233

Allocation per country

Sweden	21,578	11,878	11,791	5,949	889	-10,149	41,936
Norway	3,389	1,712	935	494	91	-741	5,880
Finland	3,368	155	539	1,401	63	-1,128	4,398
Other	5		19			-5	19
Total	28,340	13,745	13,284	7,844	1,043	-12,023	52,233

Allocation per type of customer

Public sector	10,178	7,958	2,727	119	88		21,070
Private customers	12,672	4,074	6,747	7,656	14		31,163
Internal customers	5,490	1,713	3,810	69	941	-12,023	–
Total	28,340	13,745	13,284	7,844	1,043	-12,023	52,233

Allocation per point in time

At one point in time	67	32	5,652	2,361	121	-1,593	6,640
Over time	28,269	13,706	5,663	5,256	810	-9,056	44,648
Rent revenue ¹⁾	4	7	1,969	227	112	-1,374	945
Total	28,340	13,745	13,284	7,844	1,043	-12,023	52,233

¹⁾ Rent revenue is recognized according to IAS 17

Allocation per type of revenue

Contract work	28,262	13,706	5,663	5,254		-8,240	44,645
Sales of products	5		3,545			-822	2,728
Sales of development projects				2,188			2,188
Transportation services etc.		1	1,901			-672	1,230
Administrative services	7			2	810	-816	3
Rent revenue	4	7	1,969	227	112	-1,374	945
Other	62	31	206	173	121	-99	494
Total	28,340	13,745	13,284	7,844	1,043	-12,023	52,233

Note 3 – Operating segment

Group Jan-Jun 2019 MSEK	Con- struction	Civil Engineering	Industry	Project Development	Group functions	Eliminations	Group
External sales	11,815	5,709	4,217	3,906	48		25,695
Internal sales	2,710	581	1,710	25	514	-5,540	–
Total revenue	14,525	6,290	5,927	3,931	562	-5,540	25,695
Operating profit	355	160	214	549	-137	-55	1,086
Operating margin, %	2.4	2.5	3.6	14.0			4.2
Net finance							-6
Pre-tax profit							1,080
Tax							-168
Profit for the period							912
Capital employed (closing balance)			6,930	15,269			

Group Jan-Jun 2018 MSEK	Con- struction	Civil Engineering	Industry	Project Development	Group functions	Eliminations	Group
External sales	11,339	5,465	4,058	4,033	48		24,943
Internal sales	2,647	790	1,700	29	496	-5,662	–
Total revenue	13,986	6,255	5,758	4,062	544	-5,662	24,943
Operating profit	321	172	224	375	-110	-15	967
Operating margin, %	2.3	2.7	3.9	9.2			3.9
Net finance							-38
Pre-tax profit							929
Tax							-139
Profit for the period							790
Capital employed (closing balance)			6,279	11,549			

Group Jan-Dec 2018 MSEK	Con- struction	Civil Engineering	Industry	Project Development	Group functions	Eliminations	Group
External sales	22,850	12,032	9,474	7,775	102		52,233
Internal sales	5,490	1,713	3,810	69	941	-12,023	–
Total revenue	28,340	13,745	13,284	7,844	1,043	-12,023	52,233
Operating profit	670	415	977	785	-274	0	2,573
Operating margin, %	2.4	3.0	7.4	10.0			4.9
Net finance							-55
Pre-tax profit							2,518
Tax							-418
Profit for the year							2,100
Capital employed (closing balance)			6,432	12,984			

Note 4 – Financial assets and liabilities valued at fair value

The table below shows the allocated level for financial assets and financial liabilities recognized at fair value in the Group's balance sheet. Measurement of fair value is based on a three level hierarchy;

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

Level 2: based on direct or indirect inputs observable to the market not included in level 1.

Level 3: based on inputs unobservable to the market.

For a description of how fair value has been calculated see the Annual Report 2018, note 34. The fair value of financial assets and liabilities is estimated to be, in principle, the same as their recognized values.

Group	Jun 30 2019			Jun 30 2018			Dec 31 2018		
	Level 2	Level 3	Total	Level 2	Level 3	Total	Level 2	Level 3	Total
MSEK									
Financial assets									
Other securities held as fixed assets		92	92		92	92		109	109
<i>Of which investments in unlisted funds</i>		72	72		71	71		89	89
<i>Of which shareholding in unlisted company</i>		20	20		21	21		20	20
Other long-term receivables			–	6		6			–
<i>Of which commodity hedging with futures</i>			–	6		6			–
Other current receivables	5		5	1		1	1		1
<i>Of which commodity hedging with futures</i>	3		3			–			–
<i>Of which currency swaps</i>	2		2	1		1	1		1
Other securities held as current assets		189	189			–			–
<i>Of which repurchased shares in tenant-owner associations</i>		189	189			–			–
Total financial assets	5	281	286	7	92	99	1	109	110
Financial liabilities									
Other long-term liabilities	17		17	29	23	52	22	23	45
<i>Of which interest rate swaps</i>	17		17	29		29	18		18
<i>Of which commodity hedging with futures</i>			–			–	4		4
<i>Of which contingent consideration</i>			–		23	23		23	23
Other current liabilities	1	8	9	2	11	13	1	11	12
<i>Of which currency swaps</i>	1		1	2		2	1		1
<i>Of which contingent consideration</i>		8	8		11	11		11	11
Total financial liabilities	18	8	26	31	34	65	23	34	57

The tables below are a reconciliation between the opening and closing balance for assets and liabilities included in level 3.

Group	Other securities held as fixed asset						Other securities held as current asset
	Unlisted funds			Unlisted shares			
	Jun 30 2019	Jun 30 2018	Dec 31 2018	Jun 30 2019	Jun 30 2018	Dec 31 2018	
MSEK							Repurchased shares in tenant-owner associations
							Jun 30 2019
Opening balance	89	59	59	20	21	21	–
Investments	7	8	19				1,090
Sales						-12	-664
Dividends received	-31	-3	-3				
Reported in profit/loss for the period							
Production costs ¹⁾							-237
Net finance	7	7	14			11	
Reported in other comprehensive income				0			
Closing balance	72	71	89	20	21	20	189

¹⁾ Have corresponded to project provisions of SEK 224 million and therefore the net effect in the income statement is SEK -13 million.

Quarterly data

Group	Apr-Jun 2019	Jan-Mar 2019	Oct-Dec 2018	Jul-Sep 2018	Apr-Jun 2018	Jan-Mar 2018	Oct-Dec 2017	Jul-Sep 2017	Apr-Jun 2017
MSEK									
Net sales	14,336	11,359	14,845	12,445	13,453	11,490	14,490	11,595	12,791
Production costs	-12,777	-10,367	-13,372	-11,153	-12,038	-10,482	-13,103	-10,431	-11,461
Gross profit	1,559	992	1,473	1,292	1,415	1,008	1,387	1,164	1,330
Sales and administrative expenses	-773	-751	-711	-575	-761	-737	-695	-528	-735
Other operating income	38	27	119	45	27	25	71	78	38
Other operating costs	-3	-3	-18	-19	-4	-6	-10	0	-2
Operating profit	821	265	863	743	677	290	753	714	631
Financial income	31	54	18	36	19	27	118	17	36
Financial expenses	-41	-50	-42	-29	-23	-61	-46	-26	-50
Net finance	-10	4	-24	7	-4	-34	72	-9	-14
Pre-tax profit	811	269	839	750	673	256	825	705	617
Tax	-123	-45	-133	-146	-101	-38	-145	-120	-92
Profit for the period	688	224	706	604	572	218	680	585	525
Profit for the period, attributable to:									
Shareholders in parent company	688	224	706	604	572	218	680	585	525
Non-controlling interests	0	0	0	0	0	0	0	-	-
Profit for the period	688	224	706	604	572	218	680	585	525
Key ratios									
Earnings per share, SEK	2.33	0.76	2.39	2.05	1.94	0.74	2.31	1.98	1.78
Average number of outstanding shares, million	295.0	295.0	295.0	295.0	295.0	295.0	295.0	295.0	295.0
Capital employed (closing balance)	21,067	18,877	18,360	17,730	16,322	14,631	14,074	14,438	13,874
Equity (closing balance)	11,144	11,665	11,348	10,735	10,153	10,688	10,332	9,757	9,170

Business areas

MSEK	Apr-Jun 2019	Jan-Mar 2019	Oct-Dec 2018	Jul-Sep 2018	Apr-Jun 2018	Jan-Mar 2018	Oct-Dec 2017	Jul-Sep 2017	Apr-Jun 2017
Net sales									
Construction	7,782	6,743	8,182	6,172	7,423	6,563	7,631	5,721	6,988
Civil Engineering	3,374	2,916	4,189	3,301	3,439	2,816	3,787	2,819	2,831
Industry	3,697	2,230	3,803	3,723	3,580	2,178	3,684	3,420	3,420
Project Development	2,068	1,863	1,904	1,878	1,775	2,287	2,205	1,926	2,000
– of which Property Development	254	173	194	217	171	156	117	131	106
– of which Housing Development	1,814	1,690	1,710	1,661	1,604	2,131	2,088	1,795	1,894
Group functions	287	275	223	276	285	259	262	242	254
Eliminations	-2,872	-2,668	-3,456	-2,905	-3,049	-2,613	-3,079	-2,533	-2,702
Group	14,336	11,359	14,845	12,445	13,453	11,490	14,490	11,595	12,791
Operating profit									
Construction	199	156	207	142	178	143	180	121	162
Civil Engineering	124	36	145	98	130	42	136	89	110
Industry	258	-44	401	352	262	-38	302	342	246
Project Development	371	178	245	165	174	201	246	174	162
– of which Property Development	195	46	69	38	13	50	6	-3	5
– of which Housing Development	176	132	176	127	161	151	240	177	157
Group functions	-89	-48	-155	-9	-55	-55	-128	-4	-49
Eliminations	-42	-13	20	-5	-12	-3	17	-8	0
Group	821	265	863	743	677	290	753	714	631
Operating margin, %									
Construction	2.6	2.3	2.5	2.3	2.4	2.2	2.4	2.1	2.3
Civil Engineering	3.7	1.2	3.5	3.0	3.8	1.5	3.6	3.2	3.9
Industry	7.0	-2.0	10.5	9.5	7.3	-1.7	8.2	10.0	7.2
Project Development	17.9	9.6	12.9	8.8	9.8	8.8	11.2	9.0	8.1
– of which Property Development	76.8	26.6	35.6	17.5	7.6	32.1	5.1	-2.3	4.7
– of which Housing Development	9.7	7.8	10.3	7.6	10.0	7.1	11.5	9.9	8.3
Group functions									
Eliminations									
Group	5.7	2.3	5.8	6.0	5.0	2.5	5.2	6.2	4.9
Order situation, MSEK									
Orders received	10,817	11,868	10,451	11,473	16,257	12,906	13,039	10,651	12,880
Order backlog at the end of the period	45,873	47,532	45,819	48,036	47,453	43,055	40,205	40,211	39,470

Alternative performance measures and definitions

Alternative performance measures are used to describe the development of operations and to enhance comparability between periods. These are not defined under IFRS but correspond to the methods applied by executive management and Board of Directors to measure the company's financial performance. Alternative performance measures should not be viewed as a substitute for financial information presented in accordance with IFRS but rather as a complement. For more information and calculations, see www.peab.com/alternative-performance-measures.

Available liquidity

Liquid funds and short-term investments along with unutilized credit facilities. Shows the Group's available liquidity.

Capital employed for the business areas

Total assets in the business areas at the end of the period reduced by deferred tax recoverables and internal receivables from the internal bank Peab Finans with deductions for non-interest-bearing liabilities and deferred tax liabilities. The measurement is used to measure capital utilization and its effectiveness for the business areas, and is only presented as a net amount per business area.

Capital employed for the Group

Total assets at the end of the period less non-interest-bearing operating liabilities and provisions. The measurement is used to measure capital utilization and its effectiveness.

Earnings per share

Profit for the period attributable to shareholders in parent company divided by the average number of outstanding shares during the period.

Equity/assets ratio

Equity as a percentage of total assets at the end of the period. Shows financial position.

Equity per share

Equity attributable to shareholders in parent company divided by the number of outstanding shares at the end of the period.

Net debt

Interest-bearing liabilities including provisions for pensions less liquid funds and interest-bearing assets.

Net debt/equity ratio

Interest-bearing net debt in relation to equity. Shows financial position.

Net investments

The change in the period of the recognized value of current assets (CB-OB) plus depreciation and write-downs.

Operating margin

Operating profit as a percentage of net sales.

Order backlog

The value at the end of the period of the remaining income in ongoing production plus orders received yet to be produced.

Orders received

The sum of orders received during the period. Measures how new orders replace produced work.

Return on capital employed

The pre-tax profit of the rolling 12 months period with the addition of financial expenses in percent of the average (last four quarters) capital employed. The measurement is used to measure capital efficiency and to allocate capital for new investments and show the Group's earning capacity independent of financing.

Return on equity

The profit of the rolling 12 months period attributable to shareholders in parent company divided by the average (last four quarters) equity attributable to shareholders of shares in the parent company. The measurement is used to create efficient business and a rational capital structure and show how the Group has increased shareholders' equity.

The Nordic Community Builder

Peab is one of the leading construction and civil engineering companies in the Nordic area with operations in Sweden, Norway and Finland.

Peab affects society and the environment for the people who now and in the future will live with what we develop, build and construct. Peab is also a big employer with local roots and with this comes big responsibility.

Peab is engaged in developing a more sustainable society. Our goal is to meet the demands and expectations from others and at the same time create new business opportunities.

Peab's business contributes to society by developing and building new homes and offices, public functions and infrastructure. This is how we are useful and make a difference in daily life in big and small places in Sweden, Norway and Finland.

Long-term relationships with customers and suppliers result in better social, environmental and economic conditions. Stable profitability generates the funds necessary to develop our business and provide returns for our shareholders.

Net sales, appr.

SEK 53 billion

Employees, appr.

15,000

BUSINESS MODEL

Four collaborating business areas create added value

Peab is characterized by a decentralized and cost-efficient organization with four complementary business areas whose operations are based on local entrepreneurship close to customers. Our business model with four collaborating business areas creates opportunities throughout the value chain in a construction project.

Three strategic goals; Most satisfied customers, Best workplace and Most profitable company frame our prioritized investments in the business plan period 2018-2020.



Business area Construction works with everything from new construction of homes, public and commercial premises to renovations and extensions as well as offering construction services.



Business area Civil Engineering is active on the local civil engineering market as well as in larger Nordic infrastructure projects like highways, railroads and bridges. It also operates and maintains streets and roads.



Business area Industry delivers, among other things, ballast, concrete, asphalt, temporary electricity and prefabricated concrete elements to external customers and the other business areas in Peab. It also provides cranes, machines and transportation as well as handling production waste.



Business area Project Development handles Group acquisitions as well as development, management and divestment of residential and commercial property. Housing Development is mainly geared towards private consumers while Property Development is aimed at real estate investors.