

Quarterly report

JANUARY – SEPTEMBER 2019

GRÄNBY PARK
Uppsala

Higher net sales and stable operating profit

July – September 2019

- Net sales SEK 13,001 million (12,445)
- Operating profit SEK 727 million (743). Charged with SEK 40 million referring to acquisition costs from the deal with YIT
- Operating margin 5.6 percent (6.0)
- Pre-tax profit SEK 706 million (750)
- Earnings per share SEK 2.00 (2.05)
- Orders received SEK 9,349 million (11,473)
- Cash flow before financing SEK -341 million (-876)

January – September 2019

- Net sales SEK 38,696 million (37,388)
- Operating profit SEK 1,813 million (1,710)
- Operating margin 4.7 percent (4.6)
- Pre-tax profit SEK 1,786 million (1,679)
- Earnings per share SEK 5.09 (4.73)
- Orders received SEK 32,034 million (40,636)
- Order backlog SEK 43,821 million (48,036)
- Cash flow before financing SEK -1,103 million (-1,970)
- Net debt SEK 7,942 million (4,441). Excluding additional IFRS 16, Leases net debt was SEK 7,169 million
- Equity/assets ratio 29.6 percent (29.4). Excluding additional IFRS 16, Leases the equity/assets ratio was 30.1 percent



PEAB
THE NORDIC COMMUNITY BUILDER

Comments from the CEO

Peab's net sales have grown and operating profit has improved during the first three quarters of 2019. We continue to work on our strategic focal points through investments in operations. We are successively increasing our holdings in development projects and completed properties in Project Development. In Industry we are preparing for the takeover of YIT's operations in mineral aggregates and paving, which is expected to be implemented at the beginning of 2020.

GROUP DEVELOPMENT

Net sales amounted to SEK 38,696 million (37,388) during the period. Operating profit was SEK 1,813 million (1,710) which meant an operating margin of 4.7 percent (4.6). Cash flow before financing was SEK -1,103 million (-1,970). Net debt was SEK 7,942 million compared to SEK 3,551 million at year-end. Excluding IFRS 16 leases, net debt was SEK 7,169 million. More construction on property on our own balance sheet and via joint ventures entails an increase in eliminations of internal profit and affects cash flow and net debt as well. These properties can remain in the Group for a longer period of time to garner rent or appreciation revenue, or a combination of both. Some of the larger properties that are part of ongoing projects are an office building in Helsinki which was completed in the first quarter and office buildings in Solna and Malmö that will be completed during the fourth quarter this year respectively the first quarter 2020. We are underpinning our strategic investments with a high equity/assets ratio amounting to 29.6 percent, well over our goal of 25 percent.

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 lower profit. Business area Industry showed higher net sales while the operating profit was unchanged. Acquisition costs concerning the mineral aggregates and paving operations in YIT charged the business area during the third quarter with SEK 40 million. Project Development reported lower net sales but operating profit improved. Net sales in Housing Development were slightly lower but operating profit and the operating margin improved. The property divestitures in the partially owned company Acturum had a positive effect of SEK 170 million on operating profit in Property Development in the second quarter.

ORDER SITUATION

The level of orders received for the period was SEK 32,034 million (40,636). Orders received in the comparable period included the office project Platnan in Gothenburg worth SEK 2,100 million and the extension of the railroad system Olskroken in Gothenburg worth SEK 2,900 million, both with long production times. Considering the high level of orders at the end of 2018 that contained several major projects, orders received during the period have been more along the lines of mid-sized or smaller projects. The level of orders received was higher in business area Industry which stemmed for the most part from Asphalt. The level of orders in business area Project Development was relatively unchanged. Order backlog at the end of the period amounted to SEK 43,821 million compared to SEK 48,036 million at the end of the corresponding period last year. Order backlog for this and the coming fiscal years is on the same level as in previous year at the corresponding point in time.

MARKET AND OUTLOOK FOR THE FUTURE

The total market is expected to remain on the same level in 2020 as in 2019 but with different conditions depending on the place and product.

The signs of a downturn in the economy have emerged more clearly in the third quarter in Sweden. Forecasts indicate that housing construction will decrease this year and next. Private premises are also expected to be affected negatively. This can be countered to a certain extent by greater public investments in premises. In Finland housing construction is expected to remain unchanged in 2019 and then decline in 2020. This will be countered to a certain degree by other building construction which is expected to grow during the corresponding period. The Norwegian economy is strong and supports a stable demand in the coming years. The market conditions in the civil engineering market in Sweden and Norway are considered good and growth is forecast for this and next year.

Low interest rates and a significant underlying need provide a good platform for the construction market over time.



Peab has a unique position through our four complementary business areas and all our employees who are firmly 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 collaborating business areas and local presence.

On July 4th Peab announced that we had 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 1,700 employees. The deal requires approval from competition authorities and we expect to implement the takeover during the first quarter 2020.

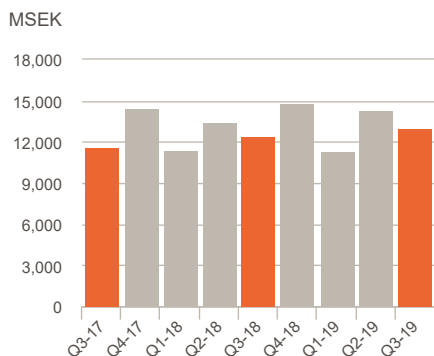
We continue to develop Peab in order to achieve our strategic goals to have the most satisfied customers, be the best workplace and the most profitable company in the industry.

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

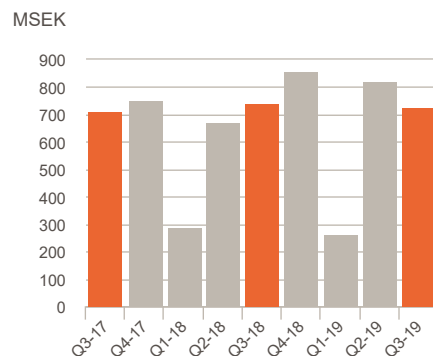
Quarterly report January – September 2019

Net sales



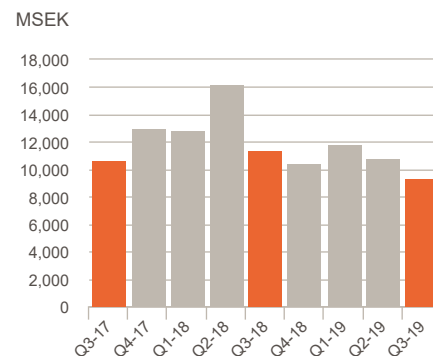
Group net sales for January-September 2019 amounted to SEK 38,696 million (37,388), which was an increase of three percent. After adjustments for acquired and divested units net sales increased by four percent compared to the same period last year.

Operating profit



Operating profit for January-September 2019 amounted to SEK 1,813 million compared to SEK 1,710 million for the same period last year.

Orders received



Orders received for January-September 2019 amounted to SEK 32,034 million compared to SEK 40,636 million for the same period last year. Order backlog amounted to SEK 43,821 million compared to SEK 45,819 million at the end of 2018.

Group

MSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Oct-Sep 2018/2019	Jan-Dec 2018
Net sales	13,001	12,445	38,696	37,388	53,541	52,233
Operating profit	727	743	1,813	1,710	2,676	2,573
Operating margin, %	5.6	6.0	4.7	4.6	5.0	4.9
Pre-tax profit	706	750	1,786	1,679	2,625	2,518
Profit for the period	589	604	1,501	1,394	2,207	2,100
Earnings per share, SEK	2.00	2.05	5.09	4.73	7.48	7.12
Return on equity, %	19.2 ¹⁾	19.8 ¹⁾	19.2 ¹⁾	19.8 ¹⁾	19.2	19.6
Net debt ²⁾	7,942	4,441	7,942	4,441	7,942	3,551
Equity/assets ratio, % ³⁾	29.6	29.4	29.6	29.4	29.6	30.4
Cash flow before financing	-341	-876	-1,103	-1,970	-154	-1,021
Number of employees at the end of the period	14,475	14,866	14,475	14,866	14,475	14,614

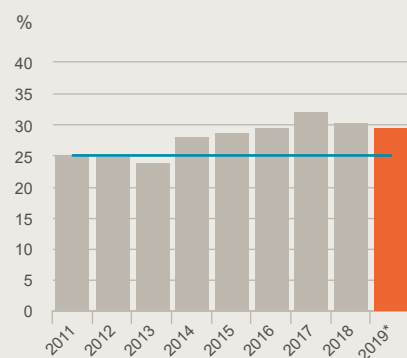
¹⁾ Calculated on rolling 12 months.

²⁾ Excluding additional IFRS 16, Leases net debt was SEK 7,169 million per September 30, 2019.

³⁾ Excluding additional IFRS 16, Leases the equity/assets ratio was 30.1 percent per September 30, 2019.

Financial goals ¹⁾

Equity/assets ratio



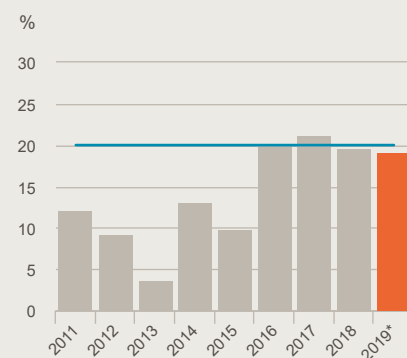
* As of September 30, 2019

Goal > 25%

The goal for the equity/assets ratio is at least 25 percent. On September 30, 2019 the equity/assets ratio was 29.6 percent compared to 30.4 percent at the end of last year. Excluding additional IFRS 16, Leases the equity/assets ratio was 30.1 percent per September 30, 2019.

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

Return on equity

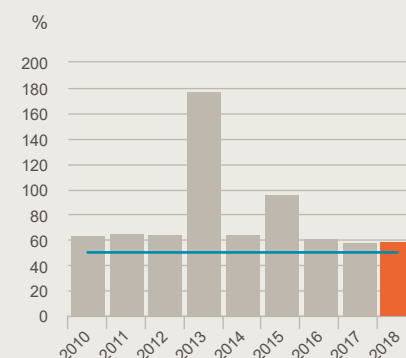


* Rolling 12 months as of September 30, 2019

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 19.2 percent (19.8). 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

July – September 2019

Group net sales for the third quarter 2019 increased by four percent and amounted to SEK 13,001 million (12,445).

Net sales in business area Construction increased by six percent with increases in all three countries. Net sales in business area Civil Engineering decreased by one percent while business area Industry presented an increase in net sales of three percent. Net sales in business area Project Development decreased by nine percent compared to the third quarter last year. The reduction primarily stems from Housing Development.

Of the quarter's net sales SEK 2,582 million (2,585) were attributable to sales and production outside Sweden.

Operating profit for the third quarter 2019 amounted to SEK 727 million (743) and the operating margin was 5.6 percent (6.0). In business area Construction the operating margin was unchanged at 2.3 percent. Business area Civil Engineering showed lower earnings and the operating margin was 2.3 percent (3.0). Profitability in Operations and maintenance was lower compared to previous years. The operating margin in business area Industry was unchanged at 9.5 percent (9.5). In the third quarter Industry was charged with SEK 40 million in acquisition costs concerning YIT's paving and mineral aggregates operations. In business area Project Development the operating margin in Housing Development rose while Property Development showed a slightly lower operating profit.

Depreciation and write-downs for the third quarter were SEK -326 million (-258). Depreciation was effected by SEK -42 million through additional IFRS 16, Leases in the third quarter 2019.

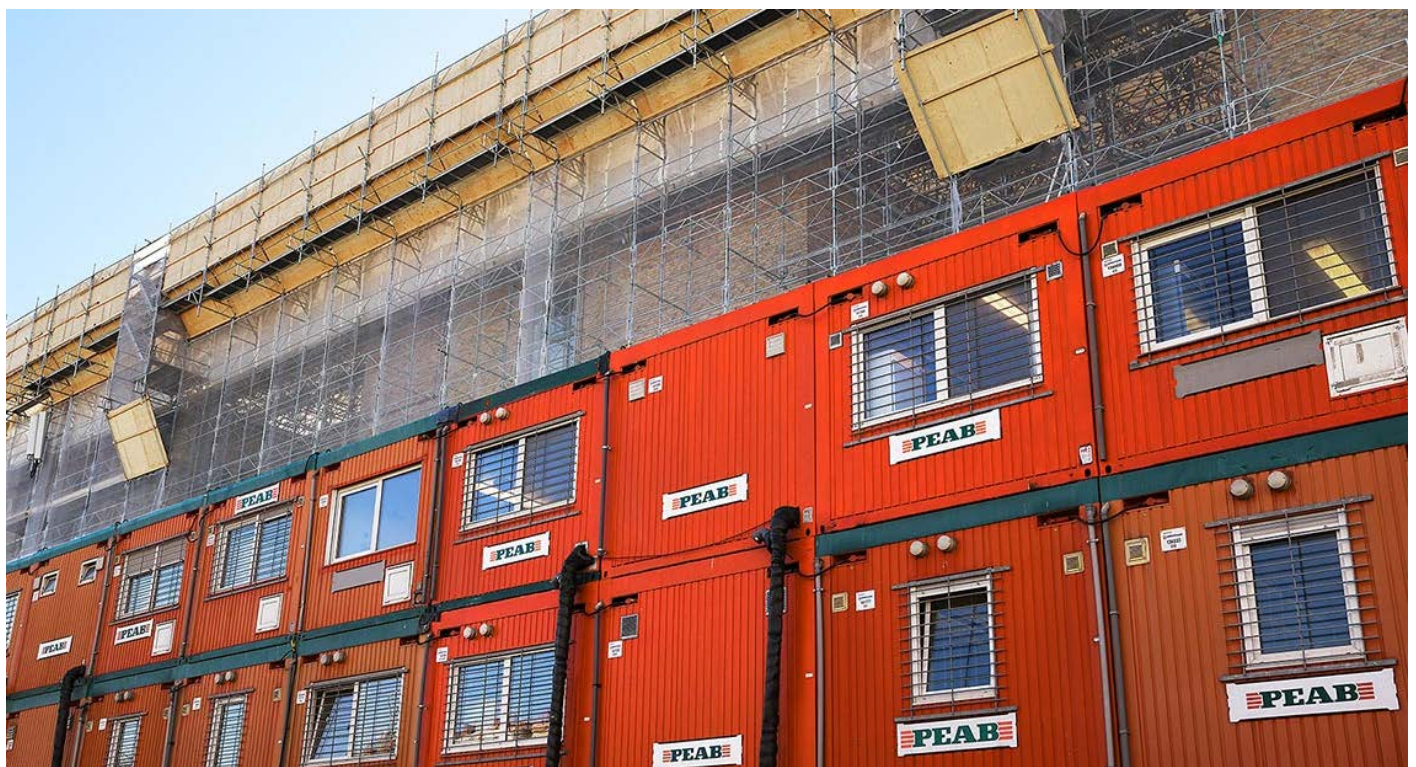
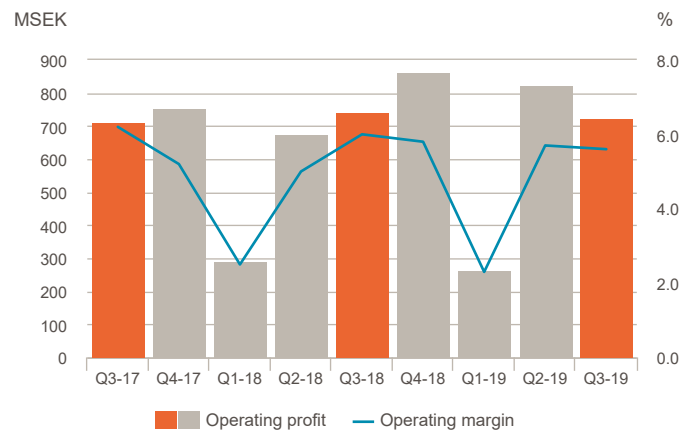
Eliminations and reversal of internal profit in our own projects have affected operating profit during the quarter net by SEK -34 million (-5).

Net financial items amounted to SEK -21 million (7) of which net interest was SEK -27 million (-14). Net interest was affected by SEK -7 million through additional IFRS 16, Leases in the third quarter 2019.

Pre-tax profit was SEK 706 million (750).

Profit for the third quarter was SEK 589 million (604).

Operating profit and operating margin, per quarter



January – September 2019

Group net sales for January-September 2019 amounted to SEK 38,696 million (37,388), which was an increase of three percent. After adjustments for acquired and divested units net sales increased by four 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 decreased which is attributable to Housing Development. The reduction is primarily due to lower net sales in the Swedish operations.

Of the period's net sales SEK 7,013 million (7,461) were attributable to sales and production outside Sweden.

Operating profit for January-September 2019 improved to SEK 1,813 million (1,710) and the operating margin increased to 4.7 percent (4.6). The operating profit was affected positively by SEK 17 million through additional IFRS 16, Leases during the period. The operating margin for the latest rolling 12 month period was 5.0 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 January-September 2019. Earnings were lower in business area Civil Engineering during the period and the operating margin amounted to 2.5 percent (2.8). The level of profitability in Operations and maintenance was lower compared to previous years. The operating margin in business area Industry was 5.9 percent (6.1). The lower operating margin was due to higher costs in Rentals stemming from some supplemental establishments made to raise local presence that have not yet begun to generate their full revenue capacity. In addition, the business area has been charged with acquisition costs of SEK 40 million concerning YIT's paving and mineral aggregates operations. The operating margin in business area Project Development was higher than the corresponding period last year. In Housing Development operating profit increased slightly in Sweden during the period which was for the most part countered by more turned over projects in Norway and Finland. The operating margin in Housing Development was 9.0 percent (8.1). 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 net by SEK -89 million (-20). 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 years. Elimination is reversed in connection with the external divestment of a project.

Depreciation and write-downs for the period were SEK -924 million (-743). Depreciation was affected by SEK -122 million through additional IFRS 16, Leases during the period.

Net financial items amounted to SEK -27 million (-31), of which net interest amounted to SEK -69 million (-35). Net interest was affected by SEK -21 million through additional IFRS 16, Leases during the period. Net financial items included positive effects from, among other things, dividends and currency exchange rates.

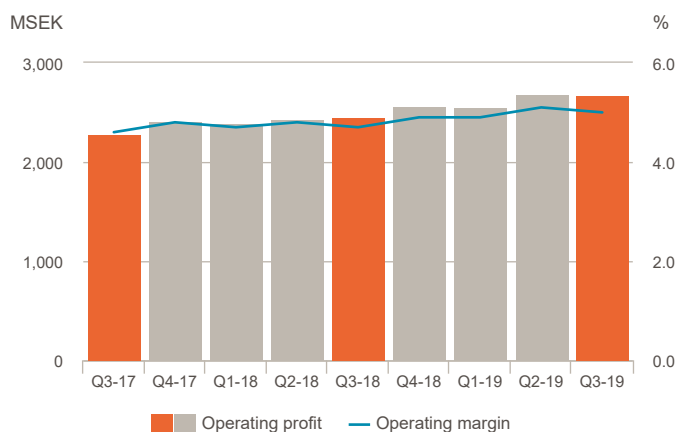
Pre-tax profit was SEK 1,786 million (1,679).

Profit for the period improved to SEK 1,501 million (1,394).

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 September 30, 2019 was 29.6 percent compared to 30.4 percent at year-end. Excluding additional IFRS 16, Leases the equity/asset ratio on September 30, 2019 was 30.1 percent. Interest-bearing net debt amounted to SEK 7,942 million compared to SEK 3,551 million at the end of 2018. Excluding additional IFRS 16, Leases net debt on September 30, 2019 was SEK 7,169 million. The increase in net debt is explained by more construction on property on our own balance sheet and joint ventures, our own developed housing projects in Norway and Finland, investments in Industry 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 1.4 percent (1.7) on September 30, 2019.

Group liquid funds, including unutilized credit facilities, were SEK 4,320 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 9,859 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 6,997 million compared to SEK 7,580 million on December 31, 2018.

INVESTMENTS AND DIVESTMENTS

During the quarter SEK 233 million (362) was net invested in tangible and intangible fixed assets and investment property. During the period January-September SEK 1,319 million (1,300) 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 177 million (371) during the quarter. Net investments in project and investment properties totaled SEK 1,229 million (1,373) during the period January-September 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

July – September 2019

Cash flow from current operations was SEK -335 million (-477), of which cash flow from changes in working capital was SEK -1,038 million (-1,234). The change in working capital included increased accounts receivables and reduced accounts payable as well as the negative effect of construction of own housing projects in Finland and Norway.

Cash flow from investment activities was SEK -6 million (-399).

Cash flow before financing was SEK -341 million (-876).

January – September 2019

Cash flow from current operations was SEK -669 million (-914), of which cash flow from changes in working capital was SEK -2,620 million (-2,470). The change in working capital included, among other things, construction of own housing projects in Finland and Norway and our own developed rental projects in Project Development in Sweden.

Cash flow from investment activities was SEK -434 million (-1,056).

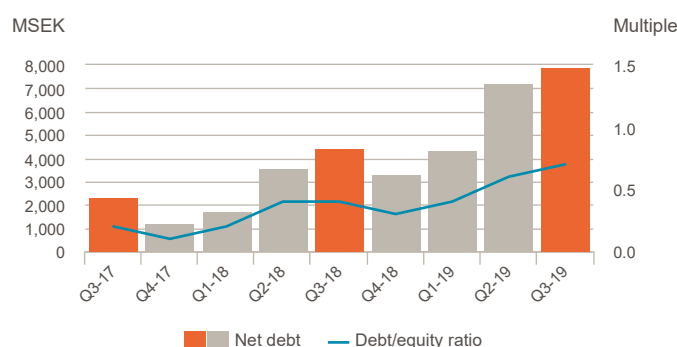
Cash flow before financing amounted to SEK -1,103 million (-1,970).

Cash flow from financing operations amounted to SEK -21 million (1,791) of which SEK -1,239 million (-1,180) consisted of paid dividends and changes in loans was SEK 1,218 million (2,971).

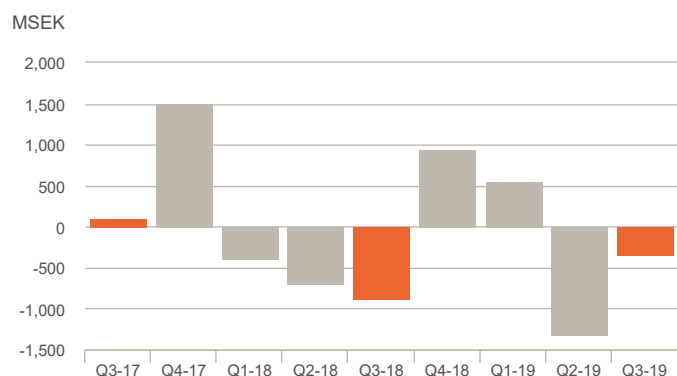
Net debt

MSEK	Sep 30 2019	Sep 30 2018	Dec 31 2018
Bank loans	4,338	2,837	3,383
Commercial papers	1,519	1,180	730
Bonds	2,248	2,347	2,248
Financial leasing liabilities	597	571	593
Additional leasing liabilities according to IFRS 16	773	–	–
Other interest-bearing liabilities	0	60	58
Interest-bearing receivables	-1,272	-2,101	-2,085
Liquid funds	-261	-453	-1,376
Net debt	7,942	4,441	3,551

Net debt and debt/equity ratio



Cash flow before financing



Order situation

July – September 2019

Orders received in the third quarter 2019 amounted to SEK 9,349 million compared to SEK 11,473 million for the same quarter last year. The level of orders received in business areas Construction, Civil Engineering and Industry contracted during the third quarter. The level of orders received in business area Project Development increased as a result of more production-started homes.

January – September 2019

Orders received for the period January-September 2019 amounted to SEK 32,034 million compared to SEK 40,636 million for the same period last year. The level of orders received in business areas Construction and Civil Engineering contracted. Orders received in the comparable period included the office project Platinan in Gothenburg for Vasakronan worth SEK 2,100 million in business area Construction and in business area Civil Engineering the extension of the West Sweden railroad system Olskroken in Gothenburg for the Swedish Transport Administration worth SEK 2,900 million, both with long production times. Considering the high level of orders at the end of 2018 that contained several major projects, orders received during the period have been more along the lines of mid-sized or smaller projects.

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 period are well spread geographically and there is good product diversity.

Order backlog yet to be produced at the end of the period was SEK 43,821 million compared to SEK 48,036 million at the end of the same period last year. Order backlog for the current and coming fiscal years is on the same level as in previous year at the corresponding point in time. Swedish operations accounted for 78 percent (87) of the order backlog.

Orders received

MSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Oct-Sep 2018/2019	Jan-Dec 2018
Construction	5,213	6,815	18,366	24,805	24,568	31,007
Civil Engineering	2,862	3,546	9,429	13,598	12,180	16,349
Industry	1,096	1,123	4,371	3,562	5,920	5,111
Project Development	1,528	1,361	4,684	4,579	6,786	6,681
Eliminations	-1,350	-1,372	-4,816	-5,908	-6,969	-8,061
Group	9,349	11,473	32,034	40,636	42,485	51,087

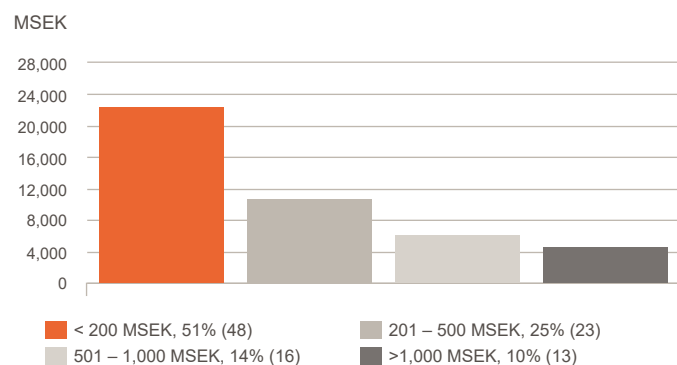
Order backlog

MSEK	30 Sep 2019	30 Sep 2018	31 Dec 2018
Construction	27,403	31,723	29,776
Civil Engineering	13,623	15,031	13,620
Industry	2,305	2,266	2,246
Project Development	5,764	7,039	7,134
Eliminations	-5,274	-8,023	-6,957
Group	43,821	48,036	45,819

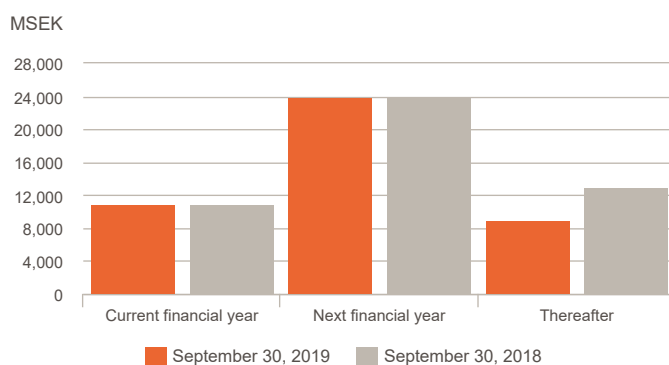
We received several major contracts and agreements during the third quarter, including:

- Construction of an office building in Skellefteå. The customer is Skellefteå Industrihus AB and the contract is worth SEK 144 million.
- Construction of a commercial building in Pukimäki in Helsinki. The contract is worth EUR 15 million.
- Commission to build a new modern Stor Bridge over Selånger River. The customer is Sundsvall Municipality and the contract is worth SEK 106 million.
- Commission to build apartments and commercial space at Aleksander Kjølland Place in Oslo. The customer is Fredensborg Bolig AS and the contract is worth NOK 114 million.
- Commission to build the new Viksta School in Kil. The customer is Kil Municipality and the contract is worth SEK 154 million.

Project allocation of order backlog, Sep 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					
	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Oct-Sep 2018/2019	Jan-Dec 2018	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Oct-Sep 2018/2019	Jan-Dec 2018
Construction	6,520	6,172	21,045	20,158	29,227	28,340	150	142	505	463	712	670
Civil Engineering	3,257	3,301	9,547	9,556	13,736	13,745	76	98	236	270	381	415
Industry	3,820	3,723	9,747	9,481	13,550	13,284	361	352	575	576	976	977
Project Development	1,715	1,878	5,646	5,940	7,550	7,844	183	165	732	540	977	785
– of which Property Development	180	217	607	544	801	738	35	38	276	101	345	170
– of which Housing Development	1,535	1,661	5,039	5,396	6,749	7,106	148	127	456	439	632	615
Group functions	289	276	851	820	1,074	1,043	-9	-9	-146	-119	-301	-274
Eliminations	-2,600	-2,905	-8,140	-8,567	-11,596	-12,023	-34	-5	-89	-20	-69	0
Group	13,001	12,445	38,696	37,388	53,541	52,233	727	743	1,813	1,710	2,676	2,573

%	Operating margin					
	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Oct-Sep 2018/2019	Jan-Dec 2018
Construction	2.3	2.3	2.4	2.3	2.4	2.4
Civil Engineering	2.3	3.0	2.5	2.8	2.8	3.0
Industry	9.5	9.5	5.9	6.1	7.2	7.4
Project Development	10.7	8.8	13.0	9.1	12.9	10.0
– of which Property Development	19.4	17.5	45.5	18.6	43.1	23.0
– of which Housing Development	9.6	7.6	9.0	8.1	9.4	8.7
Group functions						
Eliminations						
Group	5.6	6.0	4.7	4.6	5.0	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

July – September 2019

Net sales for the third quarter 2019 increased by six percent and amounted to SEK 6,520 million (6,172). The increase was generated by all three countries. There is a greater portion of other building construction for both private and public customers in net sales.

Operating profit for the third quarter amounted to SEK 150 million (142) and the operating margin was unchanged at 2.3 percent.

January – September 2019

Net sales for the period January-September 2019 increased by four percent and amounted to SEK 21,045 million (20,158). 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 period amounted to SEK 505 million (463) and the operating margin amounted to 2.4 percent (2.3). The operating margin for the latest rolling 12 month period was 2.4 percent, which was unchanged compared to the entire year of 2018.

ORDERS RECEIVED AND ORDER BACKLOG

July – September 2019

Orders received during the third quarter amounted to SEK 5,213 million (6,815).

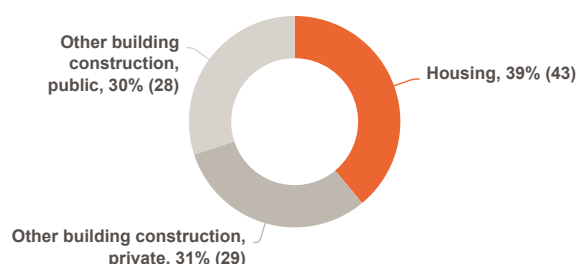
January – September 2019

Orders received during the period January-September 2019 contracted to SEK 18,366 million (24,805). The comparable period included the office building project Platinan in Gothenburg for Vasakronan worth SEK 2,100 million, which has a long production time. The orders received are relatively well spread regarding products and location.

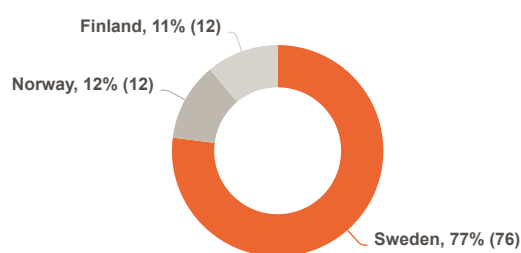
Order backlog on September 30, 2019 was SEK 27,403 million compared to SEK 31,723 million at the end of September 2018.

Net sales

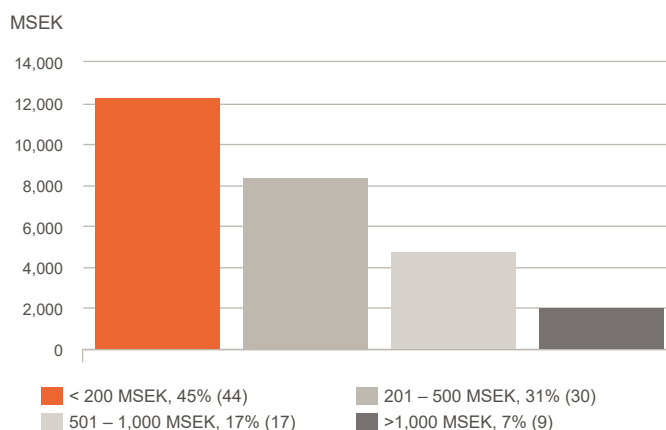
per product area, rolling 12 months



per geographic market, rolling 12 months



Project allocation of order backlog, Sep 30, 2019



Key ratios

	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Oct-Sep 2018/2019	Jan-Dec 2018
Net sales, MSEK	6,520	6,172	21,045	20,158	29,227	28,340
Operating profit, MSEK	150	142	505	463	712	670
Operating margin, %	2.3	2.3	2.4	2.3	2.4	2.4
Orders received, MSEK	5,213	6,815	18,366	24,805	24,568	31,007
Order backlog, MSEK	27,403	31,723	27,403	31,723	27,403	29,776
Number of employees at the end of the period	6,327	6,688	6,327	6,688	6,327	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

July – September 2019

Net sales for the third quarter 2019 amounted to SEK 3,257 million (3,301). Net sales increased in Operations and maintenance while net sales in Local market as well as Infrastructure were lower.

Earnings have been lower during the third quarter and operating profit amounted to SEK 76 million (98) and the operating margin was 2.3 percent (3.0). The level of profitability in Operations and maintenance was lower compared to previous years.

January- September 2019

Net sales were relatively unchanged during the period January-September 2019 and amounted to SEK 9,547 million (9,556). Even after adjustments for acquired units net sales were unchanged. Net sales were slightly higher in Operations and maintenance while they were slightly lower in Infrastructure.

Operating profit for the period amounted to SEK 236 million (270) and the operating margin contracted to 2.5 percent (2.8). The level of profitability in Operations and maintenance was lower compared to previous years. The operating margin for the latest rolling 12 month period was 2.8 percent compared to 3.0 percent for the entire year of 2018.

ORDERS RECEIVED AND ORDER BACKLOG

July – September 2019

Orders received during the third quarter 2019 amounted to SEK 2,862 million (3,546).

January- September 2019

Orders received during the period January-September 2019 amounted to SEK 9,429 million (13,598). Orders received in the comparable period included the extension of the West Sweden railroad system Olskroken in Gothenburg for the Swedish Transport Administration worth SEK 2,900 million, which has a long production time.

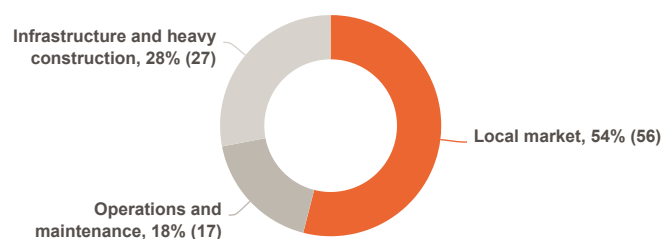
Order backlog on September 30, 2019 amounted to SEK 13,623 million (15,031).

Key ratios

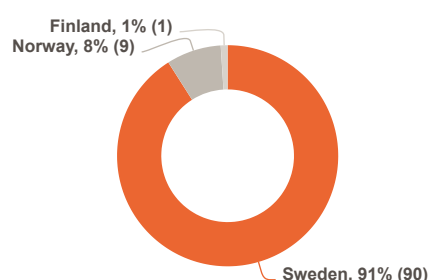
	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Oct-Sep 2018/2019	Jan-Dec 2018
Net sales, MSEK	3,257	3,301	9,547	9,556	13,736	13,745
Operating profit, MSEK	76	98	236	270	381	415
Operating margin, %	2.3	3.0	2.5	2.8	2.8	3.0
Orders received, MSEK	2,862	3,546	9,429	13,598	12,180	16,349
Order backlog, MSEK	13,623	15,031	13,623	15,031	13,623	13,620
Number of employees at the end of the period	3,660	3,738	3,660	3,738	3,660	3,580

Net sales

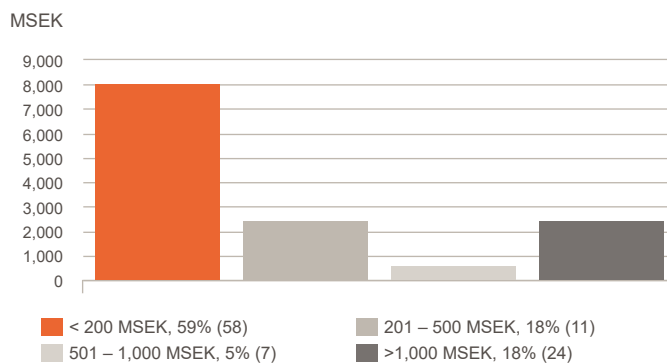
per product area, rolling 12 months



per geographic market, rolling 12 months



Project allocation of order backlog, Sep 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

July – September 2019

Net sales for the third quarter 2019 increased by three percent and amounted to SEK 3,820 million (3,723). The increase in net sales stems from the product areas Asphalt, Gravel and Rock, Transportation and Machines and Rentals, while net sales were lower in Construction System.

Operating profit for the third quarter 2019 amounted to SEK 361 million (352) and the operating margin was unchanged with 9.5 percent (9.5). Operating profit includes acquisition costs of SEK 40 million concerning YIT's paving and mineral aggregates operations.

January – September 2019

Net sales for the period January-September 2019 increased by three percent and amounted to SEK 9,747 million (9,481). 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 period amounted to SEK 575 million (576) and the operating margin contracted to 5.9 percent (6.1). The lower operating margin was due to higher costs in Rentals stemming from some supplemental establishments made to raise local presence that have not yet begun to generate their full revenue capacity. In addition, the business area has been charged with acquisition costs of SEK 40 million concerning YIT's paving and mineral aggregates operations. The operating margin for the latest rolling 12 month period was 7.2 percent compared to 7.4 percent for the entire year of 2018.

Capital employed in Industry was at the end of the period SEK 7,103 million compared to SEK 6,512 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 100 million per September 30, 2019.

Key ratios

	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Oct-Sep 2018/2019	Jan-Dec 2018
Net sales, MSEK	3,820	3,723	9,747	9,481	13,550	13,284
Operating profit, MSEK	361	352	575	576	976	977
Operating margin, %	9.5	9.5	5.9	6.1	7.2	7.4
Orders received, MSEK	1,096	1,123	4,371	3,562	5,920	5,111
Order backlog, MSEK	2,305	2,266	2,305	2,266	2,305	2,246
Capital employed at the end of the period, MSEK	7,103	6,512	7,103	6,512	7,103	6,432
Number of employees at the end of the period	3,520	3,547	3,520	3,547	3,520	3,484
Concrete, thousands of m ³ ¹⁾	350	324	979	923	1,350	1,294
Asphalt, thousands of tons ¹⁾	912	1,080	1,814	1,870	2,650	2,706
Gravel and Rock, thousands of tons ¹⁾	4,413	3,684	10,940	10,329	15,292	14,681

1) Refers to sold volume

ORDERS RECEIVED AND ORDER BACKLOG

July – September 2019

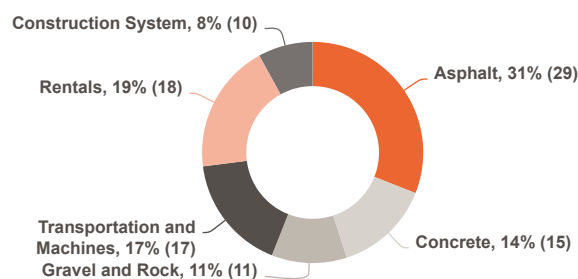
Orders received during the third quarter amounted to SEK 1,096 million (1,123).

January- September 2019

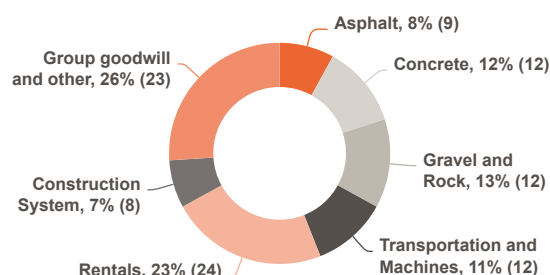
Orders received during the period January-September 2019 amounted to SEK 4,371 million (3,562). The increase is primarily related to Asphalt. Order backlog on September 30, 2019 amounted to SEK 2,305 million (2,266).

Net sales

per product area, rolling 12 months



Capital employed, Sep 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

July – September 2019

Net sales for the third quarter 2019 in business area Project Development amounted to SEK 1,715 million (1,878). Operating profit amounted to SEK 183 million (165).

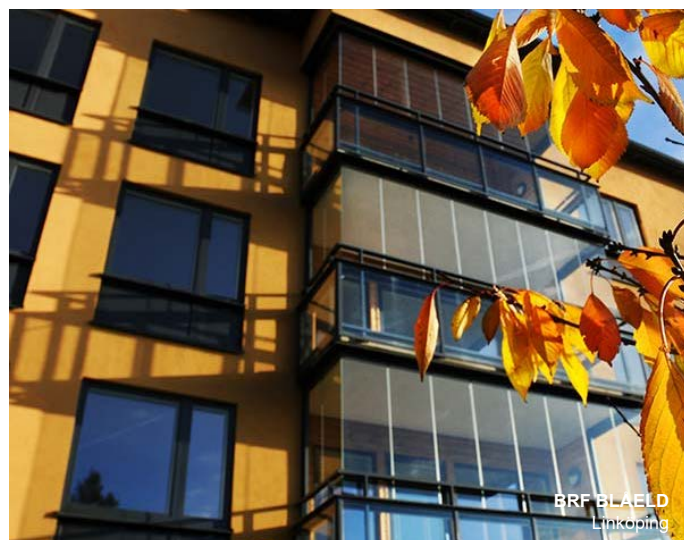
January – September 2019

Net sales for the period January-September 2019 in business area Project Development amounted to SEK 5,646 million (5,940) and operating profit was SEK 732 million (540). The reduction in net sales stems from Housing Development. 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.

Capital employed in Project Development at the end of the period amounted to SEK 15,787 million (12,509). 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 September 30, 2019 of SEK 336 million divided into SEK 111 million in operations properties, SEK 57 million in investment properties, SEK 171 million in project and development properties and SEK -3 million in other receivables.

Key ratios

	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Oct-Sep 2018/2019	Jan-Dec 2018
Net sales, MSEK	1,715	1,878	5,646	5,940	7,550	7,844
<i>of which Property Development</i>	180	217	607	544	801	738
<i>of which Housing Development</i>	1,535	1,661	5,039	5,396	6,749	7,106
Operating profit, MSEK	183	165	732	540	977	785
<i>of which Property Development</i>	35	38	276	101	345	170
<i>of which Housing Development</i>	148	127	456	439	632	615
Operating margin, %	10.7	8.8	13.0	9.1	12.9	10.0
<i>of which Property Development</i>	19.4	17.5	45.5	18.6	43.1	23.0
<i>of which Housing Development</i>	9.6	7.6	9.0	8.1	9.4	8.7
Capital employed at the end of the period, MSEK	15,787	12,509	15,787	12,509	15,787	12,984
Orders received, MSEK	1,528	1,361	4,684	4,579	6,786	6,681
Order backlog, MSEK	5,764	7,039	5,764	7,039	5,764	7,134
Number of employees at the end of the period	340	377	340	377	340	379



Capital employed

MSEK	30 Sep 2019	30 Sep 2018	31 Dec 2018
Operations property	1,267	1,147	915
Investment property	705	973	589
Project and development property	11,250	8,981	9,685
<i>of which housing development rights</i>	5,792	5,662	5,394
<i>of which commercial development rights</i>	615	645	656
<i>of which ongoing housing projects in Norway and Finland</i>	2,799	1,774	2,034
<i>of which ongoing rental projects in Sweden</i>	954	366	925
<i>of which ongoing commercial projects</i>	476	232	302
<i>of which completed projects</i>	244	10	14
<i>of which other</i>	370	292	360
Participation in joint ventures	1,849	980	1,019
Loans to joint ventures	1,032	1,429	1,466
Working capital and other	-316	-1,001	-690
Total	15,787	12,509	12,984

HOUSING DEVELOPMENT

July – September 2019

Net sales during the third quarter amounted to SEK 1,535 million (1,661). Operating profit increased to SEK 148 million (127) and the operating margin to 9.6 percent (7.6).

The number of start-ups of our own developed homes during the third quarter amounted to 522 units (475) and was divided among different places in all three countries. The number of sold homes was 695 (402), of which about half in Sweden.

January – September 2019

Net sales decreased to SEK 5,039 million (5,396) and the reduction is mainly related to Sweden. Operating profit amounted to SEK 456 million (439) and the operating margin amounted to 9.0 percent (8.1). 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 9.4 percent compared to 8.7 percent for the entire year of 2018.

The number of start-ups of our own developed homes amounted to 1,529 units (1,591) mainly divided between Sweden and Finland, with a good geographic spread in both countries. The number of sold homes was 1,954 (1,165), most of them sold in Sweden. Greater sales efforts in Stockholm led to higher sales during the period January-September compared to the same period 2018. The number of own developed homes in production has decreased and was 5,309 (6,105) the end of the period. The level of sold homes in production was 68 percent (64). The number of repurchased homes per September 30, 2019 was 169 (84) 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 September 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 1,540 (1,402) per September 30, 2019.

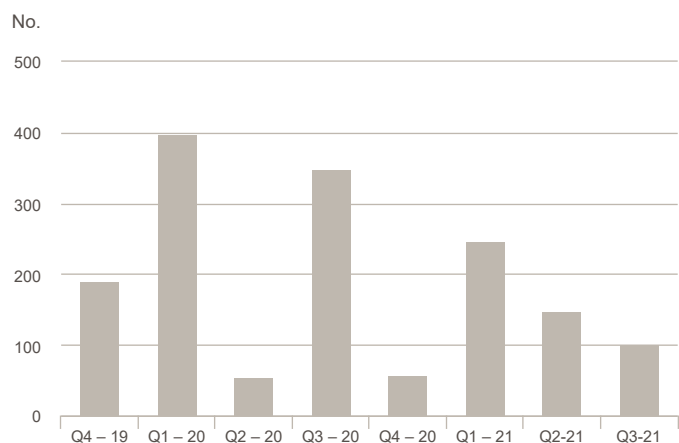
Own housing development construction

	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Oct-Sep 2018/2019	Jan-Dec 2018
Number of housing starts during the period	522	475	1,529	1,591	2,151	2,213
Number of sold homes during the period	695	402	1,954	1,165	2,614	1,825
Total number of homes under construction, at the end of the period	5,309	6,105	5,309	6,105	5,309	6,231
Share of sold homes under construction, at the end of the period	68%	64%	68%	64%	68%	63%
Number of repurchased homes in the balance sheet, at the end of the period	169	84	169	84	169	104

Development rights for housing

Number, approx.	Sep 30 2019	Sep 30 2018	Dec 31 2018
Development rights on our own balance sheet	20,200	22,000	21,300
Development rights via joint ventures	5,200	5,600	5,000
Development rights via options etc.	9,900	7,900	9,100
Total	35,300	35,500	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.

July – September 2019

During the third quarter 2019 net sales were SEK 180 million (217) and operating profit was SEK 35 million (38). No major property transactions have taken place during the quarter.

January – September 2019

During the period January-September 2019 net sales were SEK 607 million (544) and operating profit was SEK 276 million (101). Our partially owned companies continue to develop well and profit during the period from partially owned companies amounted to SEK 255 million (75), of which SEK 170 million refers to divestitures in Acturum. In December 2018 Acturum signed a contract with Fastator and Offentliga hus to sell all its remaining property with the transfer in 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 period.

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 1,267 million (1,147), of which SEK 111 million is additional IFRS 16 Leases and SEK 705 million (973) is investment property, of which SEK 57 million is additional IFRS 16 Leases. The tables below show our major property projects per September 30, 2019.



PROPERTY PROJECTS

Completed projects	Location	Area in m ²	Degree rented, %	Recognized value, MSEK
Businesspark	Ängelholm	62,800	95	242
Businesspark	Ljungbyhed	76,000	64	120
Office building	Helsinki	9,300	85	282
Office building	Helsinki	7,600	68	273
Tenancy	Malmö	4,600	100	141
Office building	Sigtuna	3,600	74	65
Other completed projects				104
Total				1,227
<i>of which operations property</i>				599
<i>of which investment property</i>				613
<i>of which project and development property</i>				15

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	415	449	Q4-2019	92
Retail and offices	Gothenburg	6,400	98	151	171	Q4-2019	88
Retail	Oslo	3,600	100	135	190	Q3-2020	71
Office building	Malmö	4,900	68	142	185	Q1-2020	77
Office building and parking	Solna	2,900	89	158	277	Q2-2020	57
Office building	Helsingborg	4,500	100	35	117	Q1-2021	30
Other ongoing projects				32			
Total				1,068			
<i>of which operations property</i>				557			
<i>of which investment property</i>				35			
<i>of which project and development property</i>				476			

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 September 30, 2019 ¹⁾: SEK 6,448 million (5,145)

Peab's portion of unrecognized fair value exclusive tax ¹⁾: SEK 394 million (324)

Major ongoing projects: Hotel Forenom 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 September 30, 2019: SEK 1,837 million (1,852)

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 September 30, 2019 ¹⁾: SEK 4,020 million (3,244)

Peab's portion of unrecognized fair value exclusive tax ¹⁾: SEK 232 million (190)

Major ongoing projects: Munkeböck, Gothenburg Rentable area 10,900 m², Kungsängen, Upplandsbro Rentable area 8,900 m², LP Parken, Gothenburg Rentable area 15,000 m², Tallbohov, Järfälla Rentable area 10,500 m² and several apartment building projects in Västerås and Helsingborg

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 September 30, 2019: SEK 1,240 million (940)

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

The total market is expected to remain on the same level in 2020 as in 2019 but with different conditions depending on the place and product.

SWEDEN

The signs of a slowdown in the economy have become more obvious in Sweden in the third quarter. Housing construction in general is expected to decline in 2019-2020 and then stabilize in 2021. A reduction in new apartment building production is expected this year and next but it should show some growth again in 2021. Construction of private premises will probably be affected negatively by the economic downturn in 2020-2021 while investments in public premises on the other hand can accelerate due to substantial needs and low interest rates. All in all other building construction is expected to contract in 2019 and then level out in 2020. The forecast for civil engineering investments signals growth in both 2019 and 2020. The needs in energy, transportation and water and sewage are some of the driving forces behind investments.

NORWAY

Housing construction is expected to land around current levels in 2019 and 2020 and then show growth again in 2021. Construction of private premises is boosted by the development that building construction investments in industrial, office and commercial premises are expected to grow this year, due to strong domestic demand. Public building investments are expected to decline after the past couple of years of growth before volumes pick up again in 2020. All in all other building construction is expected to be stable in 2019 and 2020. The forecast for civil engineering investments indicates a continued good rate of growth in 2019-2020.

FINLAND

New construction of apartment buildings is expected to drop during 2019-2021 while renovation is expected to grow during 2019-2020. All in all housing construction is expected to remain on the same level during 2019 followed by a slight decline in 2020-2021. It looks like construction of private premises will grow this year but will probably be affected negatively by the economy thereafter. Anticipation of investments in the public sector is reflected in the forecast for construction. All in all other building construction is expected to grow in 2019 and 2020 and then stabilize in 2021. 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

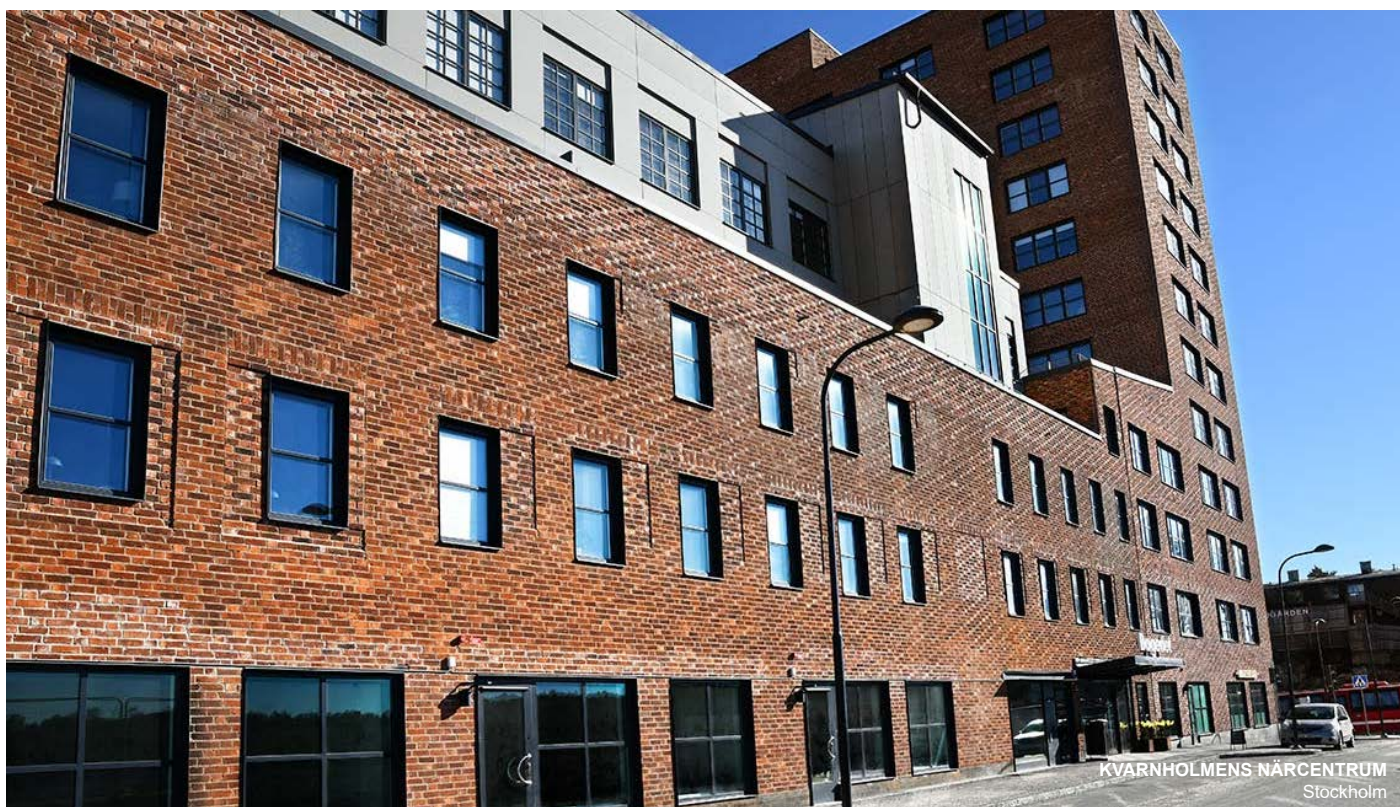
Civil engineering

	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 period January-September 2019.

THE PEAB SHARE

Peab's B share is listed on the Nasdaq Stockholm, Large Cap list. As of October 23, 2019, the price of the Peab share was SEK 87.85, an increase of 21 percent during 2019. During the same period, the Swedish stock market increased by 23 percent according to the general index in the business magazine "Affärsvärlden". During 2019 the Peab share has been quoted at a maximum of SEK 90.20 and a minimum of SEK 71.00.

IMPORTANT EVENTS DURING 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 in the first quarter of 2020.



Report on the Group income statement

MSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Oct-Sep 2018/2019	Jan-Dec 2018
Net sales	13,001	12,445	38,696	37,388	53,541	52,233
Production costs	-11,786	-11,153	-34,930	-33,673	-48,302	-47,045
Gross profit	1,215	1,292	3,766	3,715	5,239	5,188
Sales and administrative expenses	-604	-575	-2,128	-2,073	-2,839	-2,784
Other operating income	122	45	187	97	306	216
Other operating costs	-6	-19	-12	-29	-30	-47
Operating profit	727	743	1,813	1,710	2,676	2,573
Financial income	14	36	99	82	117	100
Financial expenses	-35	-29	-126	-113	-168	-155
Net finance	-21	7	-27	-31	-51	-55
Pre-tax profit	706	750	1,786	1,679	2,625	2,518
Tax	-117	-146	-285	-285	-418	-418
Profit for the period	589	604	1,501	1,394	2,207	2,100
Profit for the period, attributable to:						
Shareholders in parent company	589	604	1,501	1,394	2,207	2,100
Non-controlling interests	0	0	0	0	0	0
Profit for the period	589	604	1,501	1,394	2,207	2,100
Key ratios						
Earnings per share before and after dilution, SEK	2.00	2.05	5.09	4.73	7.48	7.12
Average number of outstanding shares, million	295.0	295.0	295.0	295.0	295.0	295.0
Return on capital employed, %			14.1 ¹⁾	17.0 ¹⁾	14.1	15.9
Return on equity, %			19.2 ¹⁾	19.8 ¹⁾	19.2	19.6

1) Calculated on rolling 12 months

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

MSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Oct-Sep 2018/2019	Jan-Dec 2018
Profit for the period	589	604	1,501	1,394	2,207	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	5	-25	109	163	32	86
Changes in fair value of cash flow hedges for the period	-4	9	4	27	-3	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	1	-6	12	5	4	-3
Other comprehensive income for the period	2	-22	125	196	32	103
Total comprehensive income for the period	591	582	1,626	1,590	2,239	2,203
Total comprehensive income for the period, attributable to:						
Shareholders in parent company	591	581	1,625	1,589	2,239	2,203
Non-controlling interests	0	1	1	1	0	0
Total comprehensive income for the period	591	582	1,626	1,590	2,239	2,203

Report on financial position for the Group in summary

MSEK	Sep 30 2019	Sep 30 2018	Dec 31 2018
Assets			
Intangible assets	2,324	2,230	2,250
Tangible assets	6,644	5,909	5,741
Investment property	704	973	589
Interest-bearing long-term receivables	1,077	1,420	1,445
Other financial fixed assets	1,994	1,303	1,292
Deferred tax recoverables	–	3	–
Total fixed assets	12,743	11,838	11,317
Project and development properties	11,094	8,981	9,685
Inventories	500	448	441
Interest-bearing current receivables	195	681	640
Other current receivables	14,910	14,074	13,857
Liquid funds	261	453	1,376
Total current assets	26,960	24,637	25,999
Total assets	39,703	36,475	37,316
Equity and liabilities			
Equity	11,735	10,735	11,348
Liabilities			
Interest-bearing long-term liabilities	5,942	4,366	5,194
Deferred tax liabilities	138	187	123
Other long-term liabilities	959	834	977
Total long-term liabilities	7,039	5,387	6,294
Interest-bearing current liabilities	3,533	2,629	1,818
Other current liabilities	17,396	17,724	17,856
Total current liabilities	20,929	20,353	19,674
Total liabilities	27,968	25,740	25,968
Total equity and liabilities	39,703	36,475	37,316
Key ratios			
Capital employed	21,210	17,730	18,360
Equity/assets ratio, %	29.6	29.4	30.4
Net debt	7,942	4,441	3,551
Equity per share, SEK	39.78	36.39	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 20,440 million per September 30, 2019.

²⁾ Excluding additional IFRS 16 Leases, the equity/asset ratio was 30.1 percent per September 30, 2019.

³⁾ Excluding additional IFRS 16 Leases, net debt was SEK 7,169 million per September 30, 2019.

Report on changes in Group equity in summary

MSEK	Sep 30 2019	Sep 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	1,501	1,394	2,100
Other comprehensive income for the period	124	195	103
Comprehensive income for the period	1,625	1,589	2,203
Cash dividend	-1,239	-1,180	-1,180
Closing equity	11,733	10,733	11,347
Non-controlling interests			
Opening equity on January 1	1	1	1
Comprehensive income for the period	1	1	0
Closing equity	2	2	1
Total closing equity	11,735	10,735	11,348

Report on Group cash flow in summary

MSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Oct-Sep 2018/2019	Jan-Dec 2018
Cash flow from current operations before changes in working capital	703	757	1,951	1,556	3,089	2,694
Increase (-) / Decrease (+) of project and development properties	-176	-391	-1,081	-1,283	-1,866	-2,068
Increase (-) / Decrease (+) of inventories	5	6	-48	-43	-44	-39
Increase (-) / Decrease (+) of current receivables / current liabilities	-867	-849	-1,491	-1,144	-1,184	-837
Cash flow from changes in working capital	-1,038	-1,234	-2,620	-2,470	-3,094	-2,944
Cash flow from current operations	-335	-477	-669	-914	-5	-250
Acquisition of subsidiaries / businesses, net effect on liquid funds	-2	-4	-22	-19	-26	-23
Sale of subsidiaries / businesses, net effect on liquid funds	88	-	88	-	103	15
Acquisition of fixed assets	-347	-569	-1,351	-1,382	-2,059	-2,090
Sale of fixed assets	255	174	851	345	1,833	1,327
Cash flow from investment operations	-6	-399	-434	-1,056	-149	-771
Cash flow before financing	-341	-876	-1,103	-1,970	-154	-1,021
Increase (+) / Decrease (-) of interest-bearing liabilities	-523	792	1,218	2,971	1,197	2,950
Dividend distributed to shareholders in parent company	-	-	-1,239	-1,180	-1,239	-1,180
Cash flow from financing operations	-523	792	-21	1,791	-42	1,770
Cash flow for the period	-864	-84	-1,124	-179	-196	749
Cash at the beginning of the period	1,128	535	1,376	595	453	595
Exchange rate differences in cash	-3	2	9	37	4	32
Cash at the end of the period	261	453	261	453	261	1,376

Parent company

The parent company Peab AB's net sales for the period January-September 2019 amounted to SEK 234 million (218) and mainly consisted of internal Group services. Profit for the period amounted to SEK -3 million (1,235). Profit for the period included dividends of SEK 200 million (1,509) 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 7,791 million (7,459) and long-term liabilities to Group companies amounting to SEK 2,651 million (3,707).

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	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Oct-Sep 2018/2019	Jan-Dec 2018
Net sales	78	63	234	218	315	299
Administrative expenses	-110	-101	-357	-336	-491	-470
Other operating income	-	-	5	-	5	-
Operating profit	-32	-38	-118	-118	-171	-171
Result from financial investments						
Profit from participation in Group companies	-	100	130	1,387	131	1,388
Other financial items	-16	-21	-52	-70	-71	-89
Result after financial items	-48	41	-40	1,199	-111	1,128
Appropriations	-	-	-	-	2,083	2,083
Pre-tax profit	-48	41	-40	1,199	1,972	3,211
Tax	11	14	37	36	-401	-402
Profit and comprehensive income for the period	-37	55	-3	1,235	1,571	2,809

Report on financial position for the parent company in summary

MSEK	Sep 30 2019	Sep 30 2018	Dec 31 2018
Assets			
Fixed assets			
Intangible assets	52	49	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	12,147	12,208
Current asset			
Current receivables			
Accounts receivable	0	0	0
Receivables from Group companies	46	53	2,736
Current tax assets	313	394	85
Other receivables	29	5	2
Prepaid expenses and accrued income	13	12	11
Total current receivables	401	464	2,834
Cash and bank	0	0	0
Total current assets	401	464	2,834
Total assets	12,518	12,611	15,042
Equity and liabilities			
Equity			
Restricted equity	1,902	1,906	1,905
Non-restricted equity	5,889	5,553	7,128
Total equity	7,791	7,459	9,033
Untaxed reserves	1,930	1,315	1,930
Provisions			
Other provisions	44	34	36
Total provisions	44	34	36
Long-term liabilities			
Liabilities to Group companies	2,651	3,707	3,883
Total long-term liabilities	2,651	3,707	3,883
Current liabilities			
Accounts payable	22	19	31
Liabilities to Group companies	7	8	59
Other liabilities	17	8	4
Accrued expenses and deferred income	56	61	66
Total current liabilities	102	96	160
Total liabilities	2,753	3,803	4,043
Total equity and liabilities	12,518	12,611	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-Sep 2019	Group, MSEK	2019-01-01	2019-09-30
Production costs	14	Fixed assets	671	631
Sales and administrative expenses	3	Deferred tax recoverables	-	1
Operating profit	17	Current assets	179	138
Financial expenses	-21	Total assets	850	770
Pre-tax profit	-4	Equity	-	-3
Tax	1	Interest-bearing long-term liabilities	702	623
Profit for the period	-3	Interest-bearing current liabilities	148	150
		Total equity and liabilities	850	770

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 send a new reconciliation letter providing Peab with the opportunity to reply with an opinion before Finansinspektionen makes its decision. 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-Sep 2019 MSEK	Construction	Civil Engineering	Industry	Project Development	Group functions	Eliminations	Group
Allocation per external/internal							
External sales	17,168	8,683	7,169	5,605	71		38,696
Internal sales	3,877	864	2,578	41	780	-8,140	–
Total	21,045	9,547	9,747	5,646	851	-8,140	38,696
Allocation per country							
Sweden	16,202	8,648	8,522	4,252	714	-6,655	31,683
Norway	2,460	810	782	396	87	-562	3,973
Finland	2,383	89	432	998	50	-923	3,029
Other			11				11
Total	21,045	9,547	9,747	5,646	851	-8,140	38,696
Allocation per type of customer							
Public sector	7,508	4,901	1,897	32	35		14,373
Private customers	9,660	3,782	5,272	5,573	36		24,323
Internal customers	3,877	864	2,578	41	780	-8,140	–
Total	21,045	9,547	9,747	5,646	851	-8,140	38,696
Allocation per point in time							
At one point in time	65	30	4,177	1,169	47	-1,113	4,375
Over time	20,977	9,498	4,164	4,327	702	-5,964	33,704
Rent revenue ¹⁾	3	19	1,406	150	102	-1,063	617
Total	21,045	9,547	9,747	5,646	851	-8,140	38,696
Allocation per type of revenue							
Construction contracts	20,977	9,498	4,164	4,322	68	-5,331	33,698
Sales of goods	3		2,637			-563	2,077
Sales of property projects				1,082			1,082
Transportation services			1,380			-487	893
Administrative services				5	634	-633	6
Rent revenue ¹⁾	3	19	1,406	150	102	-1,063	617
Other	62	30	160	87	47	-63	323
Total	21,045	9,547	9,747	5,646	851	-8,140	38,696

¹⁾ Rent revenue is recognized according to IFRS 16

Group Jan-Sep 2018 MSEK	Construction	Civil Engineering	Industry	Project Development	Group functions	Eliminations	Group
Allocation per external/internal							
External sales	16,247	8,322	6,843	5,902	74		37,388
Internal sales	3,911	1,234	2,638	38	746	-8,567	–
Total	20,158	9,556	9,481	5,940	820	-8,567	37,388
Allocation per country							
Sweden	15,260	8,295	8,379	4,504	705	-7,216	29,927
Norway	2,439	1,147	670	225	67	-554	3,994
Finland	2,455	114	422	1,211	48	-793	3,457
Other	4		10			-4	10
Total	20,158	9,556	9,481	5,940	820	-8,567	37,388
Allocation per type of customer							
Public sector	7,197	5,122	1,701	11	39		14,070
Private customers	9,050	3,200	5,142	5,891	35		23,318
Internal customers	3,911	1,234	2,638	38	746	-8,567	–
Total	20,158	9,556	9,481	5,940	820	-8,567	37,388
Allocation per point in time							
At one point in time	52	26	4,437	2,071	86	-1,511	5,161
Over time	20,103	9,524	3,818	3,709	653	-6,286	31,521
Rent revenue ¹⁾	3	6	1,226	160	81	-770	706
Total	20,158	9,556	9,481	5,940	820	-8,567	37,388
Allocation per type of revenue							
Construction contracts	20,098	9,524	3,816	3,709		-5,627	31,520
Sales of goods	4		2,953			-962	1,995
Sales of property projects				1,976		-9	1,967
Transportation services		1	1,322			-451	872
Administrative services	5		2		653	-659	1
Rent revenue ¹⁾	3	6	1,226	160	81	-770	706
Other	48	25	162	95	86	-89	327
Total	20,158	9,556	9,481	5,940	820	-8,567	37,388

¹⁾ Rent revenue is recognized according to IAS 17

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
Allocation per type of revenue							
Construction contracts	28,262	13,706	5,663	5,254		-8,240	44,645
Sales of goods	5		3,545			-822	2,728
Sales of property projects				2,188			2,188
Transportation services		1	1,901			-672	1,230
Administrative services	7			2	810	-816	3
Rent revenue ¹⁾	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

¹⁾ Rent revenue is recognized according to IAS 17

Note 3 – Operating segment

Group Jan-Sep 2019 MSEK	Con- struction	Civil Engineering	Industry	Project Development	Group functions	Eliminations	Group
External sales	17,168	8,683	7,169	5,605	71		38,696
Internal sales	3,877	864	2,578	41	780	-8,140	–
Total revenue	21,045	9,547	9,747	5,646	851	-8,140	38,696
Operating profit	505	236	575	732	-146	-89	1,813
Operating margin, %	2.4	2.5	5.9	13.0			4.7
Net finance							-27
Pre-tax profit							1,786
Tax							-285
Profit for the period							1,501
Capital employed (closing balance)			7,103	15,787			

Group Jan-Sep 2018 MSEK	Con- struction	Civil Engineering	Industry	Project Development	Group functions	Eliminations	Group
External sales	16,247	8,322	6,843	5,902	74		37,388
Internal sales	3,911	1,234	2,638	38	746	-8,567	–
Total revenue	20,158	9,556	9,481	5,940	820	-8,567	37,388
Operating profit	463	270	576	540	-119	-20	1,710
Operating margin, %	2.3	2.8	6.1	9.1			4.6
Net finance							-31
Pre-tax profit							1,679
Tax							-285
Profit for the period							1,394
Capital employed (closing balance)			6,512	12,509			

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	Sep 30 2019			Sep 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		95	95		115	115		109	109
<i>Of which investments in unlisted funds</i>		76	76		83	83		89	89
<i>Of which shareholding in unlisted company</i>		19	19		32	32		20	20
Other long-term receivables			–	5		5			–
<i>Of which commodity hedging with futures</i>			–	5		5			–
Other current receivables	1		1	1		1	1		1
<i>Of which currency swaps</i>	1		1	1		1	1		1
Other securities held as current assets		192	192			–			–
<i>Of which repurchased shares in tenant-owner associations</i>		192	192			–			–
Total financial assets	1	287	288	6	115	121	1	109	110
Financial liabilities									
Other long-term liabilities	16		16	21	24	45	22	23	45
<i>Of which interest rate swaps</i>	16		16	21		21	18		18
<i>Of which commodity hedging with futures</i>			–			–	4		4
<i>Of which contingent consideration</i>			–		24	24		23	23
Other current liabilities	3	1	4	1	9	10	1	11	12
<i>Of which currency swaps</i>			–	1		1	1		1
<i>Of which commodity hedging with futures</i>	3		3			–			–
<i>Of which contingent consideration</i>		1	1		9	9		11	11
Total financial liabilities	19	1	20	22	33	55	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			
	Sep 30 2019	Sep 30 2018	Dec 31 2018	Sep 30 2019	Sep 30 2018	Dec 31 2018	Sep 30 2019
MSEK							
Opening balance	89	59	59	20	21	21	–
Investments	7	14	19				1,378
Sales				-1		-12	-885
Dividends received	-31	-3	-3				
Reported in profit/loss for the period							
Production costs ¹⁾							-301
Net finance	11	13	14		11	11	
Reported in other comprehensive income				0			
Closing balance	76	83	89	19	32	20	192

¹⁾ Have corresponded to project provisions of SEK 282 million and therefore the net effect in the income statement is SEK -19 million.

Group	Contingent consideration			
	MSEK	Sep 30 2019	Sep 30 2018	Dec 31 2018
Opening balance		34	34	34
Acquisitions during the period		–	–	2
Payments during the period		-31	-3	-3
Reported in profit for the period				
Other operating costs (+) / other operating income (-)		-3	1	1
Interest expense (discount) ¹⁾		1	0	0
Reported in other comprehensive income		0	1	0
Closing balance		1	33	34

¹⁾ Recognized in net financial items

The contingent consideration will amount from SEK 0 million to a maximum of SEK 1 million.

Future financial information

- Year-end report 2019 February 6, 2020
- Annual and Sustainability Report 2019 April 2020
- Quarterly report January-March 2020 and Annual General Meeting May 6, 2020
- Quarterly report January-June 2020 July 17, 2020
- Quarterly report January-September 2020 October 22, 2020

Förslöv, October 24, 2019

*Jesper Göransson
CEO and President*

REVIEW REPORT

We have reviewed the interim report for Peab AB (publ) as of 30 September 2019 and the nine-month period which ended on this date. The Board of Directors and the CEO are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim financial information based on our review.

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and the generally accepted auditing practice. Consequently a review does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act in the case of the Group and in accordance with the Annual Accounts Act in the case of the parent company.

*Förslöv, 24 October 2019
KPMG AB*

*Dan Kjellqvist
Authorised Public Accountant*

Quarterly data

Group

MSEK	Jul-Sep 2019	Apr-Jun 2019	Jan-Mar 2019	Oct-Dec 2018	Jul-Sep 2018	Apr-Jun 2018	Jan-Mar 2018	Oct-Dec 2017	Jul-Sep 2017
Net sales	13,001	14,336	11,359	14,845	12,445	13,453	11,490	14,490	11,595
Production costs	-11,786	-12,777	-10,367	-13,372	-11,153	-12,038	-10,482	-13,103	-10,431
Gross profit	1,215	1,559	992	1,473	1,292	1,415	1,008	1,387	1,164
Sales and administrative expenses	-604	-773	-751	-711	-575	-761	-737	-695	-528
Other operating income	122	38	27	119	45	27	25	71	78
Other operating costs	-6	-3	-3	-18	-19	-4	-6	-10	0
Operating profit	727	821	265	863	743	677	290	753	714
Financial income	14	31	54	18	36	19	27	118	17
Financial expenses	-35	-41	-50	-42	-29	-23	-61	-46	-26
Net finance	-21	-10	4	-24	7	-4	-34	72	-9
Pre-tax profit	706	811	269	839	750	673	256	825	705
Tax	-117	-123	-45	-133	-146	-101	-38	-145	-120
Profit for the period	589	688	224	706	604	572	218	680	585
Profit for the period, attributable to:									
Shareholders in parent company	589	688	224	706	604	572	218	680	585
Non-controlling interests	0	0	0	0	0	0	0	0	-
Profit for the period	589	688	224	706	604	572	218	680	585
Key ratios									
Earnings per share, SEK	2.00	2.33	0.76	2.39	2.05	1.94	0.74	2.31	1.98
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)	21,210	21,067	18,877	18,360	17,730	16,322	14,631	14,074	14,438
Equity (closing balance)	11,735	11,144	11,665	11,348	10,735	10,153	10,688	10,332	9,757

Business areas

MSEK	Jul-Sep 2019	Apr-Jun 2019	Jan-Mar 2019	Oct-Dec 2018	Jul-Sep 2018	Apr-Jun 2018	Jan-Mar 2018	Oct-Dec 2017	Jul-Sep 2017
Net sales									
Construction	6,520	7,782	6,743	8,182	6,172	7,423	6,563	7,631	5,721
Civil Engineering	3,257	3,374	2,916	4,189	3,301	3,439	2,816	3,787	2,819
Industry	3,820	3,697	2,230	3,803	3,723	3,580	2,178	3,684	3,420
Project Development	1,715	2,068	1,863	1,904	1,878	1,775	2,287	2,205	1,926
– of which Property Development	180	254	173	194	217	171	156	117	131
– of which Housing Development	1,535	1,814	1,690	1,710	1,661	1,604	2,131	2,088	1,795
Group functions	289	287	275	223	276	285	259	262	242
Eliminations	-2,600	-2,872	-2,668	-3,456	-2,905	-3,049	-2,613	-3,079	-2,533
Group	13,001	14,336	11,359	14,845	12,445	13,453	11,490	14,490	11,595
Operating profit									
Construction	150	199	156	207	142	178	143	180	121
Civil Engineering	76	124	36	145	98	130	42	136	89
Industry	361	258	-44	401	352	262	-38	302	342
Project Development	183	371	178	245	165	174	201	246	174
– of which Property Development	35	195	46	69	38	13	50	6	-3
– of which Housing Development	148	176	132	176	127	161	151	240	177
Group functions	-9	-89	-48	-155	-9	-55	-55	-128	-4
Eliminations	-34	-42	-13	20	-5	-12	-3	17	-8
Group	727	821	265	863	743	677	290	753	714
Operating margin, %									
Construction	2.3	2.6	2.3	2.5	2.3	2.4	2.2	2.4	2.1
Civil Engineering	2.3	3.7	1.2	3.5	3.0	3.8	1.5	3.6	3.2
Industry	9.5	7.0	-2.0	10.5	9.5	7.3	-1.7	8.2	10.0
Project Development	10.7	17.9	9.6	12.9	8.8	9.8	8.8	11.2	9.0
– of which Property Development	19.4	76.8	26.6	35.6	17.5	7.6	32.1	5.1	-2.3
– of which Housing Development	9.6	9.7	7.8	10.3	7.6	10.0	7.1	11.5	9.9
Group functions									
Eliminations									
Group	5.6	5.7	2.3	5.8	6.0	5.0	2.5	5.2	6.2
Order situation, MSEK									
Orders received	9,349	10,817	11,868	10,451	11,473	16,257	12,906	13,039	10,651
Order backlog at the end of the period	43,821	45,873	47,532	45,819	48,036	47,453	43,055	40,205	40,211

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 54 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.