

Half-year report

JANUARY – JUNE 2023



Student Housing, Tyssija
Turku, Finland



PEAB
THE NORDIC COMMUNITY BUILDER

The trend of a divided market continues

In this report amounts and comments are based on segment reporting if not otherwise specified. The Group has different accounting principles in segment reporting compared to reporting according to IFRS for our own housing development projects and for IFRS 16 (previously operational leasing contracts). For more information on our accounting principles and the differences between segment reporting and reporting according to IFRS, see note 1 and 3. For information on alternative performance measures, see the section Alternative performance measures and definitions.

Summary according to segment reporting

April – June 2023

- Arbitration in the case of Mall of Scandinavia (MoS) has been decided
- Net sales SEK 15,756 million (16,858)
- Operating profit excl. MoS SEK 690 million (885). Operating profit SEK 1,090 million
- Operating margin excl. MoS 4.4 percent (5.2). Operating margin 6.9 percent
- Pre-tax profit excl. MoS SEK 616 million (881). Pre-tax profit SEK 1,406 million
- Earnings per share excl. MoS SEK 1.68 (2.36). Earnings per share SEK 3.86
- Orders received SEK 12,505 million (14,334)
- Cash flow before financing SEK -2,321 million (-1,540)

January – June 2023

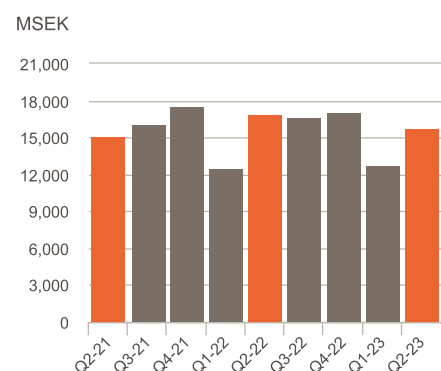
- Net sales SEK 28,446 million (29,402)
- Operating profit excl. MoS SEK 534 million (895). Operating profit SEK 934 million
- Operating margin excl. MoS 1.9 percent (3.0). Operating margin 3.3 percent
- Pre-tax profit excl. MoS SEK 420 million (889). Pre-tax profit SEK 1,210 million
- Earnings per share excl. MoS SEK 1.14 (2.40). Earnings per share SEK 3.32
- Orders received SEK 23,547 million (29,709)
- Order backlog SEK 43,638 million (49,899)
- Cash flow before financing SEK -3,229 million (-1,863)
- Net debt SEK 11,717 million (6,333)
- Net debt/equity ratio 0.8 (0.5)

Group

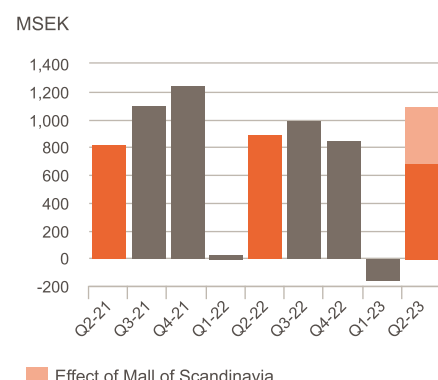
MSEK	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022	Jul-Jun 2022/2023	Jan-Dec 2022
Segment reporting						
Net sales	15,756	16,858	28,446	29,402	62,179	63,135
Operating profit	1,090	885	934	895	2,780	2,741
Operating margin, %	6.9	5.2	3.3	3.0	4.5	4.3
Pre-tax profit	1,406	881	1,210	889	2,991	2,670
Profit for the period	1,110	694	956	707	2,286	2,037
Earnings per share, SEK	3.86	2.36	3.32	2.40	7.90	6.98
Return on equity, % ¹⁾	15.5	18.5	15.5	18.5	15.5	14.0
Return on capital employed, % ¹⁾	12.7	15.3	12.7	15.3	12.7	12.2
Net debt	11,717	6,333	11,717	6,333	11,717	6,899
Net debt/equity ratio, multiple	0.8	0.5	0.8	0.5	0.8	0.5
Equity/assets ratio, %	31.5	32.8	31.5	32.8	31.5	34.7
Cash flow before financing	-2,321	-1,540	-3,229	-1,863	-3,321	-1,955
Average number of employees	13,805	13,942	13,538	13,453	14,256	14,211
Reporting according to IFRS						
Net sales, IFRS	16,098	16,458	29,076	28,595	62,414	61,933
Operating profit, IFRS	1,197	775	1,204	755	3,006	2,557
Pre-tax profit, IFRS	1,503	761	1,458	726	3,172	2,440
Profit for the period, IFRS	1,188	590	1,153	562	2,422	1,831
Earnings per share, IFRS, SEK	4.13	2.01	4.01	1.91	8.37	6.27
Net debt, IFRS	19,743	15,869	19,743	15,869	19,743	16,681
Equity/assets ratio, IFRS, %	25.9	25.5	25.9	25.5	25.9	27.0
Cash flow before financing, IFRS	-1,373	-2,398	-1,552	-3,175	-1,536	-3,159

¹⁾ Calculated on rolling 12 months

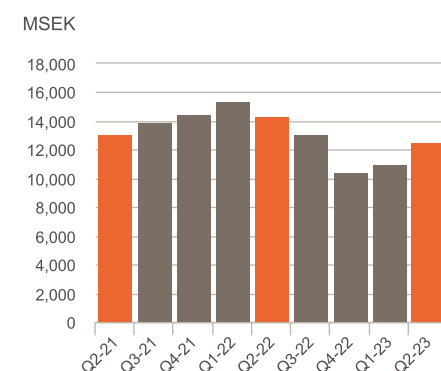
Net sales



Operating profit



Orders received



Comments from the CEO

The trend of a divided market continues. Investments in public building construction and civil engineering are developing well while the housing market continues to be weak. We were successful in arbitration of the prolonged dispute over the contract Mall of Scandinavia in Solna, which had a positive effect on profit for Peab in the second quarter.

Group development

Group net sales contracted by three percent during the first half-year 2023 and amounted to SEK 28,446 million (29,402). At the end of the quarter a decision in arbitration of the prolonged dispute over the contract Mall of Scandinavia (MoS) was handed down and entailed a positive effect on profit for Peab in the second quarter. Operating profit excluding the effect of MoS was SEK 534 million (895) and SEK 934 million including it. The operating margin excluding the effect of MoS was 1.9 percent (3.0) and 3.3 percent including it. The low level of activity in business area Project Development with diminished home sales and few production-starts of new housing projects affects both our ability to generate profits and our indebtedness. Net debt was SEK 11,717 million (6,333).

Business area development

Net sales in business area Construction and Civil Engineering increased by four respectively three percent during the first half-year. The portion of housing in net sales in business area Construction has contracted as a result of the weak demand for housing projects. All in all the operating margin for the construction contract businesses amounted to 2.3 percent (2.5).

Net sales in business area Industry contracted by six percent during the first half-year. The operating margin was -1.3 percent (-0.6) and the negative operating profit refers to Paving where the season did not begin until the second quarter. Operations in Industry have continued to handle the high energy and fuel prices through prices to customers as well as adapting and streamlining operations.

In business area Project Development net sales contracted by 23 percent as a result of the weak demand for homes throughout the entire Nordic region. Few sold homes and very few production-starts of our own housing developments contributed to the lower operating profit in Housing Development. The operating margin in Housing Development contracted to 6.5 percent (11.2).

The total number of our own housing development start-ups was 483 (1,552) during the first half-year, of which 81 (1,252) were tenant-owner apartments/condominiums and 402 (300) were homes in rental apartment projects on our own balance sheet. The number of sold homes was 451 (1,245), of which 188 (1,245) were tenant-owner apartments/condominiums and 263 (-) were homes in rental apartment projects. The portion of sold tenant-owner apartments/condominiums in ongoing production amounted to 67 percent (75) as of June 30, 2023.

Order situation

The level of orders received contracted in the first half-year and amounted to SEK 23.5 billion (29.7). The decrease is mainly due to the very low demand for housing projects, although the level of orders received in all business areas was down. We have also been more selective about the tenders Paving in Norway submitted. There has been a good level of orders received from the public sector in the period. Order backlog yet to be produced at the end of the period was SEK 43.6 billion (49.9).

Target outcome

We are reporting the outcome for four of our nine external targets this quarter: serious accidents, attractive employer (eNPS), operating margin and net debt/equity ratio. The number of serious accidents, calculated on rolling 12 months, amounted to 43 (48 per June 30, 2022) of which 27 referred to our own employees and 16 referred to subcontractors. We can discern a trend in the right direction but work on our safety culture will continue with full force. Our preventive work concerning the work environment and measures to prevent accidents reoccurring as well as continuous information are key to reducing the number of workplace accidents.

In the spring survey our eNPS score fell by two points to 27 (29). This is good result despite a tough market situation and well above the Nordic benchmark which is currently 21 (22). Our employees continue to be satisfied at work and the eNPS score is on the rise among skilled workers in almost all of the organization, with the most positive changes in Denmark. This is gratifying.



Our three financial targets are based over time and in a normal business cycle. One of them is to have an operating margin that surpasses six percent. Calculated on rolling 12 months, the operating margin excluding MoS at the end of the second quarter was 3.8 percent. It is clearly affected by the high cost of inflation and the deteriorated market situation, particularly the housing market. Our second financial target, the net debt/equity ratio, was 0.8 at the end of the second quarter, which is outside of the target interval 0.3-0.7. The increase in net debt is due to more capital tied up in unsold homes in ongoing production, a higher level of repurchased homes, investments in our own balance sheet and paid dividends.

New basic financing

Peab has entered agreements with four Nordic banks for new credit facilities divided into two contracts for a total of SEK 7.4 billion during the quarter. The credit agreements refinance existing credit facilities and make up Peab's long-term basic financing, which gives us stability for three years with an option of two more years.

Market and prospects for the future

According to external analysts market prospects for the Nordic region in construction and civil engineering, with the exception of Norway, are trending downward in 2023. However, in areas like public building construction, civil engineering and investments connected to green transition demand is expected to continue to be more stable. Higher interest rates and high inflation make it harder to make calculations come out ahead. Regarding housing, hardly any new projects are starting up on the market. This means that for us as major project developers and housing builders in Sweden, Norway and Finland we cannot compensate the reduced demand on the housing market with other kinds of projects. Considering the underlying need for housing in the Nordic region, drastically reducing the number of homes being built is not a good development. This raises the question once again about the solution to long-term management of supplying housing, particularly in Sweden. As far as Peab is concerned we have a well-dimensioned development rights portfolio in attractive locations and while we wait for the market to recover we are further developing and preparing projects for the future.

We continue to manage the remaining parts of cost increases resulting from Russia invading Ukraine. Considering the tough price pressure on the market it is vital that there is balance between prices and risks in projects we undertake. While waiting for the housing market and other private construction to scale up again we are adapting our business through continued intense focus on costs and showing caution regarding investments.

Our broad offer to the market is a strength for us in the current market situation. Our solid business model with four collaborating business areas and extensive Nordic local presence and naturally our skilled employees make us less vulnerable when the market dips. In the long run the conditions for growth in the segments and markets where we are active are good.

*Jesper Göransson
President and CEO*

Net sales and profit

April – June 2023

Group net sales during the second quarter 2023 decreased by seven percent and amounted to SEK 15,756 million (16,858).

Net sales in business area Construction was slightly lower compared to the second quarter last year, while the business area Civil Engineering had an unchanged net sales. Net sales in business area Industry decreased by twelve percent in the second quarter. The reduction is mainly related to Paving. In business area Project Development net sales decreased by 21 percent. The weak demand for housing throughout the Nordic region has affected net sales in Housing Development.

A decision in the case between Peab and Unibail Rodamco Westfield regarding the contract for Mall of Scandinavia (MoS) in Solna was handed down on June 30, 2023. The judgement had a positive effect on the operating profit of SEK 400 million in the second quarter. Operating profit for the second quarter 2023 excl. MoS amounted to SEK 690 million (885) and the operating margin excl. MoS was 4.4 percent (5.2). Operating profit amounted to SEK 1,090 million and the operating margin was 6.9 percent.

In business area Construction the operating margin excl. MoS was 1.9 percent compared to 2.3 percent for the same quarter the last year. In business area Civil Engineering the operating margin was 3.9 percent (3.8). All in all the operating margin for the construction contract businesses amounted to 2.6 percent (2.8). We continue to experience some dilution of the operating margin as a result of the high cost of material and energy in contracts received before the war broke out in Ukraine. In the business area Industry the operating profit amounted to SEK 333 (341) million and the operating margin improved to 6.2 percent (5.6). The operating margin increased in the quarter in most of the product areas. Operating profit in business area Project Development was lower in both Housing Development and Property Development. The continued weak demand for housing has led to fewer sold homes and there were no production start ups of tenant-owner/condominium housing projects during the quarter, which has affected operating profit negatively in Housing Development. The operating margin in Housing Development was 5.7 percent (11.9). In Property Development, profit contributions from partially owned companies were somewhat lower compared to the same quarter last year. Capital gains from real estate transactions affected Property Development positively by SEK 7 million (9).

Depreciation and write-downs for the second quarter were SEK -349 million (-328).

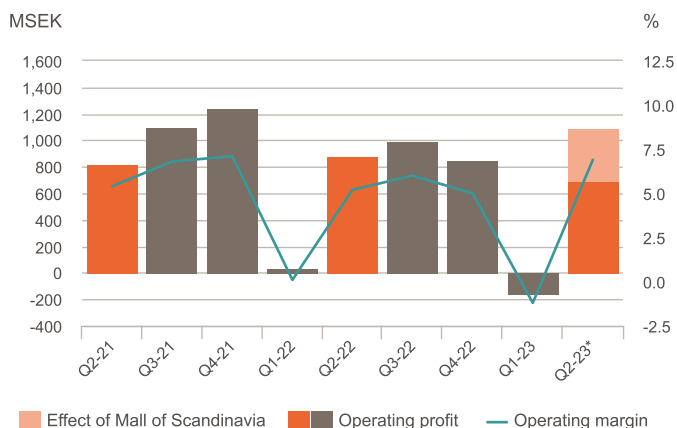
Elimination and reversal of internal profit in our own projects have affected operating profit during the quarter net by SEK -16 million (2).

Net financial items excl. MoS amounted to SEK -74 million (-4) of which net interest was SEK -103 million (-21). Net financial items include a positive effect of SEK 390 million as a result of the arbitration decision in MoS. Net financial items amounted to SEK 316 million.

Pre-tax profit excl. MoS was SEK 616 million (881). Pre-tax profit was SEK 1,406 million.

Profit for the period excl. MoS was SEK 483 million (694). Profit for the period was SEK 1,110 million.

Operating profit and operating margin, per quarter



* Operating margin exclusive effect of MoS was 4.4%



Stridsberg Bridge
Trollhättan

January – June 2023

Group net sales for the first half-year 2023 contracted by three percent and amounted to SEK 28,446 million (29,402). After adjustments for acquired and divested units and exchange rate effects net sales decreased by four percent. Of the period's net sales SEK 7,527 million (7,968) were attributable to sales and production outside Sweden. Net sales during the latest rolling 12 month period were SEK 62,179 million compared to SEK 63,135 million for the full year 2022. The proportion of public sector customers increased in total net sales calculated on a rolling 12 month period and was 46 percent (41) while private customers represented 54 percent (59).

Net sales in business area Construction increased by four percent during the first half year. The portion of homes in net sales has contracted due to the weak demand in housing projects. Net sales in business area Civil Engineering increased by three percent. Net sales in business area Industry decreased by six percent due to lower net sales in Paving and Concrete. In business area Project Development net sales decreased by 23 percent. The weak demand for housing throughout the Nordic region has affected net sales in Housing Development.

A decision in the case between Peab and Unibail Rodamco Westfield regarding the contract for Mall of Scandinavia (MoS) in Solna was handed down on June 30, 2023. The judgement had a positive effect on the operating profit of SEK 400 million in the second quarter. Operating profit for the first half-year 2023 excl. MoS amounted to SEK 534 million (895) and the operating margin excl. MoS was 1.9 percent (3.0). Operating profit amounted to SEK 934 million and the operating margin was 3.3 percent. In the latest rolling 12 month period the operating margin amounted to 4.5 percent compared to 4.3 percent for the entire year of 2022.

In business area Construction the operating margin excl. MoS was 2.0 percent (2.3). In business area Civil Engineering the operating margin was unchanged at 2.9 percent (2.9). All in all the operating margin for the construction contract businesses amounted to 2.3 percent (2.5). We continue to experience some dilution of the operating margin as a result of the high cost of material and energy in contracts received before the war broke out in Ukraine. Operating profit in business area Industry was lower during the first half-year compared to same period last year. The operating margin in Industry amounted to -1.3 percent (-0.6). Operations in Industry have a very clear seasonal pattern, especially in Paving, where the first quarter is characterized by substantial deficits since the season begins in the second quarter. Operating profit in business area Project Development was lower in both Housing Development and Property Development. The weak demand for housing throughout the Nordic region has led to fewer sold homes and production-started housing projects, which has affected operating profit negatively in Housing Development.

The operating margin in Housing Development was 6.5 percent (11.2). In Property Development, profit contributions from partially owned companies was somewhat lower compared to the same period last year. Capital gains from real estate transactions was SEK 8 million (22).

Depreciation and write-downs for the first half year were SEK -692 million (-648).

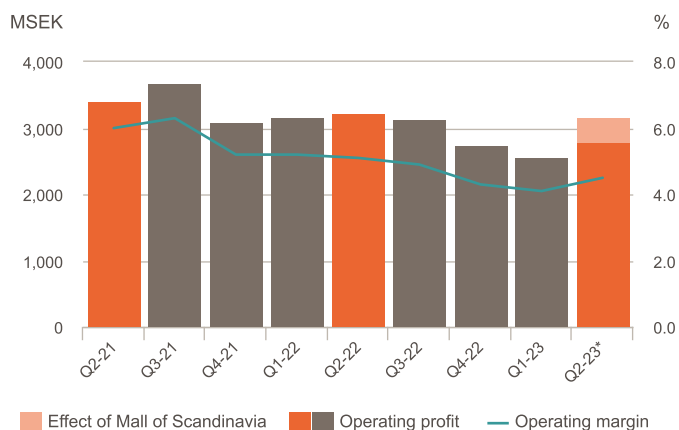
Elimination and reversal of internal profit in our own projects have affected operating profit during the period net by SEK -12 million (-23).

Net financial items excl. MoS amounted to SEK -114 million (-6) of which net interest was SEK -171 million (-33). Net financial items include a positive effect of SEK 390 million as a result of the arbitration decision in MoS. Net financial items amounted to SEK 276 million.

Pre-tax profit excl. MoS was SEK 420 million (889). Pre-tax profit was SEK 1,210 million.

Profit for the period excl. MoS was SEK 329 million (707). Profit for the period was SEK 956 million.

Operating profit and operating margin, rolling 12 months



* Operating margin exclusive effect of MoS was 3.8%

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.



Brf Å-promenaden
Nyköping

Financial position and cash flow

Financial position

Total assets according to segment reporting per June 30, 2023 were SEK 46,886 million (42,260). Equity amounted to SEK 14,770 million (13,868), which means the equity/assets ratio was 31.5 percent (32.8).

Interest-bearing net debt amounted to SEK 11,717 million (6,333) on June 30, 2023. The increase in net debt refers to more tied up working capital mainly in business areas Project Development and Industry, and higher investments in machines and production facilities. Net debt includes project financing of the unsold part of our own housing developments as long as they are in production. The unsold part was SEK 2,868 million (1,705) and the increase is due to an increase in capital tied up in unsold homes in ongoing production compared to the same period last year. During the second quarter, paid dividends of SEK 1,150 million (1,475) raised the net debt. The average interest rate in the loan portfolio, including derivatives, was 5.0 percent (1.7) on June 30, 2023.

Group liquid funds according to IFRS, including unutilized credit facilities but excluding project financing, were SEK 5,014 million at the end of the period compared to SEK 7,640 million on December 31, 2022.

As a consequence of Peab consolidating Swedish tenant-owner associations per January 1, 2020 according to IFRS, surety for tenant-owner associations under production is not reported. When homebuyers take possession of their apartments and the tenant-owner association is no longer consolidated in Peab's accounts, Peab then reports the part of surety that covers unsold homes. Peab has a guarantee obligation to acquire unsold homes six months after completion. Group contingent liabilities, excluding joint and several liabilities in trading and limited partnerships, amounted to SEK 2,644 million at the end of the period compared to SEK 2,801 million on December 31, 2022. Surety for credit lines in tenant-owner associations regarding the unsold part after deconsolidation made up SEK 100 million of contingent liabilities compared to SEK 97 million on December 31, 2022.

Investments and divestments

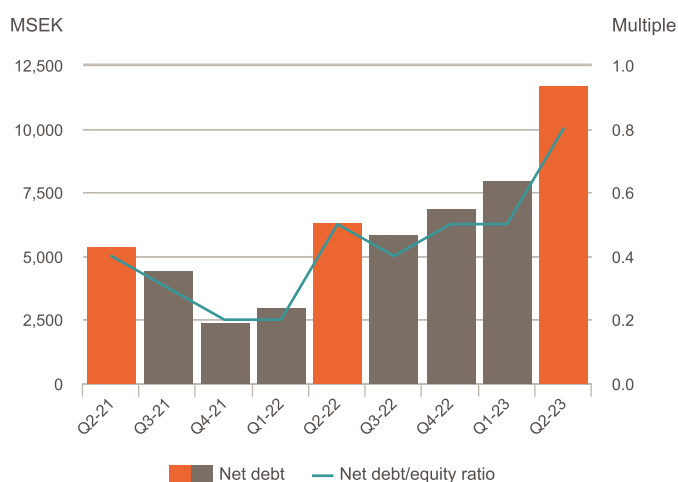
During the quarter tangible and intangible fixed assets were net invested for SEK 623 million (480). The investments refer mainly to investments in machines as well as construction of production facilities for concrete elements in business area Industry. During January-June 2023 tangible and intangible fixed assets were net invested for SEK 1,013 million (817).

Net investments in project and development properties, which are recognized as inventory items, totaled SEK 789 million (422) during the quarter. The investments refer mainly to development rights, construction of rental apartment projects as well as a more tied-up capital of unsold apartments in our own housing developments. Net investments in project and development properties, which are recognized as inventory items, totaled SEK 1,483 million (689) during January-June 2023.

Net debt

MSEK	Jun 30 2023	Jun 30 2022	Dec 31 2022
Bank loans	7,474	3,466	4,075
Commercial papers	202	309	167
Bonds	3,277	2,747	2,747
Financial leasing liabilities	769	699	762
Project financing, unsold part of housing projects	2,868	1,705	2,209
Other interest-bearing liabilities	46	34	62
Interest-bearing receivables	-1,552	-1,308	-1,617
Liquid funds	-1,367	-1,319	-1,506
Net debt, segment reporting	11,717	6,333	6,899
Additional leasing liabilities according to IFRS 16	1,482	1,618	1,749
Project financing, sold part of housing projects	6,544	7,918	8,033
Net debt, IFRS	19,743	15,869	16,681

Net debt and net debt/equity ratio



Quay renovation
Klara Mälarstrand

Cash flow

April – June 2023

Cash flow from current operations was SEK -1,886 million (1,189), of which cash flow from changes in working capital was SEK -2,452 million (-2,145). The negative cash flow from changes in working capital mainly refers to business area Project Development where investments in project and development property in the form of more rental apartment projects and an increase in capital tied up in unsold homes in our own housing developments tie up a lot of capital. In addition, this is the start of the paving season in business area Industry, which entails a build up of working capital.

Cash flow from investment activities was SEK -435 million (-351). Investments during the quarter consisted of machine investments and investments in production facilities in Construction System in business area Industry.

Cash flow before financing was SEK -2,321 million (-1,540).

Cash flow from financing operations amounted to SEK 1,974 million (-89), of which paid dividends were SEK -1,150 million (-1,475). During second quarter 2022 repurchases of own shares were made by SEK -125 million.

January – June 2023

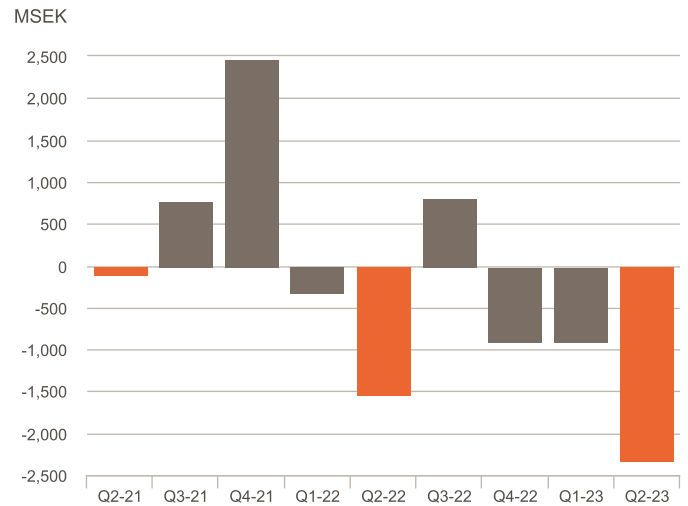
Cash flow from current operations amounted to SEK -2,587 million (-1,519), of which cash flow from changes in working capital was SEK -3,005 million (-2,435). The negative cash flow from changes in working capital mainly refers to business area Project Development where investments in project and development property in the form of more rental apartment projects and an increase in capital tied up in unsold homes in our own housing developments tie up a lot of capital. In addition, this is the start of the paving season in business area Industry, which entails a build up of working capital.

Cash flow from investment activities was SEK -642 million (-344). Investments during the period consisted of machine investments and investments in production facilities in Construction System in business area Industry.

Cash flow before financing was SEK -3,229 million (-1,863).

Cash flow from financing operations amounted to SEK 3,085 million (218), of which paid dividends were SEK -1,150 million (-1,475). During first half-year 2022 repurchases of own shares were made by SEK -125 million.

Cash flow before financing



New Psychiatry
Kalmar

Order situation

April – June 2023

The level of orders received in the second quarter 2023 amounted to SEK 12,505 million (14,334). The reduction is primarily attributable to business area Project Development where there have been no tenant-owner apartment/condominium production start-ups during the quarter. The level of orders received from public customers continued to be good in the quarter.

January – June 2023

The level of orders received in the first half-year 2023 contracted and amounted to SEK 23,547 million (29,709). The level of orders received in all business areas was lower compared to the first half-year 2022, although the reduction is primarily attributable to business area Project Development. The weak demand for housing has led to fewer tenant-owner apartment/condominium production start-ups, which has had a negative effect on orders received.

In business area Industry we have also been more selective about tenders submitted by Paving in Norway. In the orders received for the Group the first half-year, there is a large portion of projects for the public sector.

Order backlog yet to be produced at the end of the period amounted to SEK 43,638 million compared to SEK 49,899 million at the end of corresponding period last year. Of the total order backlog, 56 percent (57) will be produced after 2023 (2022). Swedish operations accounted for 79 percent (76) of order backlog.

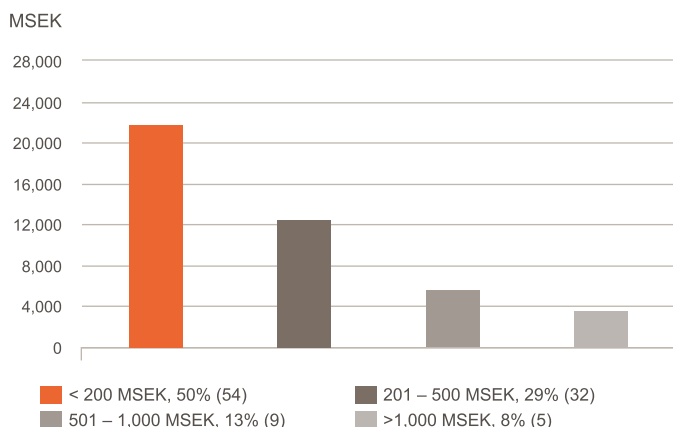
Orders received

MSEK	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022	Jul-Jun 2022/2023	Jan-Dec 2022
Construction	6,563	6,926	11,367	12,921	26,178	27,732
Civil Engineering	3,891	4,375	8,333	9,355	13,855	14,877
Industry	3,159	3,614	5,848	7,449	11,187	12,788
Project Development	60	1,530	203	4,025	2,197	6,019
Eliminations	-1,168	-2,111	-2,204	-4,041	-6,320	-8,157
Group	12,505	14,334	23,547	29,709	47,097	53,259

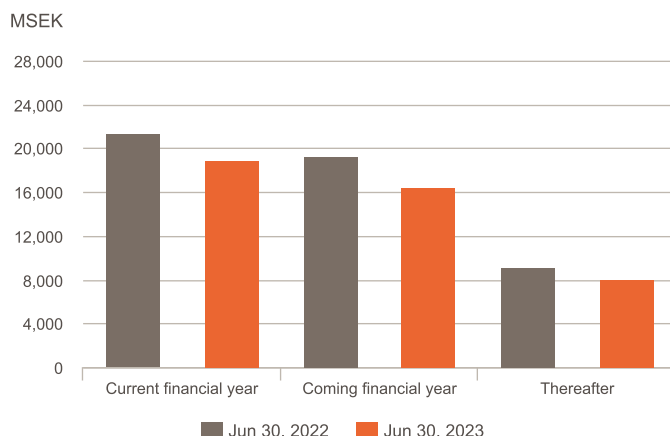
Order backlog

MSEK	Jun 30 2023	Jun 30 2022	Dec 31 2022
Construction	25,848	28,839	29,064
Civil Engineering	15,075	16,408	13,939
Industry	6,077	6,973	4,273
Project Development	3,080	6,698	5,447
Eliminations	-6,442	-9,019	-8,334
Group	43,638	49,899	44,389

















Project size of order backlog, June 30, 2023



Order backlog allocated over time



We received a number of major construction projects and contracts in the second quarter, including:

-  Continue extending Trollhättan's wastewater treatment plant. The customer is Trollhättan Energi AB. The contract is worth SEK 355 million.
-  Renovation of rental apartments for Helsingin kaupungin asunnot Oy (HEKA) in Herttoniemi in Helsinki. The contract is worth EUR 18 million.
-  Renovation and extension of Lärkan High School in Helsinki. The customer is the City of Helsinki. The contract is worth EUR 18 million.
-  Construction of the new National Archives in Härnösand. The customer is Specialfastigheter. The contract is worth SEK 800 million.
-  Construction of an apartment building for Verkkosaari in Helsinki. The customer is Helsinki City's ATT. The contract is worth EUR 17 million.
-  Construction of a new swimming pool and sports hall in Haparanda in partnering with the customer, Haparanda Municipality. The contract is worth SEK 209 million.
-  Construction of a new test track for autonomous and electrified vehicles in Södertälje. The customer is Scania Industrial Maintenance AB. The contract is worth SEK 730 million.
-  Renovation of classrooms and expansion of the restaurant at the University of Vaasa in Vaasa. The customer is Vaasan Merikampus Oy. The contract is worth EUR 10 million.
-  Commission to convert an old office building into homes in Helsinki. The customer is SL-Yhtiöt Oy. The contract is worth EUR 19 million.
-  Construction of a new fire and rescue station in the borough of Mellunkylä in Helsinki. The customer is Helsinki City. The contract is worth EUR 10 million.
-  Renovation of sections of the University Hospital of Umeå (NUS). The customer is Region Västerbotten. The contract is worth SEK 297 million.
-  Renovation and extension of the school in Ås. The customer is Krokomböle Municipality. The contract is worth SEK 111 million.
-  Rebuilding the Kumla School in Tyresö, south of Stockholm. The customer is Tyresö Municipality. The contract is worth SEK 109 million.
-  Commission to install water and sewer lines for the industrial area Torsboda Industrial Park in Timrå Municipality. The customer is MittSverige Vatten & Avfall AB. The contract is worth SEK 400 million.
-  Construction of three logistics facilities in Helsingborg. The customer is Catena. The contract is worth SEK 700 million.
-  Construction of a new police station in the Gothenburg area. The customer is Specialfastigheter. The contract is worth SEK 207 million.

A number of our own housing developments were production-started in the second quarter, including:

-  Röda Hallonet in Umeå comprises 64 apartments. The building will be Swan eco-labeled and the entire project is focused on energy efficiency measures, eco-labeled electricity, solar panels and sustainable material choices. ECO-Betong (ECO-Concrete) is used in casting the foundation slab. The project is expected to be completed in the third quarter 2024. The project is not included in orders received since it is being built on our own balance sheet as an apartments for rent apartment building.
-  Bergahöjden in Österåker comprises 121 apartments. The building will be Swan eco-labeled and will be built with solar panels on the roof, a bicycle pool with cargo bikes and a car pool with electric cars. The project is expected to be completed in the second quarter 2025. The project is not included in orders received since it is being built on our own balance sheet as an apartments for rent apartment building.

We received a number of federal and municipal paving contracts in the second quarter, including:

-  Two-year municipal contract in Seinäjoki worth EUR 6.5 million with an option for an extension of 1 plus 1 years.
-  Two-year municipal contract in Oulu worth EUR 6.5 million.
-  One-year federal contract in North Ostrobothnia worth EUR 5.0 million.
-  One-year federal contract in Central Finland worth EUR 5.0 million.
-  One-year federal contract in south and southeast Finland worth EUR 4.5 million.
-  One-year federal contract in North Savo worth EUR 4.1 million.
-  One-year municipal contract in Gothenburg worth SEK 18 million.
-  Two-year federal contract in Troms County worth NOK 122 million.
-  One-year federal contract in Viken County worth NOK 54 million.
-  One-year federal contract in Viken County worth NOK 52 million.
-  One-year federal contract in Inland County worth NOK 38 million.
-  One-year federal contract in Troms County worth NOK 29 million.
-  One-year federal contract in Hordaland County worth NOK 28 million.
-  One-year municipal contract in Region North worth DKK 9 million.

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.

For more information regarding the differences between segment reporting and reporting according to IFRS, see note 1 and note 3.

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 AB, Peab Support (Shared Service Center) and Peab Utveckling AB.

Net sales and operating profit per business area

MSEK	Net sales						Operating profit					
	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022	Jul-Jun 2022/2023	Jan-Dec 2022	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022	Jul-Jun 2022/2023	Jan-Dec 2022
Construction	7,540	7,628	14,962	14,363	29,598	28,999	141	177	303	337	595	629
Civil Engineering	3,891	3,893	7,219	6,976	15,208	14,965	152	148	211	201	504	494
Industry	5,347	6,108	8,126	8,679	20,880	21,433	333	341	-102	-55	700	747
Project Development	1,569	1,977	3,410	4,441	7,630	8,661	114	264	241	553	815	1,127
– of which Property Development	65	120	74	179	389	494	29	43	23	77	133	187
– of which Housing Development	1,504	1,857	3,336	4,262	7,241	8,167	85	221	218	476	682	940
Group functions	390	385	767	743	1,556	1,532	-34	-47	-107	-118	-187	-198
Eliminations	-2,981	-3,133	-6,038	-5,800	-12,693	-12,455	-16	2	-12	-23	-47	-58
Group, segment reporting excl. MoS	15,756	16,858	28,446	29,402	62,179	63,135	690	885	534	895	2,380	2,741
Construction – effect Mall of Scandinavia (MoS)							400		400		400	
Group, segment reporting	15,756	16,858	28,446	29,402	62,179	63,135	1,090	885	934	895	2,780	2,741
Adjustment housing to IFRS	342	-400	630	-807	235	-1,202	98	-119	251	-158	190	-219
IFRS 16, additional leases	–	–	–	–	–	–	9	9	19	18	36	35
Group, IFRS	16,098	16,458	29,076	28,595	62,414	61,933	1,197	775	1,204	755	3,006	2,557
<i>Of which construction contract businesses according to segment reporting excl. MoS (Construction and Civil Engineering)</i>	<i>11,431</i>	<i>11,521</i>	<i>22,181</i>	<i>21,339</i>	<i>44,806</i>	<i>43,964</i>	<i>293</i>	<i>325</i>	<i>514</i>	<i>538</i>	<i>1,099</i>	<i>1,123</i>

Percent	Operating margin					
	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022	Jul-Jun 2022/2023	Jan-Dec 2022
Construction	1.9	2.3	2.0	2.3	2.0	2.2
Civil Engineering	3.9	3.8	2.9	2.9	3.3	3.3
Industry	6.2	5.6	-1.3	-0.6	3.4	3.5
Project Development	7.3	13.4	7.1	12.5	10.7	13.0
– of which Property Development	44.6	35.8	31.1	43.0	34.2	37.9
– of which Housing Development	5.7	11.9	6.5	11.2	9.4	11.5
Group functions						
Eliminations						
Group, segment reporting excl. MoS	4.4	5.2	1.9	3.0	3.8	4.3
Group, segment reporting	6.9	5.2	3.3	3.0	4.5	4.3
Adjustment housing to IFRS						
IFRS 16, additional leases						
Group, IFRS	7.4	4.7	4.1	2.6	4.8	4.1
<i>Of which construction contract businesses according to segment reporting excl. MoS (Construction and Civil Engineering)</i>	<i>2.6</i>	<i>2.8</i>	<i>2.3</i>	<i>2.5</i>	<i>2.5</i>	<i>2.6</i>

Business area Construction

With local roots close to customers business area Construction does 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 region, organized in twelve 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 a nationwide organization in Sweden focused on the big city areas. Other regions are responsible for all types of construction projects in their geographic area.

Net sales and profit

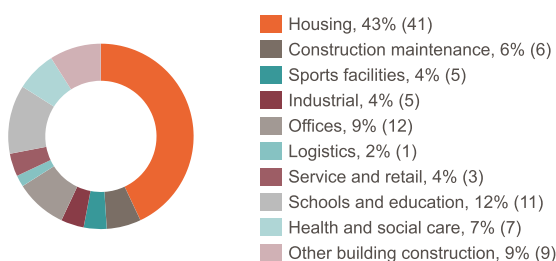
April – June 2023

Net sales for the second quarter 2023 amounted to SEK 7,540 million (7,628). Operating profit excl. MoS amounted to SEK 141 million (177) and the operating margin was 1.9 percent (2.3).

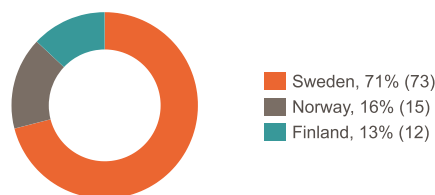
A decision in the case between Peab and Unibail Rodamco Westfield regarding the contract for Mall of Scandinavia in Solna was handed down on June 30, 2023. The judgement had a positive effect on the operating profit of SEK 400 million in the second quarter. For more information see Significant events. Operating profit amounted to SEK 541 million and the operating margin was 7.2 percent.

Net sales

per product area, rolling 12 months

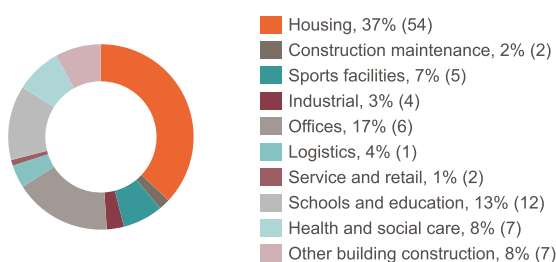


per geographic market, rolling 12 months

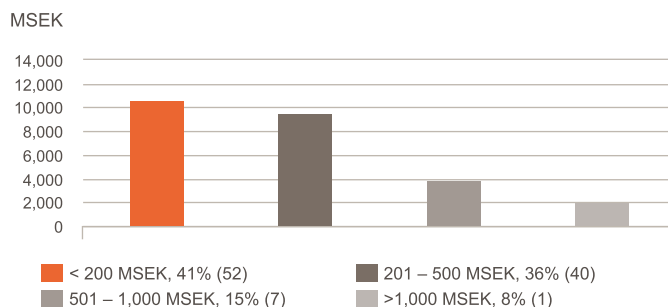


Order backlog, June 30, 2023

per product area



per project size



Key ratios

	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022	Jul-Jun 2022/2023	Jan-Dec 2022
Net sales, MSEK	7,540	7,628	14,962	14,363	29,598	28,999
Operating profit excl. MoS, MSEK	141	177	303	337	595	629
Operating margin excl. MoS, %	1.9	2.3	2.0	2.3	2.0	2.2
Operating profit, MSEK	541	177	703	337	995	629
Operating margin, %	7.2	2.3	4.7	2.3	3.4	2.2
Orders received, MSEK	6,563	6,926	11,367	12,921	26,178	27,732
Order backlog, MSEK	25,848	28,839	25,848	28,839	25,848	29,064
Operating cash flow, MSEK	-461	-348	-236	-167	-148	-79
Average number of employees	5,087	5,200	5,150	5,106	5,249	5,227

January – June 2023

Net sales for the first half-year 2023 increased by four percent and amounted to SEK 14,962 million (14,363). Housing generated the largest portion of net sales with 43 percent (41) calculated on a rolling 12 months.

Operating profit excl. MoS amounted to SEK 303 million (337) and the operating margin was 2.0 percent (2.3). The operating margin for the latest rolling 12 month period was 2.0 percent compared to 2.2 percent for the entire year 2022. The high costs of material and energy in contracts received before the war broke out in Ukraine has resulted in dilution of the operating margin in all our countries. Operating profit amounted to SEK 703 million and the operating margin was 4.7 percent.

Orders received and order backlog

April – June 2023

The level of orders received contracted during the second quarter and amounted to SEK 6,563 million (6,926). There is a smaller portion of housing projects in orders received. In the second quarter orders from public customers continued to be good.

January – June 2023

Orders received during the first half-year were SEK 11,367 million (12,921). There is a greater portion of other building construction and a smaller portion of housing projects in orders received. Order backlog on June 30, 2023 amounted to SEK 25,848 million (28,839). The portion of housing projects in order backlog has contracted and represented 37 percent (54).

Business area Civil Engineering

Business area Civil Engineering is a leading player in Sweden and one of the larger players in Norway. Civil Engineering works with landscaping and pipelines, builds and maintains roads, railroads, bridges and other infrastructure as well as does foundation work. Operations are organized in geographic regions and the specialized product areas Local market, Infrastructure and heavy construction and Operation and maintenance.

Local market works with landscaping and pipelines, does foundation work and builds different kinds of facilities as well as offers services in power and electricity distribution. Infrastructure and heavy construction builds roads, railroads, bridges, tunnels and ports. Operation and maintenance maintains federal and municipal road and street networks, tends parks and outdoor property as well as maintains water and wastewater networks.

Net sales and profit

April – June 2023

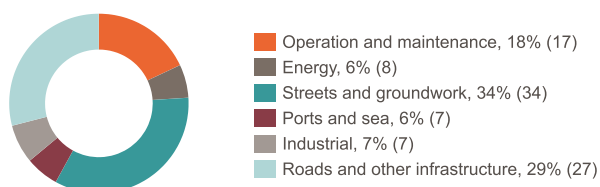
Net sales for the second quarter 2023 was unchanged and amounted to SEK 3,891 million (3,893). Operating profit was SEK 152 million (148) and the operating margin was 3.9 percent (3.8).

January – June 2023

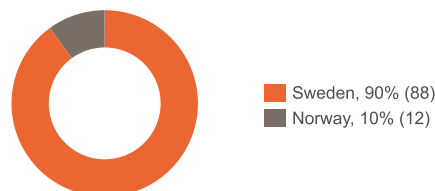
Net sales during the first half-year 2023 increased by three percent and amounted to SEK 7,219 million (6,976). Adjusted for acquired operations and exchange rate effects net sales increased by two percent.

Net sales

per product, rolling 12 months

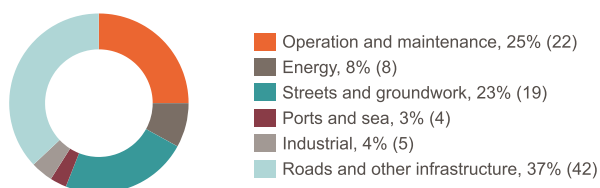


per geographic market, rolling 12 months

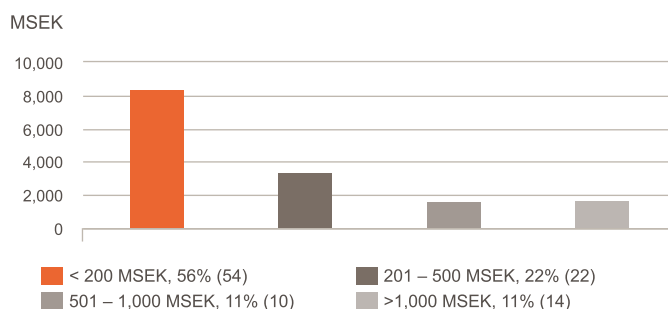


Order backlog, June 30, 2023

per product



per project size



Key ratios

	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022	Jul-Jun 2022/2023	Jan-Dec 2022
Net sales, MSEK	3,891	3,893	7,219	6,976	15,208	14,965
Operating profit, MSEK	152	148	211	201	504	494
Operating margin, %	3.9	3.8	2.9	2.9	3.3	3.3
Orders received, MSEK	3,891	4,375	8,333	9,355	13,855	14,877
Order backlog, MSEK	15,075	16,408	15,075	16,408	15,075	13,939
Operating cash flow, MSEK	-83	-160	57	-144	87	-114
Average number of employees	3,322	3,292	3,308	3,237	3,331	3,296

Business area Industry

Business area Industry provides the products and services needed to carry out sustainable and cost-efficient construction and civil engineering projects on the Nordic market. With local roots we take on jobs big and small.

Industry offers everything from mineral aggregates, concrete, paving and temporary electricity to prefabricated concrete elements. Business area Industry also assists with crane and machine rental, distribution of binder to the concrete industry, transportation as well as recycles production waste and excavated soil. The business area is run in six product areas: Mineral Aggregates, Paving, Concrete, Transportation and Machines, Rentals and Construction System.

Net sales and profit

Business area Industry has a very clear seasonal pattern where the first quarter is characterized by substantial deficits since the season begins in the second quarter.

April – June 2023

Net sales for the second quarter 2023 decreased by twelve percent and amounted to SEK 5,347 million (6,108). The reduction is mainly related to Paving. Operating profit was SEK 333 million (341) and the operating margin amounted to 6.2 percent (5.6). The operating margin increased in the quarter in most of the product areas.

January – June 2023

Net sales for the first half-year 2023 decreased by six percent and amounted to SEK 8,126 million (8,679). The reduction is related to the product areas Paving and Concrete. Adjusted for acquired operations and exchange rate effects net sales contracted by eight percent.

Operating profit during first half-year was SEK -102 million (-55) and the operating margin was -1.3 percent (-0.6). The negative operating profit refers to Paving where operations during the first quarter are primarily preparations for the season through maintenance on machines and asphalt plants since the season does not start until the second quarter. The continued high energy and fuel prices have been handled through higher prices to customers as well as adapting and streamlining operations. The operating margin in the latest rolling 12 month period was 3.4 percent compared to 3.5 percent for the entire year 2022.

Capital employed at the end of the period was SEK 11,885 million compared to SEK 10,807 million at the end of the same period last year. The increase is due to investments in machines and production facilities in Construction System as well as more working capital.

Orders received and order backlog

April – June 2023

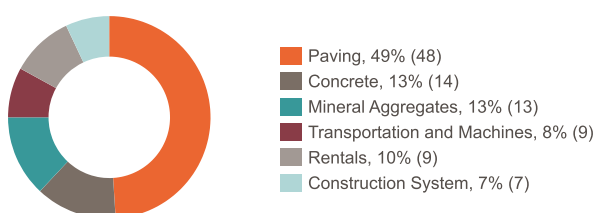
The level of orders received during the second quarter 2023 contracted and amounted to SEK 3,159 million (3,614). The reduction is primarily related to Norwegian paving operations.

January – June 2023

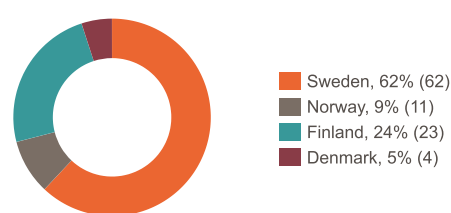
The level of orders contracted during the first half-year 2023 and amounted to SEK 5,848 million (7,449). The reduction is primarily due to Peab being more selective about the tenders Paving in Norway submits. Order backlog on June 30, 2023 was SEK 6,077 million (6,973).

Net sales

per product area, rolling 12 months



per geographic market, rolling 12 months



Key ratios

	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022	Jul-Jun 2022/2023	Jan-Dec 2022
Net sales, MSEK	5,347	6,108	8,126	8,679	20,880	21,433
Operating profit, MSEK	333	341	-102	-55	700	747
Operating margin, %	6.2	5.6	-1.3	-0.6	3.4	3.5
Orders received, MSEK	3,159	3,614	5,848	7,449	11,187	12,788
Order backlog, MSEK	6,077	6,973	6,077	6,973	6,077	4,273
Capital employed at the end of the period, MSEK	11,885	10,807	11,885	10,807	11,885	10,807
Operating cash flow, MSEK	-603	-1,026	-993	-1,468	-43	-518
Average number of employees	4,480	4,531	4,149	4,211	4,734	4,761
Concrete, thousands of m ³ ¹⁾	314	347	577	623	1,303	1,349
Paving, thousands of tons ¹⁾	1,606	2,215	1,726	2,315	6,596	7,185
Mineral Aggregates, thousands of tons ¹⁾	6,519	8,962	10,749	14,036	25,660	28,947

¹⁾ Refers to sold volume

Business area Project Development

Business area Project Development, which comprises Housing Development and Property Development, creates sustainable and vibrant urban environments with residential, commercial and public 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 companies or in collaboration with other partners in joint ventures. 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 boost the business and thereby profitability.

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

Property Development processes and develops office buildings, premises and sometimes entire city boroughs in collaboration with municipalities and other partners. Operations are primarily concentrated to the big city areas throughout the Nordic region.

Net sales and profit

April – June 2023

Net sales in Project Development contracted in the quarter and amounted to SEK 1,569 million (1,977). The decrease is mostly attributable to Housing Development. Operating profit amounted to SEK 114 million (264) with an operating margin of 7.3 percent (13.4).

January – June 2023

Net sales in Project Development contracted during the first half-year 2023 and were SEK 3,410 million (4,441). The decrease is mostly attributable to Housing Development. Operating profit amounted to SEK 241 million (553) with an operating margin of 7.1 percent (12.5).

Capital employed in Project Development at the end of the period amounted to SEK 17,351 million (13,911). The increase primarily refers to higher investments in development rights, in rental apartment projects as well as an increase in capital tied up in unsold homes in our own housing developments.

Key ratios

	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022	Jul-Jun 2022/2023	Jan-Dec 2022
Net sales, MSEK	1,569	1,977	3,410	4,441	7,630	8,661
<i>of which Property Development</i>	65	120	74	179	389	494
<i>of which Housing Development</i>	1,504	1,857	3,336	4,262	7,241	8,167
Operating profit, MSEK	114	264	241	553	815	1,127
<i>of which Property Development</i>	29	43	23	77	133	187
<i>of which Housing Development</i>	85	221	218	476	682	940
Operating margin, %	7.3	13.4	7.1	12.5	10.7	13.0
<i>of which Property Development</i>	44.6	35.8	31.1	43.0	34.2	37.9
<i>of which Housing Development</i>	5.7	11.9	6.5	11.2	9.4	11.5
Capital employed at the end of the period, MSEK	17,351	13,911	17,351	13,911	17,351	15,632
Orders received, MSEK	60	1,530	203	4,025	2,197	6,019
Order backlog, MSEK	3,080	6,698	3,080	6,698	3,080	5,447
Operating cash flow, MSEK	-861	0	-1,369	342	-2,401	-690
Average number of employees	232	240	240	238	243	243

Capital employed

MSEK	Jun 30 2023	Jun 30 2022	Dec 31 2022
Operations property	138	53	83
Investment property	36	36	36
Project and development property	14,499	11,338	12,943
<i>of which housing development rights</i>	7,642	6,687	7,246
<i>of which commercial development rights</i>	830	590	739
<i>of which unsold part of ongoing housing projects</i>	2,758	1,840	2,493
<i>of which ongoing rental projects</i>	1,502	1,103	1,422
<i>of which ongoing commercial projects</i>	323	582	462
<i>of which completed property</i>	399	130	173
<i>of which other</i>	1,045	406	408
Participation in joint ventures	2,660	2,573	2,573
Loans to joint ventures	1,484	1,222	1,494
Working capital and other	-1,466	-1,311	-1,497
Total	17,351	13,911	15,632
<i>of which Property Development</i>	4,952	4,367	4,585
<i>of which Housing Development</i>	12,399	9,544	11,047

Housing Development

April – June 2023

The weak demand for homes throughout the Nordic area contributed to fewer sold homes and production starts of our own housing developments during the second quarter 2023. Net sales contracted and amounted to SEK 1,504 million (1,857). Operating profit amounted to SEK 85 million (221) and the operating margin was 5.7 percent (11.9).

The market continues to be cautious regarding all kinds of housing as a result of rising interest rates, inflation and uncertain economies, which negatively affects the conditions for production starts. In total, the number of start-ups of our own developed homes amounted to 185 (828) during the second quarter and consisted of 185 (300) homes in rental apartments projects on our own balance sheet. During the quarter there have been no production start ups of tenant-owner apartments/condominiums. During the same quarter last year there were production starts of 528 tenant-owner apartments/condominiums. The total number of sold homes were 206 (445), of which 87 (445) were tenant-owner apartments/condominiums and 119 (–) were homes in rental apartment projects.

January – June 2023

The weak demand for homes contributed to fewer sold homes and production starts of our own housing developments during the first half-year 2023. Net sales contracted and amounted to SEK 3,336 million (4,262) during the period with the decrease relating to all our countries. Operating profit amounted to SEK 218 million (476) and the operating margin was 6.5 percent (11.2).

The market continues to be cautious regarding all kinds of housing as a result of rising interest rates, inflation and uncertain economies, which negatively affects the conditions for production starts. We noted a definite decline in Finland during the period. In total, the number of start-ups of our own developed homes amounted to 483 (1,552) during the first half-year, of which 81 (1,252) were tenant-owner apartments/condominiums, where 36 (1,105) were new production and 45 (147) were conversions from previously started-up rental apartments, and 402 (300) were homes in rental apartment projects on our own balance sheet. The number of sold homes was 451 (1,245), of which 188 (1,245) were tenant-owner apartments/condominiums and 263 (–) were homes in rental apartments projects. Included in the homes sold in rental apartment projects was a project with 60 homes in Malmö that was divested to Annehem Fastigheter.

The total number of own developed homes in production at the end of the period was 4,665 (5,910), of which 3,392 (4,835) were tenant-owner apartments/condominiums and 1,273 (1,075) were homes in rental apartment projects. The portion of sold tenant-owner apartments/condominiums in ongoing production amounted to 67 percent (75). The number of repurchased homes per June 30, 2023 was 266 (126) and they were mainly in Finland.

Own housing development construction

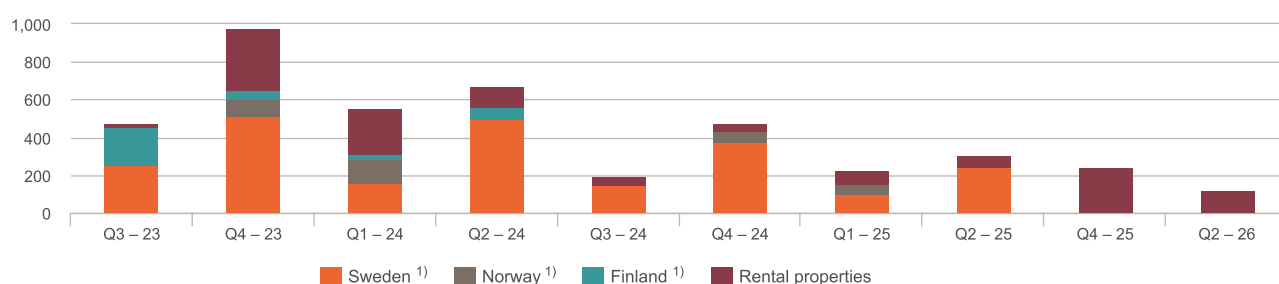
	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022	Jul-Jun 2022/2023	Jan-Dec 2022
Tenant-owner associations, ownership and residential limited companies						
Number of production-started homes during the period	–	528	81 ¹⁾	1,252 ¹⁾	639	1,810
Number of sold homes during the period	87	445	188	1,245	586	1,643
Total number of homes under production, at the end of the period	3,392	4,835	3,392	4,835	3,392	4,539
Portion of sold homes under production, at the end of the period	67%	75%	67%	75%	67%	69%
Number of repurchased homes on our balance sheet, at the end of the period	266	126	266	126	266	105
Rentals						
Number of production-started homes during the period	185	300	402	300	628	526
Number of sold homes during the period	119	–	263	–	329	66
Number converted to tenant-owner associations during the period	–	–	45	147	101	203
Total number of homes under production, at the end of the period	1,273	1,075	1,273 ²⁾	1,075 ²⁾	1,273	1,179

¹⁾ Includes 45 (147) homes that have been converted from rentals

²⁾ Of which 603 (932), respectively 47 percent (87), are under contract to be sold upon completion

Time of completion of our own ongoing housing development projects

Number of homes



¹⁾ Refers to Swedish tenant-owner associations and single homes, Norwegian condominiums and share housing and Finnish residential limited companies

There is a substantial underlying need for homes throughout the Nordic region but higher interest rates and inflation make it harder to make calculations. We see continued interest in our own housing developments but the high cost of construction, interest rate hikes and concern about the economy in general make it difficult to assess future developments, especially in projects with a long time before occupancy. As far as Peab is concerned, we have a well-dimensioned development rights portfolio in attractive locations and while we wait for the market to recover we are further developing and preparing projects for the future.

Capital employed has increased at the end of the period compared to the same time in 2022 and amounted to SEK 12,399 million (9,544). The increase primarily refers to higher investments in development rights, construction of more rental apartment projects as well as an increase in capital tied up in unsold homes in our own housing developments.

Net sales

per geographic market, rolling 12 months



Development rights for housing

Number, approx.	Jun 30 2023	Jun 30 2022	Dec 31 2022
Development rights on our own balance sheet	21,700	20,800	21,800
Development rights via joint ventures	4,600	4,500	4,700
Development rights via options etc.	8,500	8,600	8,900
Total	34,800	33,900	35,400



Havsbaden
Ängelholm

Property development

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

April – June 2023

During the second quarter net sales were SEK 65 million (120) and operating profit was SEK 29 million (43). Capital gains from property divestitures amounted to SEK 7 million (9). The comparison period included, among others, divestment of a logistic facility in Södertälje to Annehem Fastigheter. Profit contributions from partially owned companies amounted to SEK 33 million during the quarter compared to SEK 38 million in the same quarter last year.

January – June 2023

During the first half-year net sales were SEK 74 million (179) and operating profit was SEK 23 million (77). Capital gains from property divestitures amounted to SEK 8 million (22). The comparison period included, among others, divestment of a logistic facility in Södertälje to Annehem Fastigheter. Profit contributions from partially owned companies amounted to SEK 43 million compared to SEK 71 million in the same period last year.

Capital employed in Property Development was SEK 4,952 million (4,367) at the end of the second quarter 2023. A large part of the capital employed is shares in partially owned companies and loans to partially owned companies.

The table below presents the ongoing property projects per June 30, 2023. An office building in Malmö was completed during the second quarter 2023 with 7,400 m² rentable space.

Ongoing property projects

Type of project	Location	Rentable area in m ²	Degree rented, %	Recognized value, MSEK	Total investment at completion, MSEK	Timepoint of completion	Level of completion, %
Office building	Malmö	7,400	67	277	331	Completed	84
Office building	Jönköping	3,200	100	77	103	Q4-2023	75
Office building	Gothenburg	13,100	11	323	541	Q3-2024	59
Total				677			

Significant joint ventures

Peab's significant joint venture companies Fastighets AB Centur, Fastighets AB ML4, Point Hyllie Holding AB, Skiab Invest AB and Tornet Bostadsproduktion 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. Regular 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 affect booked values in the joint venture companies are not included in Peab's accounts.

Fastighets AB Centur

Own, manage and develop commercial property and housing.

Peab's share: 50 percent

Partner: Balder

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

Recognized value on properties June 30, 2023 ¹⁾: SEK 7,957 million (7,747)

Peab's portion of unrecognized fair value exclusive tax ¹⁾: SEK 626 million (620)

Major ongoing projects: Varvsstaden, Malmö, renovation of Snickeriet of around 2,500 m² (tenant Lindahls)

Fastighets AB ML4

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

Peab's share: 50 percent

Partner: Wihlborgs

Location: Lund

Recognized value on properties June 30, 2023: SEK 1,918 million (1,968)

Major ongoing projects: No major ongoing projects

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 on properties June 30, 2023: SEK 1,396 million (1,396)

Major ongoing projects: No major ongoing projects

Skiab Invest AB

Develop, own and manage commercial property and housing in the Scandinavian mountains.

Peab's share: 50 percent

Partner: SkiStar

Location: Scandinavian mountains

Recognized value on properties June 30, 2023 ¹⁾: SEK 2,304 million (2,231)

Peab's portion of unrecognized fair value exclusive tax ¹⁾: SEK 69 million (28)

Major ongoing projects: 20 tenant-owner apartments in Timmerbyn, Lindvallen in Sälen

Tornet Bostadsproduktion AB

Develop, own and manage attractive and environmentally friendly rentals in larger cities in Sweden.

Peab's share: 33 percent

Partner: Folksam and Balder

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

Recognized value on properties June 30, 2023 ¹⁾: SEK 6,027 million (6,057)

Peab's portion of unrecognized fair value exclusive tax ¹⁾: SEK 391 million (423)

Major ongoing projects: Järfälla 5,700 m² rentable area, Tamarinden, Örebro 11,000 m² rentable area, Rödängs Trädgårdar, Umeå 12,600 m² rentable area and other apartment building projects in Helsingborg and Lund

¹⁾ Valued at market price in joint venture companies. The time point when the market valuations take place can differ between the companies. The market prices on properties that affect the recognized values in the joint venture companies are not included in Peab's accounts.

Construction market

Sweden

Sweden continues to be challenged by high inflation which has a negative effect on both consumption and investments while a strong labor market is resistant. There are some signs that inflation may be deflating and thereby expectations that Sweden's central bank will be able to begin lowering the policy rate during the first half of 2024. Sweden's GNP is expected to contract by almost one percent in 2023 and then increase by the same amount in 2024. A broad decline in housing building construction is expected in 2023, especially in apartment building production. It is particularly in new production where high costs, rising interest rates and falling sales prices for homes have diminished investment appetites. The deteriorating financial conditions have also had a negative impact on other building construction in both the private and public sectors. Overall a broad decline in total building construction investment is expected in 2023 and stay on the same level in 2024. After investments in civil engineering remained on the same level last year, this year they are expected to contract slightly. Some investments might be postponed due to the current high costs. It appears investments in civil engineering will increase in 2024. In a longer perspective, green investments and an expanded national plan for transportation infrastructure will create a good platform for development.

Norway

The Norwegian economy is resilient despite high interest rates, inflation and global financial unrest. The forecasts for GNP development have been adjusted upward and are now at around one percent annual growth in 2023 and 2024. Strong household consumption has come as a surprise and Norwegian companies have shown positive development at the beginning of the year. Norway's central bank is expected to continue to raise the policy interest in 2023. New housing production is expected to contract dramatically, especially in apartment buildings. The decline will most likely continue in 2024 but to a lesser extent. It appears other building construction for the private sector will grow in 2023 supported by a growth spurt in industry. Even public sector construction looks like it can grow in 2023 as an aftereffect of dropping dramatically in 2022. All in all total building construction investments are expected to be stable in 2023 and show some growth in 2024. Civil engineering is expected to grow in both 2023 and 2024.

Finland

The Finnish GNP is expected to have zero growth in 2023 as a result of rising interest rates and diminishing external demand, which draws down export volumes. The labor market is, meanwhile, holding up rather well which provides some fuel to household consumption and cushions the fall in sales prices on the housing market. The rapidly rising cost of interest rates will, however, subdue financial activity. A broad decline in total building construction is expected in 2023 with the most negative development in the housing sector. Public investments in other building construction are also expected to contract but the most drastic drop is expected in retail space and offices. Building construction volumes are expected to develop weakly in 2024 but there might be an upturn in public premise construction. Civil engineering is expected to develop sideways in 2023 followed by a slight upswing in 2024.

Housing

	2023	2024	2025
Sweden	↓	↗	↗
Norway	↓	↘	↗
Finland	↓	↘	↗

Forecast for production-started housing investments, new production and renovations

Source: Navet

Other building construction

	2023	2024	2025
Sweden	↘	↘	↗
Norway	↗	↗	↗
Finland	↓	↗	↗

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

Source: Navet

Civil engineering

	2023	2024	2025
Sweden	↘	↗	↗
Norway	↗	↗	→
Finland	→	↗	→

Forecast for civil engineering investments

Source: Navet

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



Peab Anlegg AS
Bergen, Norway

Non-financial targets and sustainability

For more than 60 years Peab has contributed to sustainable social development and worked to improve everyday life for people in the local community. We do this by building everything from homes, schools and hospitals to bridges, roads and other infrastructure. Working sustainably is a strategic matter for Peab that primarily takes place locally, connected to everyday life based on our core values, business concept, mission, strategic targets and Code of Conduct.

We monitor our business based on nine external targets – both financial and non-financial – that also identify our prioritized sustainable aspects (Best workplace and Leader in social responsibility). We monitor our targets quarterly, semi-annually or annually. In connection with the year-end report we present the outcome of all nine targets.

Most satisfied customers

It is imperative for a long-term, sustainable relationship that Peab deliver on its obligations to customers. A satisfied customer is a customer that comes back and is vital to marketing our company. This is why our annual customer survey is an important measure of how well we are meeting our customers' expectations while also indicating where there is room for improvement. Our latest Customer Satisfaction Index (CSI) for 2022 added up to 80 (81), which is a continued good result and higher than our target of 75. Customers' perception of Peab's employees, offer and ethics are three areas that have developed substantially in the latest index and regarding our business areas, Construction is notable for how its CSI has improved compared to last year.

At the beginning of 2023 Prognoscentret presented its annual customer survey regarding customer satisfaction among homebuyers in Sweden. Peab Bostad received the highest ranking in customer satisfaction two years after having moved into a home, known as the guarantee phase, and is rated far above the benchmark for the industry within the quality factor reliability. In Finland EPSI Ratings presented its construction industry customer survey on customer satisfaction regarding newly built apartments. For the fifth time Peab received the highest rating from customers and stands head and shoulders over competitors in the criteria reliability and social responsibility.

The next target update will be provided after the fourth quarter in connection with the presentation of the year-end report 2023.

Best workplace

Peab's employees work locally, close to our customers throughout the Nordic region. The total number of employees per June 30, 2023 was 15,490 (16,213). The average number of employees per rolling 12 months was 14,256 compared to 14,211 for the full year 2022. The calculation of average number of employees has changed as of January 1, 2023 and is based on the sum of hours worked. For a definition of the calculation please see Alternative performance measures and definitions.

Serious accidents

A safe work environment is the foundation of our business. Everyone at our workplaces should be able to be there under safe and secure conditions, despite the fact that there are risks involved in the work we do. In order to prevent incidents and accidents at our workplaces we develop quality-ensured work methods and train our employees. Our focus is on planning and risk assessment in projects, taking safety measures and learning from reported risk observations, incidents and accidents.

Our zero vision of workplace accidents and target of a contracting trend in serious accidents* comprises everyone at our workplaces. During the second quarter there were 7 serious accidents, of which 4 referred to our own employees and 3 referred to subcontractors. Calculated for a rolling twelve month period the number was 43 per June 30, 2023 (48 per June 30, 2022). Of these, 27 referred to our own employees and 16 referred to subcontractors.

It's positive that we can discern a trend in the right direction. Nonetheless work on our safety culture will continue in full force. Our preventive work concerning the work environment and measures to prevent accidents reoccurring as well as continuous information are key to reducing the number of workplace accidents.

We also monitor the number of workplace accidents with more than four days absence, excluding the day of injury (LT14), and workplace accidents according to the same definition per one million hours worked (LTIF4) for our own employees. This number has also developed in the right direction and we believe this is a result of our long-term and preventative safety work. In the second quarter this year there were 26 (44 first quarter 2023) and the LTIF4 frequency rate for a rolling twelve month period was 5.3 (5.8 after the first quarter 2023).

Every remedied risk is one less potential accident, which is why we are highly focused on working preventively and monitoring remedies for reported incidents. During the first half-year 2023 the organization reported around 32,600 risk observations*. The number of risk observations over a rolling twelve month period is about 62,000, which is a stable high figure, and that is positive.

* For a definition see section Alternative performance measures and definitions.

Attractive employers (eNPS)

We should be best workplace in the industry and thereby the obvious choice of employer. Everyone should feel they are in safe and inclusive workplaces with good work conditions and opportunities to develop at Peab. Twice a year we hold our personnel survey The Handshake so that we can continuously develop and improve as co-workers and teams. The questions in The Handshake mainly concern productivity, the team's sustainability and if employees are willing to recommend Peab as an employer to friends and acquaintances (eNPS). The latter is also one of our nine external targets that we report twice a year and should be above the benchmark for the industry (industry and manufacturing). In the spring survey the eNPS score fell by two points to 27 (29). This is good result despite a tough market situation and well above the Nordic benchmark which is currently 21 (22). Our employees continue to be satisfied at work and the eNPS score is on the rise among skilled workers in almost all of the organization, with the most positive changes in Denmark. Participation in the spring survey was 86.3 percent, which is the highest ever.

The next target update will be provided after the fourth quarter in connection with the presentation of the year-end report 2023.

Leader in social responsibility

Climate target for carbon dioxide intensity

In recent years Peab's climate and environmental work has increased in scope and our targets and metrics have become more stringent. As the Nordic Community Builder we have a big responsibility for reducing the considerable climate impact of the construction and civil engineering industry at the rate required by the Paris Agreement.

Peab impacts the environment and the climate through our own operations and the impact our suppliers and customers have. Our operations primarily cause emissions of greenhouse gases by using various materials in production like concrete, steel and asphalt. Two other major sources of carbon emissions in production are energy consumption and transportation. Therefore our prioritized, emission reduction activities can be found within the framework of these areas. As community builders we also have a comprehensive perspective on our climate work and strive to contribute to a sustainable society on the whole by building, for example, solar power plants and railroads or by building in such a way that people can live more sustainably. We have a life cycle perspective in our operations and take responsibility for both making and meeting demands in our value chain. We have an advantage in that we can supply our construction contract operations and the projects we develop ourselves with input goods and raw material through business area Industry, which augments our ability to actively steer towards lower carbon emissions.

In 2045 Peab will be climate neutral. Our targets by 2030 are to reduce carbon dioxide intensity by at least 60 percent in our own operations (Scope 1 and 2) and for input goods and purchased services (Scope 3) by at least 50 percent compared to base year 2015. The outcome after 2022 revealed that developments are going in the right direction although to different degrees. Carbon dioxide intensity in our own production has gone down by 43 percent compared to base year 2015 and by two percent for input goods and purchased services. This means that we are well on the road to converting the production we ourselves have control over but the greater challenge is when we are dependent on other parties for a reduction in our carbon footprint. It is therefore vital that we continue to make explicit and stringent demands as well as point out choices that are better for the climate in order to reduce emissions. We work actively to increase the completeness of our measurements of carbon dioxide intensity, which is particularly demanding in Scope 3 reporting.

The next target update will be provided after the fourth quarter in connection with the presentation of the year-end report 2023.

Equal opportunity

Only about five percent of those that graduate with, for Peab, degrees in relevant, practical education are women. This means that the construction and civil engineering industry has a major role to play in taking advantage of all the competence society has to offer. As one of the largest Nordic community builders we have a responsibility to nudge the entire industry forward. Our target initially is therefore to strive for the percentage of women recruited to Peab for our core skills to always be higher than the percentage of women who have graduated with, for us, relevant degrees on the education markets. We are focused on core skills in production (skilled workers) as well as in production management and production support (white-collar workers). At the end of 2022 the percentage of women in new recruitments was 7.9 percent in production and processing compared to our target of more than 5.0 percent and 45.3 percent in production management and production support whereas our target was more than 30.0 percent.

The next target update will be provided after the fourth quarter in connection with the presentation of the year-end report 2023.

Activities during the second quarter


- Peab and SSAB have launched a research project to calculate the climate benefit of SSAB's steel manufactured with HYBRIT technology for Sweden's entire construction and civil engineering industry. The project is part of Peab's industry unique collaboration with SSAB concerning fossil free steel production.
- Peab and SSAB have expanded their partnership to comprise deliveries of SSAB Zero, which refers to steel based on reused steel and fossil free energy, and manufactured without fossil emissions. Peab plans to use half the initial delivery volume of 300 tons for micropilings in groundwork and the other half in construction projects this year. This will make Peab the first construction company in the world to use SSAB Zero.
- Through Swerock Peab has opened a new concrete laboratory with the market's latest in equipment for testing and analysis in different types of environments. The lab improves opportunities to develop concrete with a lower climate impact and at the same time have complete control over the products' quality and properties.
- Construction System has increased its range of ECO-Prefab with the product Sandwich Wall ECO 60/30 for a further 20 percent reduction in climate impact compared to its sister product ECO 30.
- In a pilot project Swerock test-casted ECO-Betong (ECO-Concrete) with more than 60 percent slag. Within the framework of the development project ECO House, Swerock's and Peab's outdoor construction operations have test-casted ECO-Betong (ECO-Concrete) with more than 60 percent slag. The low climate impact has been achieved by raising the water cement ratio in the concrete and replacing almost 60 percent of the cement with the binder Merit. This new recipe has been tested in a lab environment with very good results and the goal is to use the concrete in actual construction projects.
- Peab Asphalt and Swerock have created a cross-border knowledge exchange and purchase machines together – everything from cement mixers to wheel loaders and asphalt pavers. The collaboration has resulted in a new machine standard aimed at ensuring high quality based on aspects such as the environment and climate, the work environment and safety.
- Peab Asphalt and the City of Helsingborg tested an electric roller that emits around ten kilos less CO₂ emissions per hour compared to a roller run on diesel. The purpose is to take further steps toward the use of fossil free fuel.
- Peab is working to implement a Supplier Code of Conduct. The aim is to ensure that business partners in our value chain meet the expectations we have regarding work conditions, anti-corruption, inclusion, whistleblowing, due diligence and environmental responsibility. Suppliers are expected to comply with the code and ensure that their suppliers follow it. The code is key to our contracts.
- Peab held its annual Safety Day in April and this year's theme was the importance of preparation. This Group work environment activity is carried out in all our countries and in all Peab operations.
- Peab has begun to hold digital safety walks to promote more assessments of safety at workplaces and thereby promote our safety culture. The idea is that they will help managers to assess how well work on the work environment is functioning in practice.
- In line with Peab's goal to be a leader in social responsibility we are supporting the democracy project "Make Democracy Great Again", which is a documentary that spotlights the issue of democracy and how it's doing. Peab will use the film in operations and show it to our 15,000 employees and in the community building school The Peab School.



Summary external targets

In order to further promote value creation we have updated everything from our mission, business concept and strategic target areas to internal and external financial and non-financial targets. As of 2021 Peab externally reports the performance of our business by monitoring nine targets, of which three are financial and based on segment reporting and six are non-financial targets. We consider the external targets particularly important and they are a subset of our internal targets and action plans.

Both the internal and external financial and non-financial targets are categorized under the strategic targets; Most satisfied customers, Best workplace, Most profitable company and Leader in social responsibility. All targets relate to the industry. For a more detailed description of each target please see www.peab.com/targets.



Most satisfied customers
We will be a complete community builder that offers total solutions. We create value for our customers through expert and engaged employees.

>75
CSI always over 75



Best workplace
We will be the obvious choice for anyone who wants to work in the industry. Everyone will be part of safe and including workplaces with good work conditions and opportunities to develop at Peab.

eNPS
always over benchmark

ZERO VISION
serious accidents
Through a contracting trend



Most profitable company
With our engaged employees we ensure productivity and quality. Through our local presence, and the advantage of our size and mix of operations, we will become the most profitable company.

>6%
Operating margin

0.3–0.7
Net debt/equity ratio

>50 % of profit for the year
Dividend



Leader in social responsibility
As the Nordic Community Builder with a local presence we take responsibility through innovations and making demands concerning the climate and environment, order and correctness in the industry and equal opportunity. Active social engagement in the community and focus on young people's education are part of our fundamental values.

-60%
Carbon dioxide intensity
Reduction of emissions from our own production by 2030 (Scope 1+2).

-50%
Carbon dioxide intensity
Reduction of emissions from input goods and purchased services by 2030 (Scope 3).

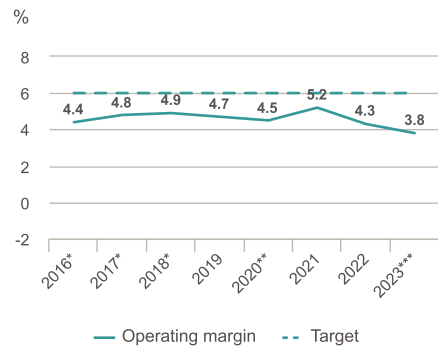
EQUAL OPPORTUNITY RECRUITMENT
Share of women recruited always over the education market

Target and target fulfilment

Most profitable company

Operating margin

Target: >6% according to segment reporting (reported quarterly)

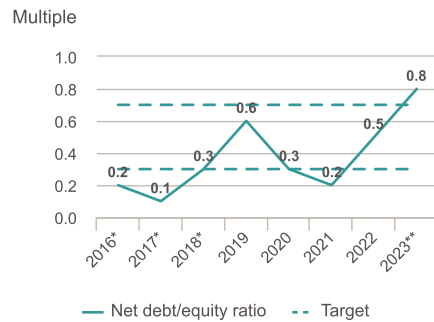


* Years 2016-2018 not translated according to changed accounting principles for own housing development projects. ** Operating margin excl. the effect of the distribution of Annehem Fastigheter (SEK 952 million). *** Calculated on a rolling 12 months per June 30, 2023. Operating margin excl. Mall of Scandinavia (SEK 400 million).

Most profitable company

Net debt/equity ratio

Target: 0.3-0.7 according to segment reporting (reported quarterly)

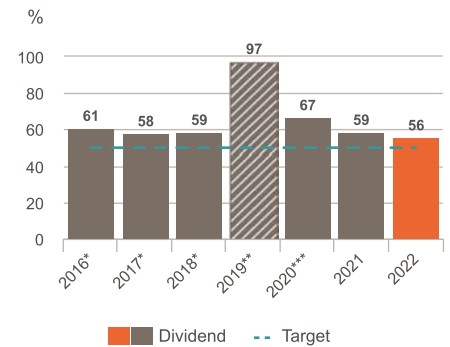


* Years 2016-2018 not translated according to changed accounting principles for own housing development projects. ** Per June 30, 2023.

Most profitable company

Dividend

Target: >50% of profit for the year according to segment reporting (reported annually)

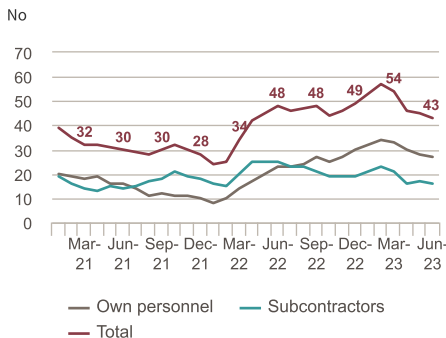


* Years 2016-2018 not translated according to changed accounting principles. ** For 2019, no cash dividend has been paid. The value of the distribution of Annehem Fastigheter at the time of the distribution in December 2020 amounted to 97 percent of the profit for the year 2019. *** The proportion is calculated without the effect of SEK 952 million on profit due to the distribution of Annehem Fastigheter.

Best workplace

Serious accidents

Target: Zero fatal accidents and contracting trend, rolling 12 months, serious accidents classification 4 (reported quarterly)

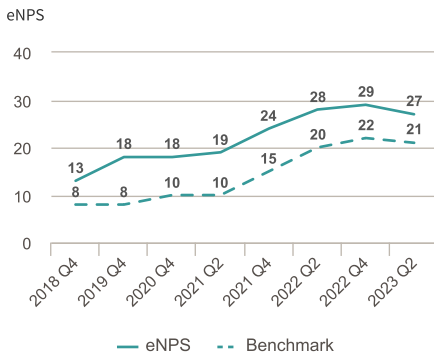


eNPS stands for employee Net Promoter Score and measures employee engagement. The score can vary between -100 and 100.

Best workplace

eNPS

Target: > over benchmark (reported semiannually)



eNPS stands for employee Net Promoter Score and measures employee engagement. The score can vary between -100 and 100.

Most satisfied customers

Customer Satisfaction Index (CSI)

Target: > 75 (reported annually)

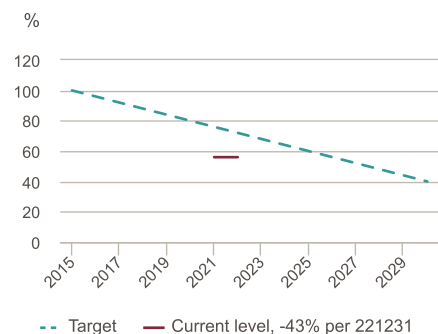


CSI stands for Customer Satisfaction Index and measures how satisfied Peab's customers are. CSI is a weighted measurement between 0 and 100.

Leader in social responsibility

Carbon dioxide intensity: Climate targets for our own production

Target: Reduced emissions of GHG Scope 1+2* (tons CO₂e/MSEK) by 60% (reported annually)

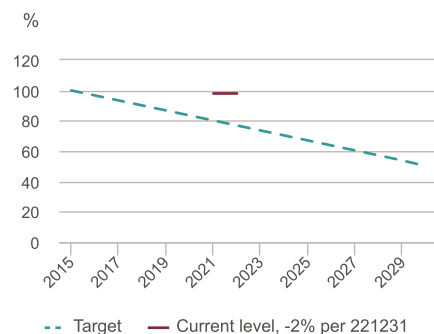


* Direct and indirect emissions as a result of using fuel and energy in our own production.

Leader in social responsibility

Carbon dioxide intensity: Climate targets for input goods and purchased services

Target: Reduced emissions of GHG Scope 3* (tons CO₂e/MSEK) by 50% (reported annually)

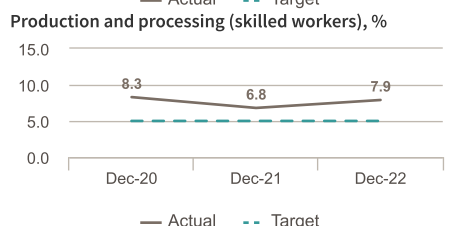
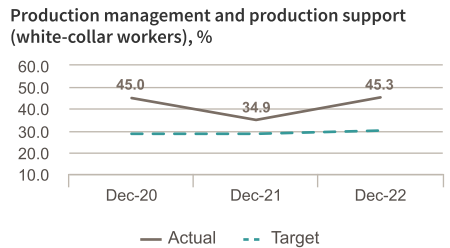


* Includes concrete/cement, asphalt/bitumen, transportation and machine services, steel, waste and business trips.

Leader in social responsibility

Equal opportunity recruitment

Target: Share of women recruited > the education market (reported annually)



Risks and uncertainty factors

Peab's business is exposed both to operative and financial risks as well as compliance risks and external and market risks. How much risks affect Peab's profits and position depends on how well the company handles daily operations. External and market risks are events that are out of Peab's control but which affect the business environment. These are, for example, developments in the economy, customer behavior, climate impact and political decisions.

Managing operative risks is a continuous process considering the large number of projects the Group is always starting up, carrying out and completing. Operative risks are managed in the line organization in the business areas through established procedures, processes and control systems. Peab's business is largely project-related. There are a number of different contract forms where risk levels vary depending on the type of contract. However, with any type of contract ambiguities can arise concerning the terms, which can lead to delimitation issues that create a dispute with the customer.

Financial risks are primarily associated with the company's need for capital, tied-up capital and access to financing. Financial risks are managed on Group level. For further information about risks and uncertainty factors, see the Annual and Sustainability Report 2022.

In recent years there has been a significant rise in the price of materials and energy. We continually work to adapt and streamline production all the while expecting continued high construction costs if the trend in material and energy prices does not turn. High construction costs and interest rates make calculations harder, which dampens demand on the construction market throughout the Nordic region.

Interest rates have continued to rise and in Sweden The Riksbank raised the policy interest rate several times during the last year. Inflation has tightened its grip on the global economy and several central banks indicate further hikes in interest rates. Higher interest rates are expected to stymie investment appetite and diminish demand.

Since Russia invaded Ukraine in February 2022 the global situation has changed dramatically. In addition to the terrible tragedy for the people the war touches, the situation risks further hampering macroeconomic growth in the world. The construction industry is affected through greater uncertainty and cautiousness concerning investments, continued high material and energy prices and material shortages and delivery problems. Peab is not directly exposed to Russia, Ukraine or Belarus but may be indirectly affected through material suppliers. We follow developments carefully to continually assess any effects on Peab.



Suspension bridge
Tyresö

Other information

Significant events during the period

Peab has entered agreements for new credit facilities totaling SEK 7.4 billion

Peab has entered agreements for new credit facilities divided into two contracts. One is a three year credit facility for a total of SEK 7.0 billion and the other is an 18 month credit facility of SEK 400 million. The credit facility for SEK 7.0 billion runs until June 15, 2026 with the possibility of an extension for one plus one year. Four banks participate in the transaction: Nordea, Swedbank, SEB and Handelsbanken. The transaction is coordinated by Nordea. Peab has also entered an agreement for a bilateral credit facility with Nordea for SEK 400 million. The contract runs for 18 months and matures on December 15, 2024 with the possibility of an extension for another year. The credit agreements refinance the company's existing credit facility and are prepared for sustainability linking. The loan contracts make up Peab's long-term financing foundation and are complemented by capital market financing, other types of short-term financing and project-related credit.

Arbitration in the case of Mall of Scandinavia has been decided

A decision in the case between Peab and Unibail Rodamco Westfield regarding the contract for Mall of Scandinavia in Solna was handed down on June 30, 2023. The judgement entails a positive effect on Peab's operating profit by SEK 400 million in the second quarter. The effect on pre-tax profit is SEK 790 million in the second quarter. Cash flow will be positively affected by approximately SEK 1,400 million in the third quarter.

Peab received the contract for Mall of Scandinavia in December 2010 and the mall was completed and ready for inauguration November 2015. Peab believed it was entitled to compensation for added expenses generated by extensive changes in the project made during the production phase. The parties could not agree on outstanding claims and transactions and arbitration commenced in 2017. The arbitration decision was announced on June 30, 2023.

The dispute is thereby over and there are no remaining risks related to the contract Mall of Scandinavia.

Significant events after the period

No significant events occurred after the end of the reporting period.

Holdings of own shares

At the beginning of 2023 Peab's own B shareholding was 8,597,984 which corresponds to 2.9 percent of the total number of shares. No changes have taken place during the first half-year 2023.

Related parties

The character and extent of transactions with related parties is presented in the Annual and Sustainable Report 2022, note 41. For more information about transactions with related parties during the period see business area Project Development. No other new significant transactions have occurred during the first half-year 2023.



Report on the Group income statement, IFRS

Group net sales according to IFRS increased by two percent and amounted during January-June 2023 to SEK 29,076 million (28,595). After adjustments for acquired and divested units and exchange rate effects net sales increased by one percent. The adjustment of our own housing development projects to the completion method affected net sales by SEK 630 million (-807).

Operating profit according to IFRS for January-June 2023 amounted to SEK 1,204 million (755) and the operating margin was 4.1 percent (2.6). The adjustment of our own housing development projects to the completion method affected operating profit by SEK 251 million (-158). A decision in the case between Peab and Unibail Rodamco Westfield regarding the contract for Mall of Scandinavia in Solna was handed down on June 30, 2023. The judgement entails a positive effect on pre-tax profit of SEK 790 million in the second quarter, of which SEK 400 million in operating profit and SEK 390 million in financial income.

MSEK	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022	Jul-Jun 2022/2023	Jan-Dec 2022
Net sales	16,098	16,458	29,076	28,595	62,414	61,933
Production costs	-14,141	-14,845	-26,279	-26,149	-56,475	-56,345
Gross profit	1,957	1,613	2,797	2,446	5,939	5,588
Sales and administrative expenses	-867	-929	-1,721	-1,795	-3,212	-3,286
Other operating income	124	94	166	126	319	279
Other operating costs	-17	-3	-38	-22	-40	-24
Operating profit	1,197	775	1,204	755	3,006	2,557
Financial income	431	22	467	46	524	103
Financial expenses	-125	-36	-213	-75	-358	-220
Net finance	306	-14	254	-29	166	-117
Pre-tax profit	1,503	761	1,458	726	3,172	2,440
Tax	-315	-171	-305	-164	-750	-609
Profit for the period	1,188	590	1,153	562	2,422	1,831
Profit for the period, attributable to:						
Shareholders in parent company	1,189	590	1,154	562	2,424	1,832
Non-controlling interests	-1	0	-1	0	-2	-1
Profit for the period	1,188	590	1,153	562	2,422	1,831
Key ratios, IFRS						
Earnings per share before and after dilution, SEK	4.13	2.01	4.01	1.91	8.37	6.27
Average number of outstanding shares, million	287.5	294.4	287.5	294.7	288.6	292.2
Return on capital employed, % ¹⁾	10.4	10.9	10.4	10.9	10.4	8.4
Return on equity, % ¹⁾	17.8	18.7	17.8	18.7	17.8	13.7

¹⁾ Calculated on rolling 12 months

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

MSEK	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022	Jul-Jun 2022/2023	Jan-Dec 2022
Profit for the period	1,188	590	1,153	562	2,422	1,831
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	82	-46	-16	91	103	210
Changes in fair value of cash flow hedges for the period	9	-	6	2	6	2
Shares in joint ventures' other comprehensive income	-3	-	-1	-	18	19
Tax referring to items that can be reclassified or have been reclassified to profit for the period	-1	-	-1	-1	-1	-1
Other comprehensive income for the period	87	-46	-12	92	126	230
Total comprehensive income for the period	1,275	544	1,141	654	2,548	2,061
Total comprehensive income for the period, attributable to:						
Shareholders in parent company	1,275	544	1,142	654	2,550	2,062
Non-controlling interests	0	0	-1	0	-2	-1
Total comprehensive income for the period	1,275	544	1,141	654	2,548	2,061

Report on financial position for the Group in summary, IFRS

Total assets on June 30, 2023 were SEK 53,297 million (49,953). Equity amounted to SEK 13,780 million (12,736), which generated an equity/assets ratio of 25.9 percent (25.5). During the second quarter 2023, a dividend of SEK 1,150 million (1,475) was paid to shareholders. During first half-year 2022 repurchases of own shares have been made by SEK 125 million.

MSEK	Jun 30 2023	Jun 30 2022	Dec 31 2022
Assets			
Intangible assets	4,035	3,820	3,976
Tangible assets	8,457	7,728	8,310
Investment property	61	56	57
Interest-bearing long-term receivables	1,255	1,230	1,233
Other financial fixed assets	2,654	2,657	2,599
Deferred tax recoverables	160	224	180
Total fixed assets	16,622	15,715	16,355
Project and development properties	19,375	17,690	19,178
Inventories	2,073	1,761	1,541
Interest-bearing current receivables	297	78	384
Other current receivables	13,563	13,390	12,047
Liquid funds	1,367	1,319	1,506
Total current assets	36,675	34,238	34,656
Total assets	53,297	49,953	51,011
Equity and liabilities			
Equity	13,780	12,736	13,786
Liabilities			
Interest-bearing long-term liabilities	8,573	5,930	7,665
Interest-bearing long-term liabilities, project financing	71	474	440
Deferred tax liabilities	668	282	487
Other long-term liabilities	1,343	1,558	1,503
Total long-term liabilities	10,655	8,244	10,095
Interest-bearing current liabilities	4,677	2,943	1,897
Interest-bearing current liabilities, project financing	9,341	9,149	9,802
Other current liabilities	14,844	16,881	15,431
Total current liabilities	28,862	28,973	27,130
Total liabilities	39,517	37,217	37,225
Total equity and liabilities	53,297	49,953	51,011
Key ratios, IFRS			
Capital employed	36,442	31,232	33,590
Equity/assets ratio, %	25.9	25.5	27.0
Net debt	19,743	15,869	16,681
Equity per share, SEK	47.88	43.43	47.90
Number of outstanding shares at the end of the period, million	287.5	293.3	287.5

Report on changes in Group equity in summary, IFRS

MSEK	Jun 30 2023	Jun 30 2022	Dec 31 2022
Equity attributable to shareholders in parent company			
Opening equity on January 1	13,768	13,681	13,681
Profit for the period	1,154	562	1,832
Other comprehensive income for the period	-12	92	230
Total comprehensive income for the period	1,142	654	2,062
Cash flow hedge transferred to cost of inventory	4	-	-
Tax on cash flow hedge	-1	-	-
Cash dividend	-1,150	-1,475	-1,475
Repurchase of own shares	-	-125	-500
Closing equity	13,763	12,735	13,768
Non-controlling interests			
Opening equity on January 1	18	1	1
Comprehensive income for the period	-1	0	-1
Acquisition of partially owned companies, non-controlling interests as previously	-	-	18
Closing equity	17	1	18
Total closing equity	13,780	12,736	13,786

Report on Group cash flow in summary, IFRS

MSEK	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022	Jul-Jun 2022/2023	Jan-Dec 2022
Cash flow from current operations before changes in working capital	736	953	821	970	3,215	3,364
Increase (-) / Decrease (+) of project and development properties	-56	-1,054	-230	-1,343	-1,471	-2,584
Increase (-) / Decrease (+) of inventories	2	-42	-470	-414	-219	-163
Increase (-) / Decrease (+) of current receivables / current liabilities	-1,620	-1,904	-1,031	-2,044	-1,160	-2,173
Cash flow from changes in working capital	-1,674	-3,000	-1,731	-3,801	-2,850	-4,920
Cash flow from current operations	-938	-2,047	-910	-2,831	365	-1,556
Acquisition of subsidiaries / businesses, net effect on liquid funds	-	-	-	-	-132	-132
Sale of subsidiaries / businesses, net effect on liquid funds	-	43	-	43	3	46
Acquisition of fixed assets	-538	-510	-894	-773	-2,191	-2,070
Sale of fixed assets	103	116	252	386	419	553
Cash flow from investment operations	-435	-351	-642	-344	-1,901	-1,603
Cash flow before financing	-1,373	-2,398	-1,552	-3,175	-1,536	-3,159
Increase (+) / Decrease (-) of interest-bearing liabilities	2,814	1,315	3,439	918	3,436	915
Increase (+) / Decrease (-) of interest-bearing liabilities, project financing	-639	1,054	-882	2,212	-347	2,747
Cash dividend	-1,150	-1,475	-1,150	-1,475	-1,150	-1,475
Repurchase of own shares	-	-125	-	-125	-375	-500
Cash flow from financing operations	1,025	769	1,407	1,530	1,564	1,687
Cash flow for the period	-348	-1,629	-145	-1,645	28	-1,472
Cash at the beginning of the period	1,707	2,970	1,506	2,951	1,319	2,951
Exchange rate differences in cash	8	-22	6	13	20	27
Cash at the end of the period	1,367	1,319	1,367	1,319	1,367	1,506

Parent company

The parent company Peab AB's net sales for the first half-year 2023 amounted to SEK 144 million (152) and mainly consisted of internal Group services. Profit for the period amounted to SEK 3,053 million (920). Profit for the period included dividends from subsidiaries for SEK 3,165 million (1,024).

The parent company's assets mainly consist of participations in Group companies amounting to SEK 11,749 million (11,728). The assets have been financed from equity of SEK 10,655 million (7,574) and long-term liabilities to Group companies amounting to SEK 1,100 million (1,500). During the second quarter 2023, a dividend of SEK 1,150 million (1,475) was paid to shareholders. During first half-year 2022 repurchases of own shares have been made by SEK 125 million.

The parent company is indirectly affected by the risks described in the section Risks and uncertainty factors.

Report on the parent company income statement in summary

MSEK	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022	Jul-Jun 2022/2023	Jan-Dec 2022
Net sales	72	77	144	152	296	304
Administrative expenses	-130	-142	-259	-267	-512	-520
Other operating income	0	0	1	1	1	1
Operating profit	-58	-65	-114	-114	-215	-215
Result from financial investments						
Profit from participation in Group companies	3,165	1,024	3,165	1,024	3,165	1,024
Other financial items	-7	-7	-26	-16	-50	-40
Result after financial items	3,100	952	3,025	894	2,900	769
Appropriations	-	-	-	-	2,138	2,138
Pre-tax profit	3,100	952	3,025	894	5,038	2,907
Tax	12	14	28	26	-432	-434
Profit for the period ¹⁾	3,112	966	3,053	920	4,606	2,473

¹⁾ Profit/loss for the period corresponds to comprehensive profit/loss for the period and therefore only one income statement is presented without a separate one for comprehensive profit/loss

Report on financial position for the parent company in summary

MSEK	Jun 30 2023	Jun 30 2022	Dec 31 2022
Assets			
Fixed assets			
Intangible assets	3	4	3
Tangible assets	2	1	2
Financial assets			
Participation in Group companies	11,749	11,728	11,749
Deferred tax recoverables	96	141	94
Total financial assets	11,845	11,869	11,843
Total fixed assets	11,850	11,874	11,848
Current assets			
Current receivables			
Accounts receivables	-	0	1
Receivables from Group companies	3,159	354	2,274
Current tax assets	112	190	-
Other receivables	56	1	3
Prepaid expenses and accrued income	8	9	11
Total current receivables	3,335	554	2,289
Cash and bank	0	0	0
Total current assets	3,335	554	2,289
Total assets	15,185	12,428	14,137
Equity and liabilities			
Equity			
Restricted equity	1,884	1,884	1,884
Non-restricted equity	8,771	5,690	6,868
Total equity	10,655	7,574	8,752
Untaxed reserves	3,292	3,190	3,292
Provisions			
Other provisions	44	47	43
Total provisions	44	47	43
Long-term liabilities			
Liabilities to Group companies	1,100	1,500	1,500
Total long-term liabilities	1,100	1,500	1,500
Current liabilities			
Accounts payable	10	15	20
Liabilities to Group companies	2	7	375
Current tax liabilities	-	-	81
Other liabilities	14	13	8
Accrued expenses and deferred income	68	82	66
Total current liabilities	94	117	550
Total liabilities	1,194	1,617	2,050
Total equity and liabilities	15,185	12,428	14,137

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 Group and parent company have applied the same accounting principles and conditions as in the latest Annual Report.

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.

Differences in segment reporting and reporting according to IFRS

The Group is reported in the four business areas Construction, Civil Engineering, Industry and Project Development. The business areas are also operating segments. Segment reporting is the model Peab believes best describes Peab's business regarding both internal steering and risk profile, and it is also how the Board and executive management follow operations.

For Peab's construction contract businesses, Construction and Civil Engineering, revenue and profit are recognized over time in both segment reporting and reporting according to IFRS. For business area Industry revenue and profit are recognized both over time and at a certain point in time, and reporting is the same in both segment reporting and reporting according to IFRS. For business area Project Development in segment reporting within the unit Housing Development revenue and expenses are recognized over time as the projects are successively completed. This applies to Swedish tenant-owner associations and own single homes, Norwegian condominiums and share housing and Finnish residential limited companies. In reporting according to IFRS, housing projects are recognized when the final homebuyers take possession of their apartments. In business area Project Development and the unit Property Development revenue and profit are recognized at a certain point in time in both segment reporting and reporting according to IFRS.

Group functions are reported in addition to the business areas and consist of central companies, certain subsidiaries and other holdings. Central companies consist primarily of the parent company Peab AB, Peab Finans AB, Peab Support (Shared Service Center) and Peab Utveckling AB. There is no difference in segment reporting and reporting according to IFRS regarding Group functions.

In segment reporting leasing fees for the lessee are recognized linearly over the leasing period for leasing contracts that by the counterparty (lessor) are classified as operational leasing contracts. IFRS 16 Leases is applied in the consolidated accounts according to IFRS which entails that the lessee recognizes depreciation and interest attributable to leasing assets respectively leasing liabilities. Leasing contracts that by the counterparty (lessor) are classified as financial leasing contracts are recognized in Peab's segment accounting according to the principles that correspond with those for the lessee according to IFRS 16.

Reporting on internal projects between business areas Construction and Project Development

Business area Construction recognizes revenue and profit referring to the construction contract part of our own housing developments, rental project developments and other property development projects for business area Project Development. Recognition takes place over time as the projects are completed. Business area Project Development recognizes revenue for both the construction contract and developer part of our own housing development projects. Recognized profit consists of the profit in the developer part over time. Internal net sales between business area Construction and business area Project Development regarding the construction cost of our own housing development projects are eliminated in consolidated reporting. Internal profit is returned when the project is divested.

Reporting on property projects on our own balance sheet

The underlying sales value of property projects on our own balance sheet, recognized as project and development property, that are sold in the form of a company via shares, is recognized as revenue and the book 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 is recognized as other operating income or other operating cost. Recognition of property projects is the same in both segment reporting and reporting according to IFRS.

Financial key ratios in segment reporting

Financial key ratios such as capital employed, total assets, equity, equity/assets ratio, net debt, net debt/equity ratio, cashflow before financing and earnings per share are presented in segment reporting with consideration taken to the above prerequisites. Net debt in segment reporting includes project financing for the unsold portion of ongoing own housing development projects. This is because Peab has an obligation to acquire unsold homes six months after completion.

Note 2 – Revenue allocation

Group Jan-Jun 2023 MSEK	Construction	Civil Engineering	Industry	Project Development	Group functions	Eliminations	Group Segment	Differences in accounting principles ¹⁾	Group IFRS
Allocation per external/internal									
External sales	12,251	6,556	6,211	3,397	31		28,446	630	29,076
Internal sales	2,711	663	1,915	13	736	-6,038	-		-
Total	14,962	7,219	8,126	3,410	767	-6,038	28,446	630	29,076
Allocation per country									
Sweden	10,645	6,607	5,564	2,557	596	-5,050	20,919	124	21,043
Norway	2,370	611	504	311	84	-365	3,515	-169	3,346
Finland	1,947	1	1,568	542	86	-622	3,522	675	4,197
Denmark			485		1	-1	485		485
Other			5				5		5
Total	14,962	7,219	8,126	3,410	767	-6,038	28,446	630	29,076
Allocation per type of customer									
Public sector	5,912	5,225	1,647	23	23		12,830	-17	12,813
Private customers	6,339	1,331	4,564	3,374	8		15,616	647	16,263
Internal customers	2,711	663	1,915	13	736	-6,038	-		-
Total	14,962	7,219	8,126	3,410	767	-6,038	28,446	630	29,076
Allocation per point in time									
At one point in time	23	4	3,096	790	38	-590	3,361	3,243	6,604
Over time	14,933	7,209	3,906	2,566	624	-4,582	24,656	-2,613	22,043
Rent revenue ²⁾	6	6	1,124	54	105	-866	429		429
Total	14,962	7,219	8,126	3,410	767	-6,038	28,446	630	29,076
Allocation per type of revenue									
Construction contracts	14,933	7,209	3,906	2,566	45	-4,004	24,655	-2,613	22,042
Sales of goods			2,427			-425	2,002		2,002
Sales of property projects				782			782	3,243	4,025
Transportation services			591			-134	457		457
Administrative services					579	-578	1		1
Rent revenue ²⁾	6	6	1,124	54	105	-866	429		429
Other	23	4	78	8	38	-31	120		120
Total	14,962	7,219	8,126	3,410	767	-6,038	28,446	630	29,076

¹⁾ Refers to differences in accounting principles regarding our own housing development projects. In segment reporting revenue is recognized over time while in reporting according to IFRS it is at the time of possession.

²⁾ Rent revenue is recognized according to IFRS 16.

Group Jan-Jun 2022 MSEK	Construction	Civil Engineering	Industry	Project Development	Group functions	Eliminations	Group Segment	Differences in accounting principles ¹⁾	Group IFRS
Allocation per external/internal									
External sales	11,742	6,317	6,881	4,430	32		29,402	-807	28,595
Internal sales	2,621	659	1,798	11	711	-5,800	-		-
Total	14,363	6,976	8,679	4,441	743	-5,800	29,402	-807	28,595
Allocation per country									
Sweden	10,525	6,222	5,800	2,981	589	-4,683	21,434	-1,012	20,422
Norway	2,260	754	823	373	78	-387	3,901	476	4,377
Finland	1,578		1,644	1,087	75	-729	3,655	-271	3,384
Denmark			407		1	-1	407		407
Other			5				5		5
Total	14,363	6,976	8,679	4,441	743	-5,800	29,402	-807	28,595
Allocation per type of customer									
Public sector	4,854	4,730	1,818	3	22		11,427		11,427
Private customers	6,888	1,587	5,063	4,427	10		17,975	-807	17,168
Internal customers	2,621	659	1,798	11	711	-5,800	-		-
Total	14,363	6,976	8,679	4,441	743	-5,800	29,402	-807	28,595
Allocation per point in time									
At one point in time	15	7	3,177	509	28	-580	3,156	2,948	6,104
Over time	14,340	6,965	4,434	3,891	623	-4,422	25,831	-3,755	22,076
Rent revenue ²⁾	8	4	1,068	41	92	-798	415		415
Total	14,363	6,976	8,679	4,441	743	-5,800	29,402	-807	28,595
Allocation per type of revenue									
Construction contracts	14,340	6,965	4,434	3,891	43	-3,843	25,830	-3,755	22,075
Sales of goods			2,444			-417	2,027		2,027
Sales of property projects				494			494	2,948	3,442
Transportation services			630			-135	495		495
Administrative services					580	-579	1		1
Rent revenue ²⁾	8	4	1,068	41	92	-798	415		415
Other	15	7	103	15	28	-28	140		140
Total	14,363	6,976	8,679	4,441	743	-5,800	29,402	-807	28,595

¹⁾ Refers to differences in accounting principles regarding our own housing development projects. In segment reporting revenue is recognized over time while in reporting according to IFRS it is at the time of possession.

²⁾ Rent revenue is recognized according to IFRS 16.

Group Jan-Dec 2022 MSEK	Construction	Civil Engineering	Industry	Project Development	Group functions	Eliminations	Group Segment	Differences in accounting principles ¹⁾	Group IFRS
Allocation per external/internal									
External sales	23,435	13,536	17,465	8,638	61		63,135	-1,202	61,933
Internal sales	5,564	1,429	3,968	23	1,471	-12,455	-		-
Total	28,999	14,965	21,433	8,661	1,532	-12,455	63,135	-1,202	61,933
Allocation per country									
Sweden	20,846	13,309	13,099	5,924	1,204	-10,139	44,243	-1,297	42,946
Norway	4,545	1,656	2,262	739	173	-802	8,573	392	8,965
Finland	3,608		5,042	1,998	154	-1,512	9,290	-297	8,993
Denmark			1,015		1	-2	1,014		1,014
Other			15				15		15
Total	28,999	14,965	21,433	8,661	1,532	-12,455	63,135	-1,202	61,933
Allocation per type of customer									
Public sector	10,102	10,363	6,377	17	46		26,905		26,905
Private customers	13,333	3,173	11,088	8,621	15		36,230	-1,202	35,028
Internal customers	5,564	1,429	3,968	23	1,471	-12,455	-		-
Total	28,999	14,965	21,433	8,661	1,532	-12,455	63,135	-1,202	61,933
Allocation per point in time									
At one point in time	26	15	6,915	1,373	70	-1,221	7,178	5,566	12,744
Over time	28,957	14,940	12,338	7,195	1,277	-9,580	55,127	-6,768	48,359
Rent revenue ²⁾	16	10	2,180	93	185	-1,654	830		830
Total	28,999	14,965	21,433	8,661	1,532	-12,455	63,135	-1,202	61,933
Allocation per type of revenue									
Construction contracts	28,957	14,940	12,338	7,195	97	-8,400	55,127	-6,768	48,359
Sales of goods			5,393			-873	4,520		4,520
Sales of property projects	5			1,343			1,348	5,566	6,914
Transportation services			1,327			-281	1,046		1,046
Administrative services					1,180	-1,180	-		-
Rent revenue ²⁾	16	10	2,180	93	185	-1,654	830		830
Other	21	15	195	30	70	-67	264		264
Total	28,999	14,965	21,433	8,661	1,532	-12,455	63,135	-1,202	61,933

¹⁾ Refers to differences in accounting principles regarding our own housing development projects. In segment reporting revenue is recognized over time while in reporting according to IFRS it is at the time of possession.

²⁾ Rent revenue is recognized according to IFRS 16.

Note 3 – Operating segment and reconciliation between segment reporting and reporting according to IFRS

Group Jan-Jun 2023 MSEK	Construction	Civil Engineering	Industry	Project Development	Group functions	Eliminations	Group Segment	Differences in accounting principles ¹⁾	Group IFRS
External sales	12,251	6,556	6,211	3,397	31		28,446	630	29,076
Internal sales	2,711	663	1,915	13	736	-6,038	-		-
Total revenue	14,962	7,219	8,126	3,410	767	-6,038	28,446	630	29,076
Operating profit	703	211	-102	241	-107	-12	934	270	1,204
Operating margin, %	4.7	2.9	-1.3	7.1			3.3		4.1
Financial income							467		467
Financial expenses							-191	-22 ²⁾	-213
Net finance							276	-22	254
Pre-tax profit							1,210	248	1,458
Tax							-254	-51	-305
Profit for the period							956	197	1,153
Capital employed (closing balance)	-429	184	11,885	17,351	415 ³⁾		29,406	7,036	36,442
Total assets							46,886	6,411 ⁴⁾	53,297
Equity							14,770	-990	13,780
Equity/assets ratio, %							31.5		25.9
Net debt							11,717	8,026	19,743
Cashflow before financing	-236 ⁵⁾	57 ⁵⁾	-993 ⁵⁾	-1,369 ⁵⁾		-688 ⁶⁾	-3,229	1,677	-1,552

¹⁾ For more information about the allocation of revenue and profit items see note 2 and the section Overview business areas.

²⁾ Refers to IFRS 16, additional leases SEK -22 million.

³⁾ Unallocated capital employed.

⁴⁾ Divided between IFRS 16, additional leases SEK 1,450 million and housing projects SEK 4,961 million.

⁵⁾ Refers to operating cash flow. For definition, see section Alternative performance measures and definitions.

⁶⁾ Unallocated cash flow.

Group Jan-Jun 2022 MSEK	Construction	Civil Engineering	Industry	Project Development	Group functions	Eliminations	Group Segment	Differences in accounting principles ¹⁾	Group IFRS
External sales	11,742	6,317	6,881	4,430	32		29,402	-807	28,595
Internal sales	2,621	659	1,798	11	711	-5,800	-		-
Total revenue	14,363	6,976	8,679	4,441	743	-5,800	29,402	-807	28,595
Operating profit	337	201	-55	553	-118	-23	895	-140	755
Operating margin, %	2.3	2.9	-0.6	12.5			3.0		2.6
Financial income							46		46
Financial expenses							-52	-23 ²⁾	-75
Net finance							-6	-23	-29
Pre-tax profit							889	-163	726
Tax							-182	18	-164
Profit for the period							707	-145	562
Capital employed (closing balance)	-1,963	-299	10,807	13,911		372 ³⁾	22,828	8,404	31,232
Total assets							42,260	7,693 ⁴⁾	49,953
Equity							13,868	-1,132	12,736
Equity/assets ratio, %							32.8		25.5
Net debt							6,333	9,536	15,869
Cashflow before financing	-167 ⁵⁾	-144 ⁵⁾	-1,468 ⁵⁾	342 ⁵⁾		-426 ⁶⁾	-1,863	-1,312	-3,175

¹⁾ For more information about the allocation of revenue and profit items see note 2 and the section Overview business areas.

²⁾ Refers to IFRS 16, additional leases SEK -23 million.

³⁾ Unallocated capital employed.

⁴⁾ Divided between IFRS 16, additional leases SEK 1,591 million and housing projects SEK 6,102 million.

⁵⁾ Refers to operating cash flow. For definition, see section Alternative performance measures and definitions.

⁶⁾ Unallocated cash flow.

Group Jan-Dec 2022 MSEK	Construction	Civil Engineering	Industry	Project Development	Group functions	Eliminations	Group Segment	Differences in accounting principles ¹⁾	Group IFRS
External sales	23,435	13,536	17,465	8,638	61		63,135	-1,202	61,933
Internal sales	5,564	1,429	3,968	23	1,471	-12,455	-		-
Total revenue	28,999	14,965	21,433	8,661	1,532	-12,455	63,135	-1,202	61,933
Operating profit	629	494	747	1,127	-198	-58	2,741	-184	2,557
Operating margin, %	2.2	3.3	3.5	13.0			4.3		4.1
Financial income							103		103
Financial expenses							-174	-46 ²⁾	-220
Net finance							-71	-46	-117
Pre-tax profit							2,670	-230	2,440
Tax							-633	24	-609
Profit for the year							2,037	-206	1,831
Capital employed (closing balance)	-1,746	54	10,807	15,632		253 ³⁾	25,000	8,590	33,590
Total assets							43,220	7,791 ⁴⁾	51,011
Equity							14,978	-1,192	13,786
Equity/assets ratio, %							34.7		27.0
Net debt							6,899	9,782	16,681
Cash flow before financing	-79 ⁵⁾	-114 ⁵⁾	-518 ⁵⁾	-690 ⁵⁾		-554 ⁶⁾	-1,955	-1,204	-3,159

¹⁾ For more information about the allocation of revenue and profit items see note 2 and the section Overview business areas.

²⁾ Refers to IFRS 16, additional leases SEK -46 million.

³⁾ Unallocated capital employed.

⁴⁾ Divided between IFRS 16, additional leases SEK 1,719 million and housing projects SEK 6,072 million.

⁵⁾ Refers to operating cash flow. For definition, see section Alternative performance measures and definitions.

⁶⁾ Unallocated cash flow.

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 and Sustainability Report 2022, note 35. The fair value of financial assets and liabilities recognized as their amortized cost is estimated to be, in principle, the same as their recognized values.

Group	Jun 30, 2023			Jun 30, 2022			Dec 31, 2022		
	Level 2	Level 3	Total	Level 2	Level 3	Total	Level 2	Level 3	Total
MSEK									
Financial assets									
Securities held as fixed assets		58	58		75	75		67	67
<i>Of which unlisted funds</i>		17	17		36	36		26	26
<i>Of which unlisted shareholdings and participations</i>		41	41		39	39		41	41
Other long-term receivables			-	2		2	1		1
<i>Of which commodity hedging with futures</i>			-	2		2	1		1
Other current receivables	27		27	23		23	13		13
<i>Of which commodity hedging with futures</i>	15		15	18		18	4		4
<i>Of which currency derivatives</i>	12		12	5		5	9		9
Total financial assets	27	58	85	25	75	100	14	67	81
Financial liabilities									
Other long-term liabilities		18	18			-		19	19
<i>Of which contingent consideration</i>		18	18			-		19	19
Other current liabilities	25		25	4	1	5	6	1	7
<i>Of which commodity hedging with futures</i>	25		25	4		4	6		6
<i>Of which contingent consideration</i>			-		1	1		1	1
Total financial liabilities	25	18	43	4	1	5	6	20	26

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

Group	Securities held as fixed asset					
	Unlisted funds			Unlisted shares and participations		
	Jun 30, 2023	Jun 30, 2022	Dec 31, 2022	Jun 30, 2023	Jun 30, 2022	Dec 31, 2022
MSEK						
Opening balance	26	32	32	41	23	23
Investments	2	1	2		16	18
Sales				-1		
Dividends received			-10			
Reported in profit/loss for the period						
Other operating costs (+)/other operating income (-)				1		
Net finance	-11	3	2			
Closing balance	17	36	26	41	39	41

Group	Contingent consideration		
	Jun 30, 2023	Jun 30, 2022	Dec 31, 2022
MSEK			
Opening balance	20	2	2
Aquisitions during the period			19
Payments during the period		-1	-1
Reported in profit/loss for the period			
Other operating costs (+)/other operating income (-)	-1		
Reported in other comprehensive income	-1		
Closing balance	18	1	20

Contingent consideration will be paid to the previous owner based on the a share of the profit as well as the outcome of certain specified projects. The contingent consideration is estimated at around SEK 18 million. The acquisition contract does not contain a specific highest or lowest outcome.

Future financial information

- Quarterly report January – September 2023 October 27, 2023
- Year-end report January – December 2023 February 2, 2024
- Annual and Sustainability report 2023 April, 2024

Presentation of the quarterly report

This quarterly report will be presented digitally and on a phone conference Friday July 14, 2023 at 01:00 p.m. by the President and CEO Jesper Göransson and CFO Niclas Winkvist. The presentation will be held in Swedish and is available via <https://www.peab.com/financial-info/>.

Click on one of the links to participate in the presentation.

Participate in the web broadcast:

<https://ir.financialhearings.com/peab-q2-2023>

Participate via telephone conference:

<https://conference.financialhearings.com/teleconference/?id=200820>

For further information, please contact:

Jesper Göransson, President and CEO of Peab, is reached through Juha Hartomaa, Head of Investor Relations Peab, +46 725 33 31 45

This information is information that Peab AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at July 14, 2023, 11:00 a.m. CET.

The Board of directors and the CEO pledge that the half-year report provides a fair and true overview of the parent company's and the Group's business, position and results as well as describes the significant risks and uncertainty factors faced by the parent company and the companies included in the Group.

Förslöv July 14, 2023

Anders Runevad
Chairman

Karl-Axel Granlund
Board member

Fredrik Paulsson
Board member

Kerstin Lindell
Board member

Lars Sköld
Board member

Liselott Kilaas
Board member

Malin Persson
Board member

Magdalena Gerger
Board member

Kim Thomsen
Board member

Patrik Svensson
Board member

Maria Doberck
Board member

Jesper Göransson
CEO and President

The information in this quarterly report has not been reviewed separately by the company's auditors.

Quarterly data

Group, IFRS

MSEK	Apr-Jun 2023	Jan-Mar 2023	Oct-Dec 2022	Jul-Sep 2022	Apr-Jun 2022	Jan-Mar 2022	Oct-Dec 2021	Jul-Sep 2021	Apr-Jun 2021
Net sales	16,098	12,978	17,141	16,197	16,458	12,137	17,504	15,488	14,807
Production costs	-14,141	-12,138	-15,466	-14,730	-14,845	-11,304	-15,495	-13,868	-13,219
Gross profit	1,957	840	1,675	1,467	1,613	833	2,009	1,620	1,588
Sales and administrative expenses	-867	-854	-851	-640	-929	-866	-923	-673	-884
Other operating income	124	42	72	81	94	32	235	67	51
Other operating costs	-17	-21	-10	8	-3	-19	-12	11	0
Operating profit	1,197	7	886	916	775	-20	1,309	1,025	755
Financial income	431	36	39	18	22	24	20	29	15
Financial expenses	-125	-88	-85	-60	-36	-39	-38	-48	-43
Net finance	306	-52	-46	-42	-14	-15	-18	-19	-28
Pre-tax profit	1,503	-45	840	874	761	-35	1,291	1,006	727
Tax	-315	10	-282	-163	-171	7	-170	-226	-152
Profit for the period	1,188	-35	558	711	590	-28	1,121	780	575
Profit for the period, attributable to:									
Shareholders in parent company	1,189	-35	559	711	590	-28	1,121	780	575
Non-controlling interests	-1	0	-1	0	0	0	0	0	0
Profit for the period	1,188	-35	558	711	590	-28	1,121	780	575
Key ratios, IFRS									
Earnings per share, SEK	4.13	-0.12	1.93	2.43	2.01	-0.10	3.80	2.65	1.95
Average number of outstanding shares, million	287.5	287.5	288.0	291.3	294.4	295.0	295.0	295.0	295.0
Capital employed (closing balance)	36,442	33,831	33,590	32,230	31,232	29,765	28,698	26,840	25,849
Equity (closing balance)	13,780	13,652	13,786	13,250	12,736	13,792	13,682	12,500	11,694

Business areas

	Apr-Jun 2023	Jan-Mar 2023	Oct-Dec 2022	Jul-Sep 2022	Apr-Jun 2022	Jan-Mar 2022	Oct-Dec 2021	Jul-Sep 2021	Apr-Jun 2021
MSEK									
Net sales									
Construction	7,540	7,422	8,330	6,306	7,628	6,735	8,147	5,989	6,648
Civil Engineering	3,891	3,328	4,405	3,584	3,893	3,083	4,062	3,285	3,743
Industry	5,347	2,779	5,658	7,096	6,108	2,571	5,138	6,198	5,247
Project Development	1,569	1,841	1,986	2,234	1,977	2,464	3,117	2,741	1,929
– of which Property Development	65	9	11	304	120	59	425	33	33
– of which Housing Development	1,504	1,832	1,975	1,930	1,857	2,405	2,692	2,708	1,896
Group functions	390	377	409	380	385	358	368	318	327
Eliminations	-2,981	-3,057	-3,740	-2,915	-3,133	-2,667	-3,312	-2,410	-2,725
Group, segment reporting	15,756	12,690	17,048	16,685	16,858	12,544	17,520	16,121	15,169
Adjustment of housing to IFRS	342	288	93	-488	-400	-407	-16	-633	-362
IFRS 16, additional leases									
Group, IFRS	16,098	12,978	17,141	16,197	16,458	12,137	17,504	15,488	14,807
Operating profit									
Construction	141	162	166	126	177	160	209	164	187
Civil Engineering	152	59	175	118	148	53	164	109	146
Industry	333	-435	283	519	341	-396	420	576	339
Project Development	114	127	309	265	264	289	446	326	252
– of which Property Development	29	-6	19	91	43	34	122	70	29
– of which Housing Development	85	133	290	174	221	255	324	256	223
Group functions	-34	-73	-53	-27	-47	-71	13	-64	-95
Eliminations	-16	4	-27	-8	2	-25	-6	-10	-5
Group, segment reporting excl. MoS	690	-156	853	993	885	10	1,246	1,101	824
Construction – effect MoS	400								
Group, segment reporting	1,090	-156	853	993	885	10	1,246	1,101	824
Adjustment of housing to IFRS	98	153	25	-86	-119	-39	52	-86	-69
IFRS 16, additional leases	9	10	8	9	9	9	11	10	0
Group, IFRS	1,197	7	886	916	775	-20	1,309	1,025	755
Operating margin, %									
Construction	1.9	2.2	2.0	2.0	2.3	2.4	2.6	2.7	2.8
Civil Engineering	3.9	1.8	4.0	3.3	3.8	1.7	4.0	3.3	3.9
Industry	6.2	-15.7	5.0	7.3	5.6	-15.4	8.2	9.3	6.5
Project Development	7.3	6.9	15.6	11.9	13.4	11.7	14.3	11.9	13.1
– of which Property Development	44.6	-66.7	172.7	29.9	35.8	57.6	28.7	212.1	87.9
– of which Housing Development	5.7	7.3	14.7	9.0	11.9	10.6	12.0	9.5	11.8
Group functions									
Eliminations									
Group, segment reporting excl. MoS	4.4	-1.2	5.0	6.0	5.2	0.1	7.1	6.8	5.4
Group, segment reporting	6.9	-1.2	5.0	6.0	5.2	0.1	7.1	6.8	5.4
Adjustment of housing to IFRS									
IFRS 16, additional leases									
Group, IFRS	7.4	0.1	5.2	5.7	4.7	-0.2	7.5	6.6	5.1
Key ratios, segment reporting, MSEK									
Earnings per share excl. MoS, SEK	1.68	-0.54	1.89	2.69	2.36	0.04	3.62	2.89	2.18
Earnings per share, SEK	3.86	-0.54	1.89	2.69	2.36	0.04	3.62	2.89	2.18
Capital employed (closing balance)	29,406	25,910	25,000	23,546	22,828	22,117	21,561	20,691	19,867
Equity (closing balance)	14,770	14,687	14,978	14,469	13,868	14,812	14,656	13,556	12,654
Orders received	12,505	11,042	10,455	13,095	14,334	15,375	14,443	13,865	13,094
Order backlog at the end of the period	43,638	44,595	44,389	48,762	49,899	49,968	45,318	46,280	46,684

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.

The difference between segment reporting and reporting according to IFRS is described in more detail in note 1. The difference primarily consists of differences in accounting principles for our own housing development projects where revenue and profit are recognized over time in segment reporting and at one point in

time, when homebuyers take over their homes, in reporting according to IFRS. In segment reporting leasing fees for the lessee are recognized linearly over the leasing period for leases that are classified by the counterparty (the lessor) as operational leases. IFRS 16 Leases is applied in Group reporting according to IFRS, which entails that lessees recognize depreciation and interest attributable to leasing assets and liabilities. As a result the difference between segment reporting and reporting according to IFRS even affects the items on the balance sheet, including net debt. Nonetheless, in the key ratios below the method of calculation is the same for both segment reporting and reporting according to IFRS. For more information and calculations, see Peab's website

www.peab.com/alternative-keyratios.

Financial definitions

Available liquidity

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

Capital employed for the business areas

Total assets in the business area 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. Shows earnings per share.

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. Shows equity per share.

Net debt

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

Net debt, segment reporting

Interest-bearing liabilities including provisions for pensions less liquid funds and interest-bearing assets. As of January 1, 2019 unsold part of ongoing own housing development projects is included in net debt. Shows financial position for segment.

Non-financial definitions

Average number of employees

The sum of the number of hours Peab has paid for, divided by the annual working time.

CSI

CSI stands for Customer Satisfaction Index and measures how satisfied Peab's customers are. CSI is a weighted measurement between 0 and 100 and is based on three questions: 1) Total satisfaction, 2) In relation to expectations 3) In relation to ideal supplier.

eNPS

eNPS stands for employee Net Promoter Score and measures employee engagement. The score can vary between -100 and 100 and is based on the question to employees: "How probable is it that you would recommend your employer to a friend or acquaintance?"

LTI4 and LTIF4

LTI4 refers to the number of workplace accidents with more than four days absence, excluding the day of injury, and LTIF4 refers to the frequency rate per one million hours worked according to the same definition. LTI stands for Lost Time Injury.

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. Shows the size of net investments made.

Operating margin

Operating profit as a percentage of net sales. Shows profitability in the business.

Operative cash flow

Cash flow before financing according to segment reporting. The cash flow does not include received internal Group interest, paid interest and paid tax that is not allocated to the business areas but only reported for the Group. Investments via leasing charge cash flow from investment operations in the business areas. Operative cash flow is only calculated for the business areas. Shows the cash flow generated per business area.

Order backlog

The value at the end of the period of the remaining income in ongoing production plus orders received yet to be produced. Order backlog is based on segment reporting. Shows how much will be produced in the future.

Orders received

The sum of orders received during the period. Measures how new orders replace produced work. Regarding our own housing development projects, tenant-owner associations and housing companies are considered external customers.

Return on capital employed

Pre-tax profit for the rolling 12 month 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 shows the Group's earning capacity independent of financing.

Return on equity

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

Project and development property

Holdings of undeveloped land and decontamination property for future development, property with buildings for project development, processing and thereafter divestiture within Peab's normal business cycle.

Risk observations

A risk observation means at a workplace noticing behavior, risks or shortcomings that could lead to an incident or accident.

Serious accidents

Peab uses the Swedish Work Environment Authority's definition of a serious accident as an accident where one or more persons are injured at a workplace or a place they have visited for work. Serious accidents can be injuries such as bone fractures, effusive bleeding or nerve, muscle or tendon damage, injuries to inner organs or second or third degree burns. Serious accidents that occur in our other Nordic countries are categorized by the same definition.



The Nordic Community Builder

About Peab

Peab works locally where our customers are and where people live their lives. Every day our 15,000 employees contribute through four collaborating business areas to community building in Sweden, Norway, Finland and Denmark. Together we build homes, schools, retirement homes, hospitals, swimming pool facilities, museums, offices, airports and ports. We build and maintain roads, railroads, bridges, parks and much, much more.

Peab has contributed to locally produced community building for more than 60 years. Now the journey continues. Long-lastingly and responsibly we are forging ahead, and improving everyday life where it's lived.

Net sales, appr.

SEK 62 billion

Employees, appr.

15,000



Business model

Value through collaborating business areas

Our business is founded on four business areas Construction, Civil Engineering, Industry and Project Development. Each of them is independent with its own customer base. However, the strength in our business model – and thereby our agency to achieve our targets – is multiplied when they work together in the processing chain. This is the core of our business model and what makes us unique. This is locally produced community building throughout the entire Nordic region.

Peab's four strategic targets



Most satisfied customers



Best workplace



Most profitable company



Leader in social responsibility



Local and close to our customers

Our 15,000 employees work close to our customers in the community and use wherever possible local resources in the form of our own personnel, input goods and subcontractors. Together with our social engagement in the community and integrated climate and environmental work this forms the foundation of what we call locally produced community building.

