

Quarterly report

JANUARY – SEPTEMBER 2020



MEDBORGARHUSET
Stockholm



PEAB
THE NORDIC COMMUNITY BUILDER

Strong cash flow and stable level of orders received

In this report amounts and comments are based on segment reporting if not otherwise specified. As of January 1, 2020 Peab has changed accounting principles for Swedish tenant-owned housing projects in reporting according to IFRS. Reporting of housing projects in Norway and Finland in segment reporting has changed. The Group has different accounting principles in segment reporting compared to reporting according to IFRS. For more information on the new accounting principles and the differences between segment reporting and reporting according to IFRS, see note 1 and 4.

Summary according to segment reporting

July – September 2020

- Net sales SEK 14,837 million (13,301), of which acquired operations SEK 2,738 million
- Operating profit SEK 844 million (763), of which acquired operations net SEK 177 million
- Operating margin 5.7 percent (5.7)
- Pre-tax profit SEK 824 million (749)
- Earnings per share SEK 2.25 (2.14)
- Orders received SEK 11,718 million (9,349), of which acquired operations contributed by SEK 1,280 million
- Cash flow before financing SEK 1,683 million (-179)
- The Board proposes distribution of Annehem Fastigheter in the fourth quarter
- Revised financial goals will be presented in conjuncture with the year-end report 2020

January – September 2020

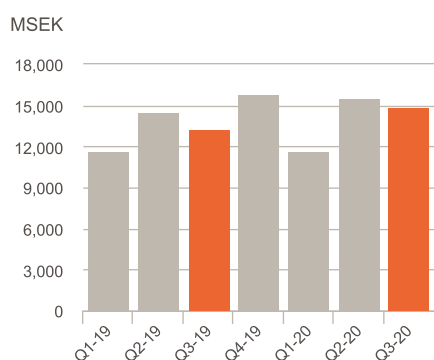
- Net sales SEK 41,993 million (39,491), of which acquired operations SEK 4,479 million
- Operating profit SEK 1,716 million (1,813), of which acquired operations net SEK 208 million
- Operating margin 4.1 percent (4.6)
- Pre-tax profit SEK 1,626 million (1,807)
- Earnings per share SEK 4.38 (5.15)
- Orders received SEK 37,546 million (32,034), of which acquired operations contributed by SEK 3,244 million. Order backlog SEK 44,722 million (43,821)
- Cash flow before financing SEK 1,016 million (-70), of which acquisition payment was SEK -3,184 million
- Net debt SEK 5,780 million (8,474)
- Equity/assets ratio 32.0 percent (30.2)
- Acquisition of paving and mineral aggregates operations from YIT finalized on April 1, 2020

Group

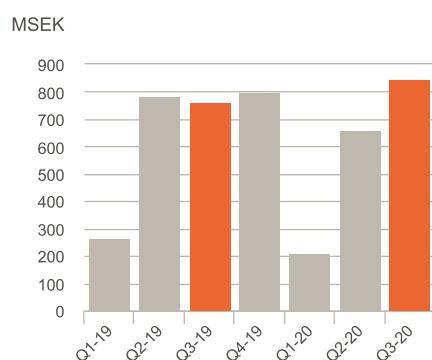
MSEK	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Oct-Sep 2019/2020	Jan-Dec 2019
Segment reporting						
Net sales	14,837	13,301	41,993	39,491	57,851	55,349
Operating profit	844	763	1,716	1,813	2,513	2,610
Operating margin, %	5.7	5.7	4.1	4.6	4.3	4.7
Pre-tax profit	824	749	1,626	1,807	2,398	2,579
Profit for the period	664	629	1,293	1,518	1,913	2,138
Earnings per share, SEK	2.25	2.14	4.38	5.15	6.48	7.25
Return on equity, % ¹⁾	15.2	-	15.2	-	15.2	17.9
Return on capital employed, % ¹⁾	12.3	-	12.3	-	12.3	12.8
Net debt	5,780	8,474	5,780	8,474	5,780	7,535
Equity/assets ratio, %	32.0	30.2	32.0	30.2	32.0	32.5
Cash flow before financing	1,683	-179	1,016	-70	2,111	1,025
Number of employees at the end of the period	16,010	14,475	16,010	14,475	16,010	14,258
Reporting according to IFRS						
Net sales, IFRS	16,204	12,869	43,863	40,848	59,318	56,303
Operating profit, IFRS	1,087	664	1,980	2,452	2,813	3,285
Pre-tax profit, IFRS	1,050	643	1,835	2,425	2,637	3,227
Profit for the period, IFRS	840	539	1,452	2,003	2,105	2,656
Earnings per share, IFRS, SEK	2.85	1.83	4.92	6.79	7.13	9.00
Cash flow before financing, IFRS	2,835	-594	1,795	2,411	2,610	3,226

¹⁾ Calculated on rolling 12 months. Since the numbers for 2018 have not been translated according to the changed accounting principles no numbers for September 30, 2019 are given.

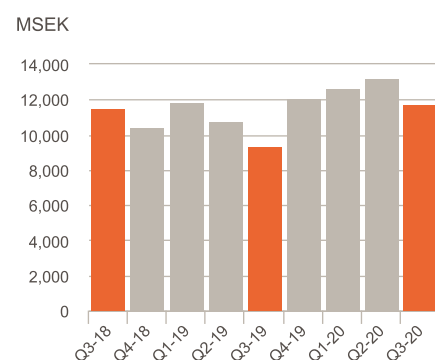
Net sales



Operating profit



Orders received



Comments from the CEO

When we sum up the third quarter Peab's positive development has clearly continued. The level of orders received has been stable and a strong cash flow has contributed to a boosted financial position. The integration of our acquired units is progressing and operations are developing according to plan.

GROUP DEVELOPMENT

Net sales in the period increased by six percent and amounted to SEK 41,993 million (39,491). Adjusted for acquired and divested units net sales contracted by five percent. Operating profit was SEK 1,716 million (1,813), which corresponds to an operating margin of 4.1 percent (4.6). Not including the acquired operations operating profit was SEK 1,508 million. The comparable period included an income contribution of SEK 170 million from divestitures of properties in the partially owned company Acturum. Cash flow has developed well during the period, which has contributed to reducing net debt.

BUSINESS AREA DEVELOPMENT

Net sales in business area Construction contracted by seven percent due to lower net sales in Sweden but the operating profit was unchanged. Net sales in business area Civil Engineering contracted by three percent where net sales declined in Local market and Operations and Maintenance. However, operating margin increased. Net sales and operating profit increased in business area Industry where as of the second quarter the Nordic paving and mineral aggregates operations acquired from YIT are included. Business area Project Development reported lower net sales and operating profit. The comparable period included an income contribution of SEK 170 million from the divestiture of properties in the partially owned company Acturum. The effects of the corona pandemic have been most evident in Property Development concerning operations connected to air travel and tourism. We announced the divestiture of Ängelholm Helsingborg Airport in September. Production starts in Housing Development have been stable and housing sales were good in our three countries with more than 2,000 homes sold during the period.

ORDER SITUATION

Despite the current uncertainty on the market we have maintained a good level of orders received. It increased in all the business areas and in the third quarter 2020 amounted to SEK 11,718 million compared to SEK 9,349 million in the corresponding quarter last year. We are also happy to note that the orders continue to be well spread in both place and product. Order backlog at the end of the period amounted to SEK 44,722 million compared to SEK 43,821 million at the end of the corresponding period 2019. Of this 76 percent will be produced after 2020.

MARKET AND OUTLOOK FOR THE FUTURE

The prospects for markets in the Nordic region are relatively unchanged compared to last quarter. The housing market has stabilized during the year but the outlook for 2021 indicates some level of downturn. Regarding other building construction investments, particularly private construction, the trends points to continued decline. However, the outlook is brighter for investments in public premises and civil engineering.

The effect of the corona pandemic has been limited so far on the markets we operate in. We continue to keep a close eye on how the market develops and adjust as needed.



ACTIVITIES THAT GIVE OUR BUSINESS MODEL AN EDGE

During the period we have continued to prepare for the distribution and listing of the real estate company Annehem Fastigheter. Peab's Board has summoned an Extra General Meeting to make a decision in this matter and if the proposal is adopted our goal is to list the company in December 2020. In doing this we will list a company on the stock market with an attractive property portfolio, made up largely of newly built commercial property, with a good platform to create value and generate future growth.

As a result of the acquisition in paving and mineral aggregates operations business area Industry has grown dramatically in our Group. In the future companies in Industry will therefore be led operatively by MDs that report to two responsible members of executive management, COO Roger Linnér and CFO Niclas Winkvist. However, Industry companies will continue to report as one business area. Karl-Gunnar Karlsson will leave his role as Business Area Manager, and thereby executive management, and become the MD of subsidiary Sverock.

In order to ensure scale advantages, effectiveness and sustainable products, at the same time we develop our local business, we have to continue to streamline operations. Digitalization enables this work which is why we have appointed Johan Dagertun as CSO. Johan Dagertun has previously been a deputy business area manager for Industry and will in his new role become a member of executive management.

The above measures are a step in our work to further emphasize and strengthen Peab as the Nordic Community Builder according to our business model with four collaborating business areas and our unique presence all over the Nordic region. This provides us with good opportunities to, with our own resources and control over the entire value chain, meet our customers' varying needs.

In conjuncture with publishing the year-end report for 2020 we will present our revised financial goals. We also intend to arrange a capital market day in close connection with the publication of the year-end report.

Despite the uncertainty about future market developments we are convinced that demand for our offer will long range be good in all the Nordic markets we operate on. We have a strong business model and therefore everything we need to achieve our strategic goals to have the most satisfied customers, be the best workplace and the most profitable company in the industry.

*Jesper Göransson
CEO and President*

Net sales and profit

TRANSLATED COMPARATIVE FIGURES AFTER CHANGED ACCOUNTING PRINCIPLES

As of fiscal year 2020 Peab consolidates projects with Swedish tenant-owned housing associations at the time the final homebuyers take possession of their apartments. This means that Peab recognizes the projects on the balance sheet as work-in-progress under the asset item project development properties, and as interest-bearing liabilities. Revenue and costs for the projects will be recognized as homebuyers take possession of their apartments. In conjunction with this change Peab now recognizes all our own developed housing projects in Sweden, Norway and Finland according to the completion method. According to previous principles Peab did not consolidate projects with Swedish tenant-owned housing associations from the time land transfer and turnkey contracts were signed, and revenue and expenses were recognized over time as the projects were successfully completed.

To create clarity and enable the market to follow Peab's development regarding our own housing developments, in segment reporting revenue and expenses will continue to be recognized over time as the projects are successfully completed. This applies to the business area Project Development and the unit Housing Development and refers to Swedish tenant-owned housing associations and own single homes, Norwegian condominiums and share housing and Finnish residential limited companies. Revenue and expenses for our own housing developments in Norway and Finland along with our own single homes in Sweden were previously recognized at one point in time in segment reporting as well. Financial key ratios such as capital employed, the equity/assets ratio, net debt and the debt/equity ratio as well as earnings per share are presented in segment reporting with consideration taken to the above prerequisites. Net debt in segment reporting includes the unsold portion of housing projects. Segment reporting is also the model Peab uses for its internal steering.

In conjunction with changing segment reporting for housing projects Peab has also changed the segment reporting of additional leases according to IFRS 16 (previously operational leases). The change means that leasing fees are recognized in operating profit as a cost linearly over the leasing period in segment reporting for all business areas and application of IFRS 16 for additional leases is only given as a total for the Group.

In the following report amounts and comments are based on segment reporting if not otherwise specified. All comparative figures for 2019 are translated if not otherwise specified. For more information concerning translated comparative figures see note 1 as well as www.peab.com/ifrs.

ANNEHEM FASTIGHETER

In February 2020 Peab's Board proposed, in addition to the ordinary dividend, an extra distribution of all the shares in a newly founded company, Annehem Fastigheter, containing all Peab's wholly owned, fully developed commercial properties. As a result of the spread of the coronavirus, its effects on external circumstances and on financial markets, Peab's Board decided to withdraw the proposal to the AGM. Based on market assessments as well as the development presented in the second quarter report Peab's Board decided in August 2020 to propose a new date for the distribution of Annehem Fastigheter. In October the Board summoned to an Extra General Meeting on November 12, 2020.

Annehem Fastigheter is reported as a separate unit outside of segment reporting. Previously Annehem Fastigheter was included in business area Project Development and the unit Property Development. The change applies per January 1, 2020 and no comparative figures have been translated. For more information, see the section Annehem Fastigheter.

ACQUISITION OF NORDIC PAVING AND MINERAL AGGREGATES OPERATIONS

On July 4, 2019 Peab signed a contract to acquire YIT's paving and mineral aggregates operations in the Nordic region. The transaction was conditional on approval from competition authorities as well as the fulfillment of certain contractual conditions. At the end of March 2020 the transaction was approved by the competition authorities and the acquisition was finalized on April 1, 2020. Through the acquisition Peab expands its presence in Sweden, Norway and Finland and become established in the paving business in Denmark. The operations are consolidated into the business area Industry as of April 1, 2020.

The transaction is a combination of an asset deal and a share purchase. The purchase price amounted to SEK 3,184 million for a debt-free business and is fully financed. The acquired business had net sales of SEK 5,878 million with an adjusted EBITDA of SEK 282 million in 2019.

For more information see the sections Business area Industry, Other information and note 2.

NET SALES AND PROFIT

July – September 2020

Group net sales for the third quarter 2020 increased by 12 percent and amounted to SEK 14,837 million (13,301), of which SEK 2,738 million are related to the acquisition of paving and mineral aggregates operations. Not including the acquired operations net sales contracted by nine percent. Net sales in business area Construction decreased by eleven percent compared to third quarter 2019. Net sales in business area Civil Engineering decreased by seven percent. Business area Industry presented an increase in net sales of 63 percent. Not including the acquired operations net sales contracted in business area Industry by nine percent. Even in business area Project Development net sales decreased compared to the third quarter last year. The decrease stemmed from both Property Development and Housing Development. Of the quarter's net sales SEK 4,783 million (2,891) were attributable to sales and production outside Sweden. The increase is primarily due to operations acquired within business area Industry.

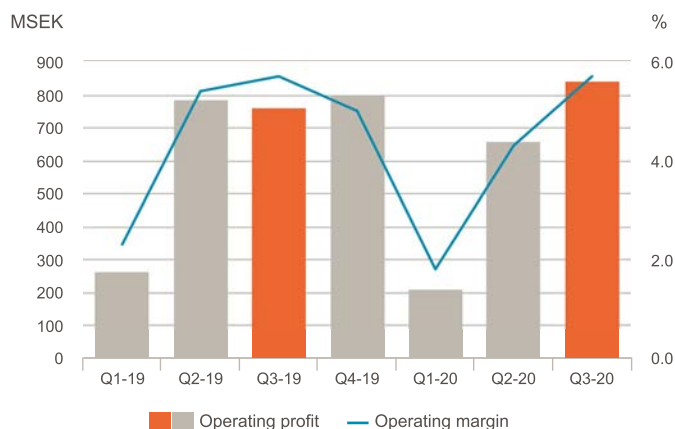
Operating profit for the third quarter 2020 amounted to SEK 844 million (763). Not including the acquired operations operating profit was SEK 667 million. The operating margin was 5.7 percent (5.7). Not including the acquired operations the operating margin was 5.5 percent.

The acquisition of the paving and mineral aggregates operations was finalized on April 1, 2020, which meant the acquisition occurred when the season started. The underlying operations in the acquired companies contributed by SEK 273 million in the third quarter. Depreciation on surplus values for, among other things, customer contracts in the order backlog taken over and fixed assets amounted to SEK -96 million. Depreciation on surplus values for customer contracts in the order backlog taken over will be high throughout 2020 and part of 2021. All in all operating profit for the third quarter was positively affected by SEK 177 million related to the acquired operations.

In business area Construction operating margin was 2.4 percent (2.3) and in business area Civil Engineering the operating margin was 3.0 percent (2.3). Business area Industry showed a margin of 7.6 percent (9.4), not including the acquired operations the operating margin was 8.5 percent. Operating profit in Project Development contracted in the third quarter. In Project Development operating profit was lower in both Property Development and Housing Development. The operating margin in Housing Development was 8.9 percent (10.2).

Depreciation and write-downs for the third quarter were SEK -406 million (-284), of which SEK -138 million is related to acquired business. Net financial items amounted to SEK -20 million (-14) of which net interest was SEK -18 million (-20). Pre-tax profit was SEK 824 million (749). Profit for the third quarter amounted to SEK 664 million (629).

Operating profit and operating margin, per quarter



January – September 2020

Group net sales for the period January-September 2020 increased by six percent to SEK 41,993 million (39,491), of which acquired operations were SEK 4,479 million. After adjustments for acquired and divested units net sales decreased by five percent.

Net sales in business area Construction reduced by seven percent and the decrease was related to our Swedish operations while net sales increased in our Norwegian and Finnish operations. In business area Civil Engineering net sales shrank by three percent compared to same period last year. Net sales in business area Industry grew by 41 percent. Not including the acquired operations net sales in business area Industry contracted by five percent. The reduction stems from Transportation and Machines, Rentals and Construction System. In business area Project Development net sales shrank in both Property Development and Housing Development. Last year the operations now included in Annehem Fastigheter were part of Property Development. The reduction in Housing Development primarily stems from Swedish operations.

Of the period's net sales SEK 11,899 million (7,821) were attributable to sales and production outside Sweden. Most of the increase is related to the acquired paving and mineral aggregates operations in business area Industry.

Operating profit for the period January-September 2020 amounted to SEK 1,716 million (1,813). Not including the acquired operations the operating profit was SEK 1,508 million. The comparable period included an income contribution of SEK 170 million from the divestiture of property in the partially owned company Acturum. The operating margin was 4.1 percent (4.6). Not including the acquired operations the operating margin was 4.0 percent. The operating margin for the latest rolling 12 month period was 4.3 percent compared to 4.7 percent for the entire year 2019.

The acquisition of the paving and mineral aggregates operations was finalized on April 1, 2020, which meant the acquisition occurred when the season started. The underlying operations in the acquired companies contributed during the period April-September to the operating profit by SEK 422 million. Depreciation on surplus values for, among other things, customer contracts in the order backlog taken over and fixed assets amounted during the same period to SEK -159 million. Depreciation on surplus values for customer contracts in the order backlog taken over will be high throughout 2020 and part of 2021. In addition, acquisition costs and transfer tax in Finland have charged profits in total by SEK -55 million. All in all operating profit for the period was positively affected by SEK 208 million related to the acquired operations. Because the acquired operations have a very clear seasonal pattern the first quarter is characterized by considerable deficits since the season starts in the second quarter. If the acquisition had taken place on January 1, 2020 profit in the first quarter would have been affected by SEK -297 million and the underlying operations would have had an accumulated operating profit for January-September 2020 of SEK 125 million.

The operating margin in business area Construction was unchanged with 2.4 percent (2.4) during the period January-September 2020. In business area Civil Engineering the operating margin improved to 2.8 percent (2.5). The operating margin in business area Industry was 5.1 percent (5.9). Not including the acquired operations the operating margin was 5.4 percent. The lower operating margin in Industry is due to a lower margin in Rentals and Construction System. The operating profit in Project Development was lower than the corresponding period last year when an income contribution of SEK 170 million from Acturum had a positive effect on Property Development. During the period some operations in Property Development were affected negatively by SEK -59 million due to the corona pandemic, where SEK -44 million was related to Ängelholm Helsingborg Airport, of which SEK -20 million refers to writing down goodwill. The operating profit in Housing Development decreased slightly during the period but the operating margin improved to 8.4 percent (8.0).

Eliminations and reversal of internal profit in our own projects have affected operating profit net by SEK -14 million (-89). Last year several of our own major office projects were under construction. Elimination is reversed in connection with the external divestment of a project.

Depreciation and write-downs for the period were SEK -1,064 million (-802), of which SEK -240 million is related to acquired business.



Net financial items amounted to SEK -90 million (-6), of which net interest amounted to SEK -43 million (-48). Net financial items from acquired operations amounted to SEK -19 million during the period. Net financial items included currency exchange rate differences of SEK -81 million (8). Currency exchange rate differences have for the most part occurred in accounting as a revaluation effect on receivables in subsidiaries in Norway and Finland, and have no effect on cash flow.

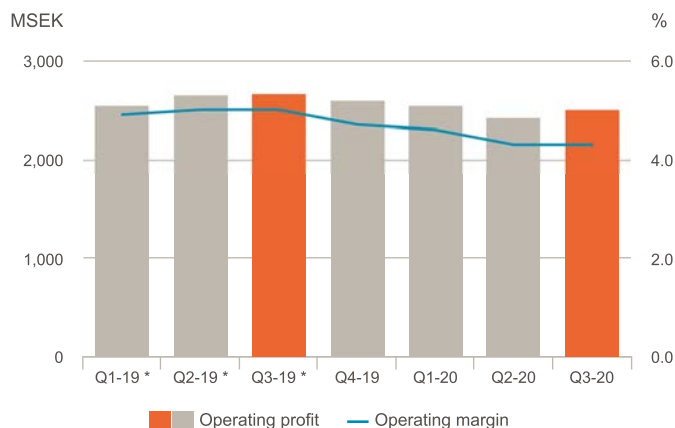
Pre-tax profit was SEK 1,626 million (1,807).

Profit for the period was SEK 1,293 million (1,518).

SEASONAL VARIATIONS

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

Operating profit and operating margin, rolling 12 months



*Q1-Q3 2019 not translated according to the changed accounting principles for our own developed housing projects.

Financial position and cash flow

FINANCIAL POSITION

Total assets per September 30, 2020 were SEK 39,473 million (39,747), of which approximately SEK 5,000 million is related to the acquired paving and mineral aggregates operations. Annehem Fastigheter were included by around SEK 2,000 million at the same point in time last year. Equity amounted to SEK 12,637 million (11,992) which means the debt/equity ratio was 32.0 percent compared to 30.2 percent at the end of the corresponding period last year. Interest-bearing net debt was SEK 5,780 million compared to SEK 8,474 million at the same time last year. Net debt includes SEK 1,404 million (3,208) which is the unsold part of our own developed housing projects. As of the beginning of 2020 Annehem is no longer part of segment reporting which has affected net debt positively by SEK 806 million. Net debt increased by SEK 3,184 million in conjuncture with the acquisition of the paving and mineral aggregates operations. The average interest rate in the loan portfolio, including derivatives, was 1.5 percent (1.4) on September 30, 2020.

Group liquid funds according to IFRS, including unutilized credit facilities, were SEK 7,842 million at the end of the period compared to SEK 5,013 million on December 31, 2019.

As a consequence of Peab consolidating Swedish tenant-owned housing associations per January 1, 2020 according to IFRS, surety for tenant-owned housing associations under production is not reported. When homebuyers take possession of their apartments and the tenant-owned housing association is no longer consolidated in Peab's accounts, Peab then reports the part of surety for unsold homes. This is because Peab has a guarantee obligation to acquire unsold homes six months after completion. Comparative figures for 2019 have been translated. Group contingent liabilities, excluding joint and several liabilities in trading and limited partnerships, amounted to SEK 3,294 million at the end of the period compared to SEK 3,347 million on December 31, 2019. Surety for credit lines in tenant-owned housing associations regarding the unsold part after deconsolidation made up SEK 544 million of contingent liabilities compared to SEK 433 million on December 31, 2019.

INVESTMENTS AND DIVESTMENTS

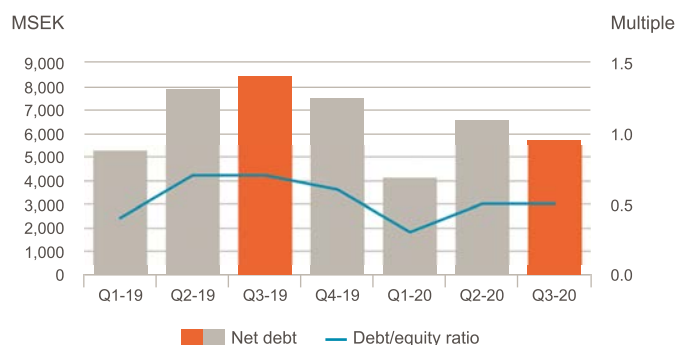
During the quarter tangible and intangible fixed assets and investment property were net invested for SEK 229 million (217). The investments refer primarily to investments in machines. During the period January-September tangible and intangible fixed assets and investment property were net invested for SEK 608 million (1,237). In the comparable period a large part of the investments referred to building up properties on our own balance sheet and these have been transferred to Annehem Fastigheter during 2020.

Net divestitures in project and development properties, which are recognized as inventory items, totaled SEK 150 million (net divestitures SEK 117 million) during the quarter. Net divestitures in project and investment properties totaled SEK 1,574 million (net divestitures SEK 317 million) during the period January-September. Project and development properties include the unsold part of ongoing housing projects. During the period this portion has contracted due to more homes sold than has been started up.

Net debt

MSEK	Sep 30 2020	Sep 30 2019	Dec 31 2019
Bank loans	3,700	2,435	1,864
Commercial papers	–	1,519	1,359
Bonds	2,599	2,248	2,248
Financial leasing liabilities	623	597	579
Project financing, unsold part of housing projects	1,404	3,208	3,088
Other interest-bearing liabilities	123	–	–
Interest-bearing receivables	-1,322	-1,272	-1,230
Liquid funds	-1,347	-261	-373
Net debt, segment reporting	5,780	8,474	7,535
Interest-bearing receivables	–	77	–
Additional leasing liabilities according to IFRS 16	1,206	773	764
Project financing, sold part of housing projects	4,333	4,625	4,875
Annehem Fastigheter	806	–	–
Net debt, IFRS	12,125	13,949	13,174

Net debt and debt/equity ratio



CASH FLOW

July – September 2020

During the quarter cash flow from current operations improved to SEK 1,852 million (-173), of which cash flow from changes in working capital was SEK 779 million (-877). All business areas presented improved cash flows from changes in working capital compared to the same quarter last year.

Cash flow from investment activities was SEK -169 million (-6) and consisted mostly of machine investments.

Cash flow before financing improved to SEK 1,683 million (-179).

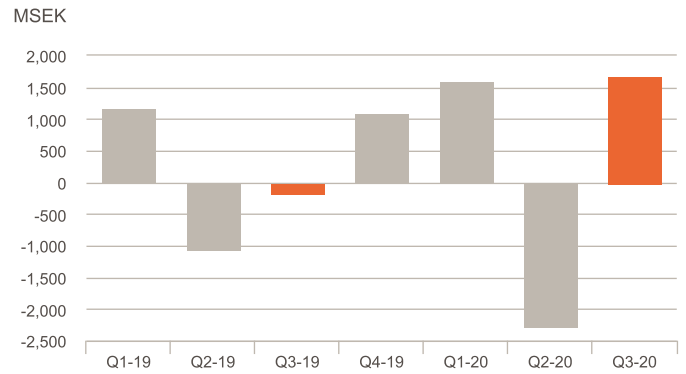
January – September 2020

Cash flow from current operations was strong during the period and amounted to SEK 4,739 million (364), of which cash flow from changes in working capital was SEK 2,021 million (-1,487). All business areas presented improved cash flows from changes in working capital. A large part of the positive cash flows from changes in working capital comes from having sold more of our developed homes than production started during the period.

Cash flow from investment activities was SEK -3,723 million (-434) where the acquisition price of the paving and mineral aggregates operations was included by SEK -3,184 million. Most of the other investments during the period consisted of machine investments.

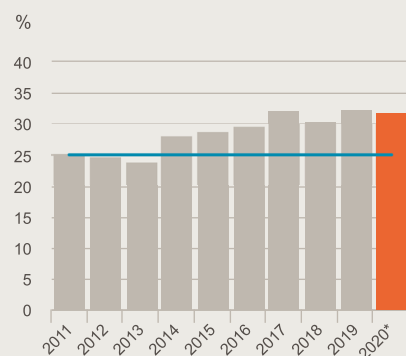
Cash flow before financing improved and amounted to SEK 1,016 million (-70).

Cash flow before financing



Financial goals

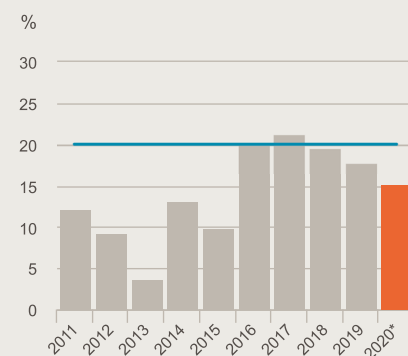
Equity/assets ratio



* As of September 30, 2020

Goal > 25%

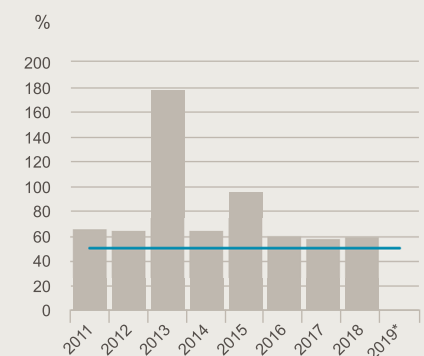
Return on equity



* Rolling 12 months as of September 30, 2020

Goal > 20%

Dividends



* No dividend has been paid for 2019. The Board has proposed a distribution of the real estate company Annehem Fastigheter. For more information see the section Annehem Fastigheter as well as Other information.

Goal > 50%

Years 2011-2018 are not translated according to the changed accounting principles. For more information, see the section Net sales and profit, as well as note 1.

Order situation

July – September 2020

Orders received in the third quarter 2020 amounted to SEK 11,718 million compared to SEK 9,349 million for the same period last year. The acquired paving and mineral aggregates operations contributed by SEK 1,280 million in orders received.

Orders received increased in all business areas compared to the corresponding quarter last year. Without the acquired operations orders received contracted in business area Industry.

January – September 2020

Orders received in the period January-September 2020 increased by 17 percent and amounted to SEK 37,546 million compared to SEK 32,034 million for the same period last year.

Orders received

MSEK	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Oct-Sep 2019/2020	Jan-Dec 2019
Construction	6,259	5,213	19,977	18,366	27,766	26,155
Civil Engineering	3,100	2,862	10,028	9,429	13,707	13,108
Industry	2,175	1,096	7,077	4,371	8,880	6,174
Project Development	1,639	1,528	4,729	4,684	6,209	6,164
Eliminations	-1,455	-1,350	-4,265	-4,816	-6,920	-7,471
Group	11,718	9,349	37,546	32,034	49,642	44,130

The acquired paving and mineral aggregates operations contributed by SEK 3,244 million in orders received. Orders received increased in Construction, Civil Engineering and Project Development. Without the acquired operations orders received contracted in business area Industry. Group orders received are well spread geographically and there is good product diversity.

Order backlog yet to be produced at the end of the period increased to SEK 44,722 million compared to SEK 43,821 million at the end of the same period last year. The order backlog includes order backlog of SEK 1,785 million from the acquired paving and mineral aggregates operations. Of the total order backlog, 76 percent (75) is expected to be produced after 2020 (2019). Swedish operations accounted for 76 percent (78) of the order backlog.

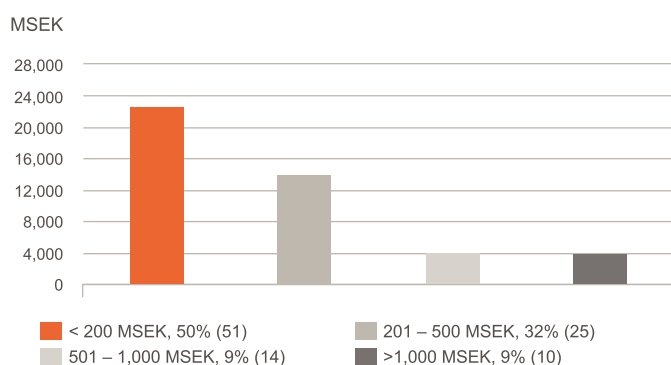
Order backlog

MSEK	30 Sep 2020	30 Sep 2019	Dec 31 2019
Construction	27,490	27,403	26,928
Civil Engineering	14,082	13,623	13,446
Industry	4,076	2,305	2,548
Project Development	4,673	5,764	5,027
Eliminations	-5,599	-5,274	-5,455
Group	44,722	43,821	42,494

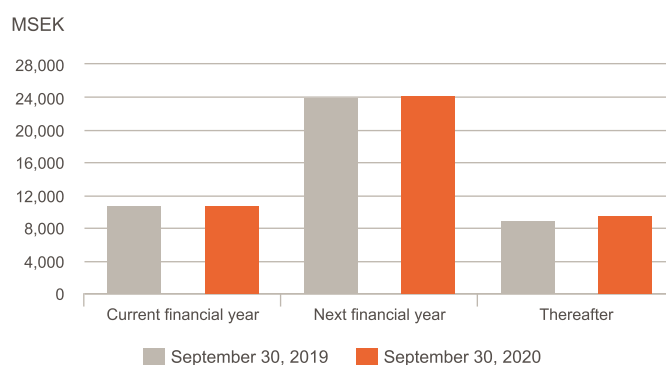
We received several major projects and contracts in the third quarter, including:

- Construction of 288 apartments for rent in the project Hökälla Säteri in Lillhagen on Hisingen in Gothenburg. The customer is Tornet Bostadsproduktion AB and the contract is worth SEK 402 million.
- Expansion of Pampus Port on Händel Island in Norrköping. The customer is Norrköpings Hamn AB and the contract is worth SEK 345 million.
- Rebuilding and extending House M at Lund University. The customer is Akademiska Hus AB and the contract is worth SEK 231 million.
- Construction of a new ice skating rink and an extension of Catena Arena in Ängelholm. The customer is Arenabolaget i Ängelholm AB and the contract is worth SEK 228 million.
- Construction of a new police station in the new Kiruna City Center. The customer is LKAB and the contract is worth SEK 430 million.
- Construction of a new S-Market grocery store for Helsingin Osuuskauppa (HOK) Elanto in Klaukkala Center in Nurmijärvi. The contract is worth EUR 11 million.
- Construction of a new swimming pool facility next to Arenastaden in Solna. The customer is Solna City and the contract is worth SEK 133 million.
- Renovation of Etu-Töölö High School for the City of Helsinki. The contract is worth EUR 11 million.
- Construction of a new main street in Skärersletta in Lørenskog outside Oslo. The customer is Lørenskog Municipality and the contract is worth NOK 428 million.
- Construction of a preschool and elementary school, Ålsta School, in Barkarbystaden northwest of Stockholm. The customer is Järfälla Municipality and the contract is worth SEK 216 million.
- Construction of a new production line for treating raw water at the Vomb Plant in Skåne. The customer is Sydsvatten AB and the contract is worth SEK 150 million.
- Construction of a new port terminal in Arendal in Gothenburg. The customer is Göteborgs Hamn AB and the contract is worth SEK 237 million.

Project allocation of order backlog, September 30, 2020



Order backlog allocated over time



Overview business areas

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

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 and Peab Support (Shared Service Center).

Since the Board has proposed distributing the shares in Annehem Fastigheter and summoned to an Extra General Meeting to decide on the distribution, Annehem Fastigheter is reported as a separate unit outside of segment reporting.

Previously Annehem Fastigheter was included in business area Project Development and the unit Property Development. The change applies per January 1, 2020 and no comparative figures have been translated.

For more information regarding the differences between segment reporting and reporting according to IFRS, see note 1 and note 4.

Net sales and operating profit per business area

MSEK	Net sales						Operating profit					
	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Oct-Sep 2019/2020	Jan-Dec 2019	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Oct-Sep 2019/2020	Jan-Dec 2019
Construction	5,798	6,520	19,541	21,045	27,912	29,416	137	150	466	504	673	711
Civil Engineering	3,041	3,257	9,243	9,547	13,035	13,339	92	76	260	235	392	367
Industry	6,233	3,820	13,791	9,747	17,383	13,339	471	360	708	574	1,071	937
Project Development	1,750	2,015	5,696	6,441	8,380	9,125	162	221	474	737	752	1,015
– of which Property Development	71	180	304	607	483	786	13	34	21	272	49	300
– of which Housing Development	1,679	1,835	5,392	5,834	7,897	8,339	149	187	453	465	703	715
Group functions	298	289	889	851	1,214	1,176	-14	-10	-178	-148	-308	-278
Eliminations	-2,283	-2,600	-7,167	-8,140	-10,073	-11,046	-4	-34	-14	-89	-67	-142
Group, segment reporting	14,837	13,301	41,993	39,491	57,851	55,349	844	763	1,716	1,813	2,513	2,610
Adjustment housing to IFRS	1,384	-432	1,931	1,357	1,528	954	226	-105	236	622	266	652
IFRS 16, additional leases	–	–	–	–	–	–	12	6	22	17	28	23
Annehem Fastigheter	47	–	135	–	135	–	5	–	17	–	17	–
Eliminations	-64	–	-196	–	-196	–	0	–	-11	–	-11	–
Group, IFRS	16,204	12,869	43,863	40,848	59,318	56,303	1,087	664	1,980	2,452	2,813	3,285

Percent	Operating margin					
	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Oct-Sep 2019/2020	Jan-Dec 2019
Construction	2.4	2.3	2.4	2.4	2.4	2.4
Civil Engineering	3.0	2.3	2.8	2.5	3.0	2.8
Industry	7.6	9.4	5.1	5.9	6.2	7.0
Project Development	9.3	11.0	8.3	11.4	9.0	11.1
– of which Property Development	18.3	18.9	6.9	44.8	10.1	38.2
– of which Housing Development	8.9	10.2	8.4	8.0	8.9	8.6
Group functions						
Eliminations						
Group, segment reporting	5.7	5.7	4.1	4.6	4.3	4.7
Adjustment housing to IFRS						
IFRS 16, additional leases						
Annehem Fastigheter	10.6	–	12.6	–	12.6	–
Eliminations						
Group, IFRS	6.7	5.2	4.5	6.0	4.7	5.8

Business area Construction

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

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

NET SALES AND PROFIT

July – September 2020

Net sales for the third quarter 2020 decreased by eleven percent and amounted to SEK 5,798 million (6,520). The decrease is attributable to Sweden.

Operating profit for the third quarter amounted to SEK 137 million (150) and the operating margin was 2.4 percent (2.3).

January – September 2020

Net sales for the period January-September 2020 decreased by seven percent and amounted to SEK 19,541 million (21,045). The decrease is attributable to Sweden while net sales in operations in Norway and Finland increased.

Operating profit for the period January-September amounted to SEK 466 million (504) and the operating margin amounted to 2.4 percent (2.4). Even for the latest rolling 12 month period the operating margin was 2.4 percent, which was unchanged compared to the entire year of 2019.

ORDERS RECEIVED AND ORDER BACKLOG

July – September 2020

Orders received during the third quarter amounted to SEK 6,259 million (5,213).

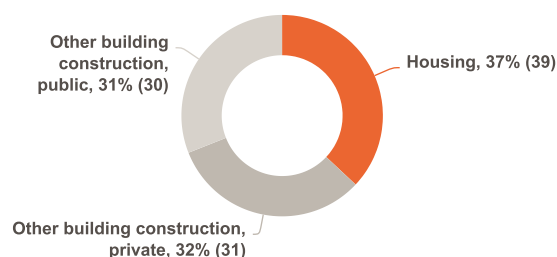
January – September 2020

Orders received during the period January-September 2020 increased to SEK 19,977 million (18,366). The orders received are relatively well spread regarding products and location.

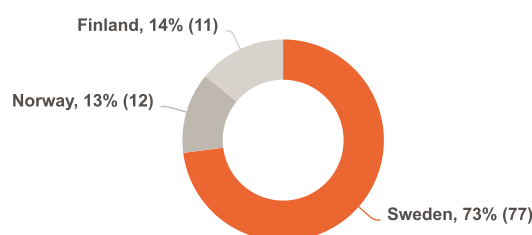
Order backlog on September 30, 2020 was SEK 27,490 million compared to SEK 27,403 million at the end of September 2019.

Net sales

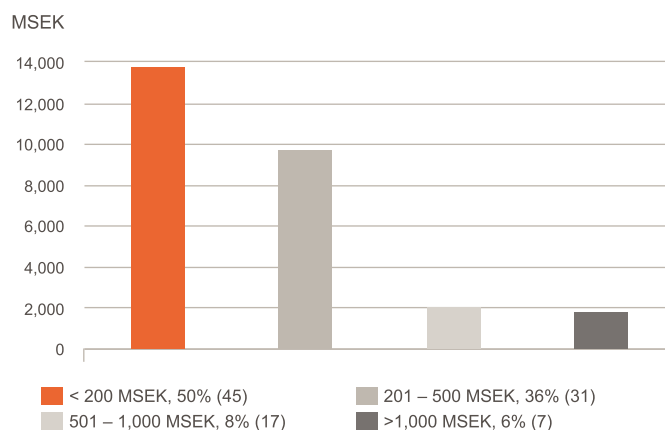
per product area, rolling 12 months



per geographic market, rolling 12 months



Project allocation of order backlog, September 30, 2020



Key ratios

	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Oct-Sep 2019/2020	Jan-Dec 2019
Net sales, MSEK	5,798	6,520	19,541	21,045	27,912	29,416
Operating profit, MSEK	137	150	466	504	673	711
Operating margin, %	2.4	2.3	2.4	2.4	2.4	2.4
Orders received, MSEK	6,259	5,213	19,977	18,366	27,766	26,155
Order backlog, MSEK	27,490	27,403	27,490	27,403	27,490	26,928
Number of employees at the end of the period	5,949	6,327	5,949	6,327	5,949	6,299

Business area Civil Engineering

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

On the Local market the business area is working with landscaping and pipelines, foundation work and builds different kinds of facilities.

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

Operation and maintenance provides just that for national and municipal highways and street networks as well as cares for parks and outdoor property. It also operates water and sewage supply networks.

NET SALES AND PROFIT

July – September 2020

Net sales for the third quarter 2020 decreased by seven percent and amounted to SEK 3,041 million (3,257). Net sales increased in Infrastructure while net sales in Local market was lower.

Operating profit for the third quarter 2020 increased to SEK 92 million (76) and the operating margin improved to 3.0 percent (2.3).

January- September 2020

Net sales during the period January-September 2020 decreased by three percent and amounted to SEK 9,243 million (9,547). Even after adjustments for acquired units net sales decreased by three percent. Net sales increased in Infrastructure during the period while net sales in Local market as well as Operations and maintenance were lower.

Operating profit for the period amounted to SEK 260 million (235) and the operating margin improved to 2.8 percent (2.5). The operating margin for the latest rolling 12 month period was 3.0 percent compared to 2.8 percent for the entire year of 2019.

ORDERS RECEIVED AND ORDER BACKLOG

July – September 2020

Orders received during the third quarter 2020 amounted to SEK 3,100 million (2,862).

January- September 2020

Orders received during the period increased to SEK 10,028 million (9,429).

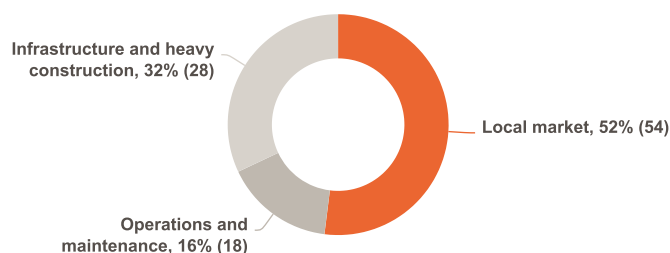
Order backlog on September 30, 2020 amounted to SEK 14,082 million (13,623).

Key ratios

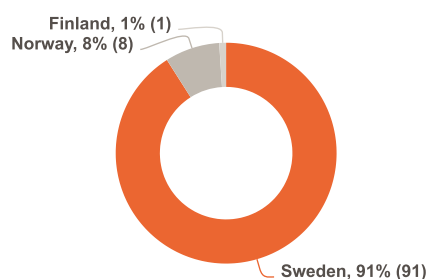
	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Oct-Sep 2019/2020	Jan-Dec 2019
Net sales, MSEK	3,041	3,257	9,243	9,547	13,035	13,339
Operating profit, MSEK	92	76	260	235	392	367
Operating margin, %	3.0	2.3	2.8	2.5	3.0	2.8
Orders received, MSEK	3,100	2,862	10,028	9,429	13,707	13,108
Order backlog, MSEK	14,082	13,623	14,082	13,623	14,082	13,446
Number of employees at the end of the period	3,703	3,660	3,703	3,660	3,703	3,511

Net sales

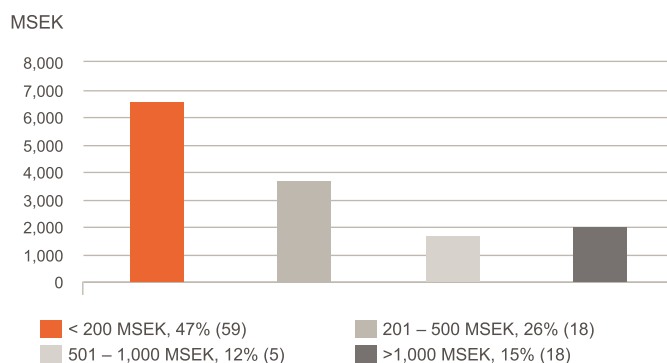
per product area, rolling 12 months



per geographic market, rolling 12 months



Project allocation of order backlog, September 30, 2020



Business area Industry

Business area Industry is a complete supplier of the products and services needed to carry out a sustainable and cost-efficient construction and civil engineering project on the Nordic market. 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 rubble.

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

ACQUISITION OF NORDIC PAVING AND MINERAL AGGREGATES OPERATIONS

On July 4, 2019 Peab signed a contract to acquire YIT's paving and mineral aggregates operations in the Nordic region. The transaction was conditional on approval from competition authorities as well as the fulfillment of certain contractual conditions. At the end of March 2020 the transaction was approved by the competition authorities and the acquisition was finalized on April 1, 2020.

Through the acquisition Peab will expand its presence in Sweden, Norway and Finland and become established in the paving business in Denmark. This will give Peab a unique and market leading position in this business in the Nordic region. The acquisition entails taking over some 2,000 employees, around 200 strategically located quarries along with 63 production asphalt plants in the Nordic region. The operations are primarily integrated into the companies Peab Asfalt and Swerock and for Peab Asfalt it means establishing operations in Finland and Denmark. The acquisition also provides conditions for further expansion and development in other operations such as Recycling and Concrete.

The transaction is a combination of an asset deal and share purchase. The purchase price amounted to SEK 3,184 million for a debt-free business and is fully financed.

The acquired operations had net sales of SEK 5,878 million with an adjusted EBITDA of SEK 282 million in 2019.

NET SALES AND PROFIT

July – September 2020

Net sales for the third quarter 2020 increased by 63 percent and amounted to SEK 6,233 million (3,820), of which the acquired operations contributed by SEK 2,765 million. Not including the acquired operations net sales contracted by nine percent and amounted to SEK 3,468 million. The reduction stems primarily from Transportation and Machines as well as Rentals.

Operating profit for the third quarter 2020 amounted to SEK 471 million (360) and the operating margin was 7.6 percent (9.4). Not including the acquired operations, operating profit was SEK 294 million and the operating margin was 8.5 percent. The lower operating profit stems primarily from Rentals and Construction System.

The acquisition of the paving and mineral aggregates operations was finalized on April 1, 2020, which means the acquisition occurred when the season started. The underlying operations in the acquired companies contributed by SEK 273 million in the third quarter. Depreciation on surplus values for, among other things, customer contracts in the order backlog taken over and fixed assets amounted to SEK -96 million. Depreciation on surplus values for customer contracts in the order backlog taken over will be high throughout 2020 and part of 2021. All in all operating profit for the third quarter was affected by SEK 177 million related to the acquired operations.

January – September 2020

Net sales for the period January-September 2020 increased by 41 percent and amounted to SEK 13,791 million (9,747), of which the acquired operations contributed by SEK 4,506 million. Adjusted for the acquired operations, net sales contracted by five percent to SEK 9,285 million. Net sales increased in Mineral Aggregates and Concrete while they decreased in Transportation and Machines, Rentals and Construction System.

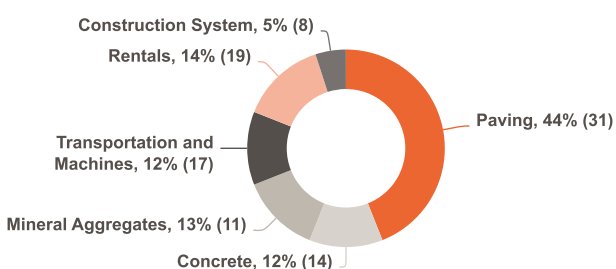
Operating profit for the period increased to SEK 708 million (574) with an operating margin amounting to 5.1 percent (5.9). Not including the acquired operations, operating profit was SEK 500 million and the operating margin was 5.4 percent. The lower operating margin is due to a lower profit in Rentals and Construction System. The operating margin for the latest rolling 12 month period was 6.2 percent compared to 7.0 percent for the entire year 2019.

The underlying operations in the acquired companies contributed by SEK 422 million. Depreciation on surplus values for, among other things, customer contracts in the order backlog taken over and fixed assets amounted to SEK -159 million. Depreciation on surplus values for customer contracts in the order backlog taken over will be high throughout 2020 and part of 2021. In addition, acquisition costs and transfer tax in Finland have charged profits in total by SEK -55 million. All in all operating profit for the period was affected by SEK 208 million related to the acquired operations. Because the acquired operations have a very clear seasonal pattern the first quarter is characterized by considerable deficits since the season starts in the second quarter. If the acquisition had taken place on January 1, 2020 profit in the first quarter would have been affected by SEK -297 million and the underlying operations would have had an accumulated operating profit per September 30, 2020 of SEK 125 million.

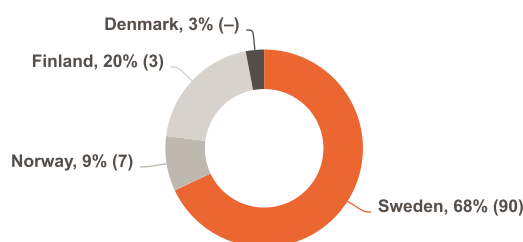
Capital employed in Industry was at the end of the period SEK 9,529 million compared to SEK 7,002 million at the end of the corresponding period last year. The increase is due to the acquired operations.

Net sales

per product area, rolling 12 months



per geographic market, rolling 12 months



ORDERS RECEIVED AND ORDER BACKLOG

July – September 2020

Orders received during the third quarter 2020 amounted to SEK 2,175 million (1,096), of which orders received from the acquired operations amounted to SEK 1,280 million.

January- September 2020

Orders received during the period January-September 2020 increased to SEK 7,077 million (4,371), of which orders received from the acquired operations amounted to SEK 3,244 million.

Order backlog on September 30, 2020 amounted to SEK 4,076 million (2,305), of which order backlog from acquired operations was SEK 1,785 million.

Key ratios

	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Oct-Sep 2019/2020	Jan-Dec 2019
Net sales, MSEK	6,233	3,820	13,791	9,747	17,383	13,339
Operating profit, MSEK	471	360	708	574	1,071	937
Operating margin, %	7.6	9.4	5.1	5.9	6.2	7.0
Orders received, MSEK	2,175	1,096	7,077	4,371	8,880	6,174
Order backlog, MSEK	4,076	2,305	4,076	2,305	4,076	2,548
Capital employed at the end of the period, MSEK	9,529	7,002	9,529	7,002	9,529	6,799
Number of employees at the end of the period	5,505	3,520	5,505	3,520	5,505	3,482
Concrete, thousands of m ³ ¹⁾	351	350	1,020	979	1,385	1,344
Paving, thousands of tons ¹⁾	3,366	912	5,898	1,814	6,802	2,718
Mineral Aggregates, thousands of tons ¹⁾	9,624	4,413	22,739	10,940	27,554	15,755

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

Housing Development develops all kinds of housing such as apartment buildings in tenancy ownership, ownership and rental form as well as single homes. Operations in Property Development revolve around the acquisition, development, maintenance and management as well as the divestiture of commercial property.

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

NET SALES AND PROFIT

July – September 2020

Net sales for the third quarter 2020 in business area Project Development amounted to SEK 1,750 million (2,015). Operating profit amounted to SEK 162 million (221).

January – September 2020

Net sales for the period January-September 2020 in business area Project Development amounted to SEK 5,696 million (6,441) and operating profit was SEK 474 million (737). The comparison period included an income contribution of SEK 170 million from the divestiture of property in the partially owned company Acturum.

Capital employed in Project Development at the end of the period amounted to SEK 13,174 million (17,033). Annehem Fastigheter was included with approximately SEK 1,900 million at the corresponding time last year.



Capital employed

MSEK	30 Sep 2020	30 Sep 2019	Dec 31 2019
Operations property	146	1,156	1,226
Investment property	113	648	500
Project and development property	9,428	11,745	11,850
<i>of which housing development rights</i>	5,172	5,621	5,674
<i>of which commercial development rights</i>	588	615	556
<i>of which unsold part of ongoing housing projects</i>	1,771	3,465	3,520
<i>of which ongoing rental projects in Sweden</i>	929	954	846
<i>of which ongoing commercial projects</i>	346	476	445
<i>of which completed property</i>	332	244	391
<i>of which other</i>	290	370	418
Participation in joint ventures	1,790	1,885	2,019
Loans to joint ventures	1,142	1,032	1,106
Working capital and other	555	567	-22
Total	13,174	17,033	16,679

Key ratios

	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Oct-Sep 2019/2020	Jan-Dec 2019
Net sales, MSEK	1,750	2,015	5,696	6,441	8,380	9,125
<i>of which Property Development</i>	71	180	304	607	483	786
<i>of which Housing Development</i>	1,679	1,835	5,392	5,834	7,897	8,339
Operating profit, MSEK	162	221	474	737	752	1,015
<i>of which Property Development</i>	13	34	21	272	49	300
<i>of which Housing Development</i>	149	187	453	465	703	715
Operating margin, %	9.3	11.0	8.3	11.4	9.0	11.1
<i>of which Property Development</i>	18.3	18.9	6.9	44.8	10.1	38.2
<i>of which Housing Development</i>	8.9	10.2	8.4	8.0	8.9	8.6
Capital employed at the end of the period, MSEK	13,174	17,033	13,174	17,033	13,174	16,679
Orders received, MSEK	1,639	1,528	4,729	4,684	6,209	6,164
Order backlog, MSEK	4,673	5,764	4,673	5,764	4,673	5,027
Number of employees at the end of the period	256	340	256	340	256	343

HOUSING DEVELOPMENT

July – September 2020

Net sales decreased by nine percent and amounted to SEK 1,679 million (1,835). Operating profit decreased to SEK 149 million (187) and the operating margin was 8.9 percent (10.2).

The number of start-ups of our own developed homes during the third quarter amounted to 591 units (522) with a good geographic spread. The number of sold homes was 730 (695). During the quarter sales were good in all three countries.

January – September 2020

Net sales decreased to SEK 5,392 million (5,834) and the reduction is related to Sweden. Operating profit amounted to SEK 453 million (465) and the operating margin improved to 8.4 percent (8.0). In the latest rolling 12 month period the operating margin amounted to 8.9 percent compared to 8.6 percent for the entire year of 2019.

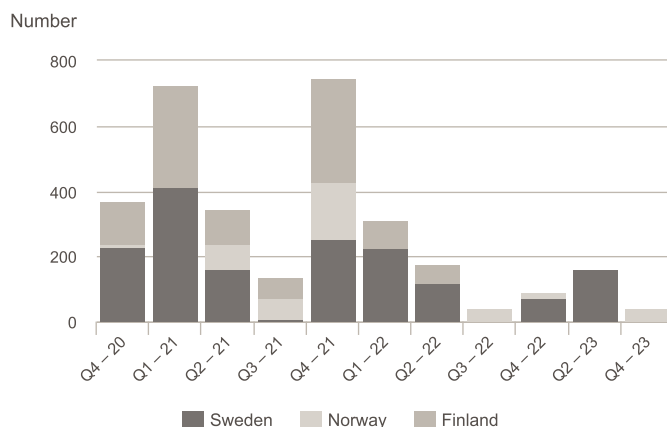
The number of start-ups of our own developed homes amounted to 1,612 units (1,529), most of which were in Sweden. The start-ups have been spread geographically in Sweden, Norway and Finland. The number of sold homes was 2,018 (1,954). Sales of homes were high during the beginning of the year but slowed down when the coronavirus broke out in the spring. During the summer and in the beginning of autumn demand for our housing has grown and all together sales have been good during the period in all three countries. The number of own developed homes in production at the end of the period was 4,056 (5,309). The level of sold homes in production was 72 percent (68). The number of repurchased homes per September 30, 2020 was 195 (169) and around half of them were in Sweden and half of them in Finland. Peab develops and builds housing all over Sweden and in large parts of Norway and Finland. Our housing is primarily in the medium price segment and we see that there continues to be a considerable need for new production of housing in this range.

Capital employed has decreased at the end of the period compared to the corresponding point in time in 2019. The reduction is largely due to less capital tied up in unsold homes. In recent years we have completed more homes than production started which is why the amount has contracted. At the same time we have had a good rate of sales, which has reduced the amount of capital tied up in unsold homes. Capital employed also includes apartments for rent projects in Sweden that can be converted to tenant-owned homes or be sold on the investment market.

Development rights for housing

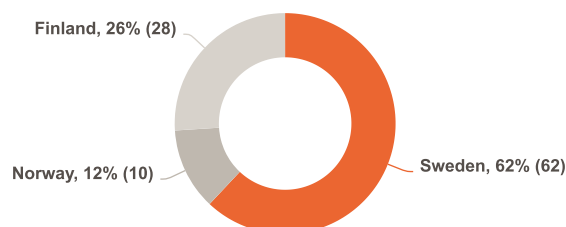
Number, approx.	Sep 30 2020	Sep 30 2019	Dec 31 2019
Development rights on our own balance sheet	19,600	20,200	20,300
Development rights via joint ventures	4,600	5,200	4,600
Development rights via options etc.	9,700	9,900	9,500
Total	33,900	35,300	34,400

Time of completion of our own developed ongoing housing



Net sales

per geographic market, rolling 12 months



Own housing development construction

	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Oct-Sep 2019/2020	Jan-Dec 2019
Number of housing starts during the period	591	522	1,612	1,529	2,150	2,067
Number of sold homes during the period	730	695	2,018	1,954	2,773	2,709
Total number of homes under construction, at the end of the period	4,056	5,309	4,056	5,309	4,056	4,616
Share of sold homes under construction, at the end of the period	72%	68%	72%	68%	72%	69%
Number of repurchased homes in the balance sheet, at the end of the period	195	169	195	169	195	253

PROPERTY DEVELOPMENT

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

July – September 2020

During the third quarter 2020 net sales were SEK 71 million (180) and operating profit was SEK 13 million (34). During the quarter Peab divested its 50 percent ownership in Nya Bara Utvecklings AB to Brinova with a positive effect on profit of SEK 30 million.

January – September 2020

During the period January-September 2020 net sales in Property Development were SEK 304 million (607) and operating profit was SEK 21 million (272). Some operations connected to air travel and tourism have been negatively affected by the corona pandemic which has lowered operating profit by SEK -59 million, of which SEK -44 million is related to Ängelholm Airport. The amount includes a SEK -20 million write-down of goodwill. Ängelholm Airport was divested during the period. The comparable period included an income contribution of SEK 170 million from the sales of property in the partially owned company Acturum.

ONGOING PROPERTY PROJECTS

Type of project	Location	Area in m ²	Degree rented, %	Recognized value, MSEK	Total investment at completion, MSEK	Timepoint of completion	Level of completion, %
Retail	Oslo	3,600	100	198	251	Q4-2020	79
Office building	Helsingborg	2,900	88	74	106	Q2-2021	70
Office building	Solna	4,300	89	92	194	Q3-2021	47
Other ongoing projects				56			
Total				420			
<i>of which operations property</i>				74			
<i>of which project and development property</i>				346			

At the end of the period capital employed in Property Development had contracted compared to the same period 2019 due to the transfer of fully developed properties to Annehem Fastigheter. At the same time last year Annehem Fastigheter was included by approximately SEK 1,900 million. Capital employed in Property Development includes as of 2020 primarily commercial development rights, ongoing property projects, shares in partially owned companies as well as loans to partially owned companies.

The creation of Annehem Fastigheter means that our now larger ongoing projects in Property Development are intended for sales to Annehem Fastigheter and will thereby be included in the planned extra distribution. During the second quarter 2020 property containing offices and parking space in Solna was divested to Annehem Fastigheter. The table below presents the larger ongoing property projects per September 30, 2020.

Significant joint ventures

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

TORNET BOSTADSPRODUKTION AB

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 September 30, 2020 ¹⁾: SEK 4,953 million (4,020)

Peab's portion of unrecognized fair value exclusive tax ¹⁾: SEK 332 million (232)

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

FASTIGHETS AB ML4

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

Peab's share: 50 percent

Partner: Wihlborgs

Location: Lund

Recognized value on properties September 30, 2020: SEK 1,924 million (1,837)

Major ongoing projects: Research building 6,400 m²

FASTIGHETS AB CENTUR

Own, manage and develop commercial property and housing.

Peab's share: 50 percent

Partner: Balder

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

Recognized value on properties September 30, 2020 ¹⁾: SEK 6,894 million (6,448)

Peab's portion of unrecognized fair value exclusive tax ¹⁾: SEK 427 million (394)

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 of properties September 30, 2020: SEK 1,355 million (1,240)

Major ongoing projects: No major ongoing projects

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

BACKGROUND

In February 2020 Peab's Board proposed to the AGM an extra distribution of all the shares in a newly formed company holding Peab's wholly owned, fully developed commercial properties, earlier included in business area Project Development and the entity Property Development. As a result of the spread of the coronavirus and its effects on external circumstances and financial markets Peab's Board decided to withdraw the proposal to the Annual General Meeting. With the uncertain situation in the world it was not the right time to list the company. Peab continues to believe that a distribution of the properties is the solution that will over time provide shareholders with the greatest value. Therefore the operative work of building and structuring the real estate company has continued as planned.

Based on market assessments as well as the development presented in the second quarter report Peab's Board decided in August 2020 to propose a new date for the distribution of Annehem Fastigheter. The Board has thereafter summoned to an Extra General Meeting on November 12, 2020 with the intention that distribution and listing will take place in December.

Annehem Fastigheter has received financing on market terms and the distribution has been approved by Peab's loan financiers. The distribution is equal to around two billion SEK in equity. The level of equity and borrowing in Annehem Fastigheter has been determined based on the current property portfolio and taking into consideration future growth.

When Annehem Fastigheter is distributed the difference between market values and book values, including eliminated construction contract profit, will be taken up as income in Peab's consolidated accounts. This preliminarily amounts to SEK 850 million.

Further information to Peab's shareholders regarding the proposal for distribution of Annehem Fastigheter, in the form of an information brochure, will be published on Peab's website before the Extra General Meeting. The information brochure will, among other things, contain a description of Annehem Fastigheter's final structure, the transaction and financial effects for Peab.

BUSINESS CONCEPT, BOARD AND MANAGEMENT

Annehem Fastigheter will own and manage high quality commercial, community and residential property with a clear environmental profile and good connections to the Nordic growth areas Stockholm, Skåne, Gothenburg as well as Helsinki and Oslo. Annehem Fastigheter builds lasting relationships and value through management close to customers.

The board of Annehem Fastigheter consists of Göran Grosskopf, Pia Andersson, Jesper Göransson, Anders Hylén, Lars Ljungälv and Karin Ebbinghaus. Göran Grosskopf has been appointed chairman. In addition, Jörgen Lundgren has been appointed CEO, Jan Egenäs as CFO and Adela Colakovic as Group Accounting Manager for Annehem Fastigheter. Jörgen Lundgren leaves his position as CEO of Solnaberg Property AB (publ). Jörgen Lundgren has previously held positions such as President and CEO of Fastighetsaktiebolaget Norrporten and is, among other things, currently a board member of Aros Bostäder and vice chairman of Mäklarhuset.

NET SALES AND PROFIT

The property portfolio in Annehem Fastigheter is being built up. Revenue and profit will successively increase in the coming years as more property is taken over.

July – September 2020

Net sales for the third quarter 2020 amounted to SEK 47 million. Operating profit amounted to SEK 5 million and operating margin was 10.6 percent. Listing and separation costs of SEK 12 million were included in operating profit. Depreciation and write-downs during the quarter were SEK -12 million.

January – September 2020

Net sales for the period January-September 2020 amounted to SEK 135 million. Operating profit amounted to SEK 17 million and operating margin was 12.6 percent. Listing and separation costs of SEK 12 million were included in operating profit. Depreciation and write-downs for the period were SEK -36 million.



PROPERTY PORTFOLIO

Per September 30, 2020 Annehem Fastigheter owns fully developed properties and participations for a market value of approximately SEK 3,000 million. During the third quarter it was decided that Peab's 50 percent ownership in the joint venture company, Point Hyllie Holding AB will not be owned by Annehem Fastigheter but remain in Peab. During the second quarter it was decided not to include Peab's partially owned company Nya Bara Utvecklings AB in Annehem Fastigheter. During the second quarter Annehem Fastigheter acquired a property containing offices and parking space in Solna for a market value of SEK 290 million from Peab. Annehem Fastigheter has also signed a contract with Peab to acquire further properties after they are completed. A property in Oslo with a market value of SEK 287 million will be transferred during 2020, and two properties located in Solna and Helsingborg will be transferred in 2021 for a total market value of SEK 406 million.

In conjuncture with the distribution of Annehem Fastigheter new market values of the properties will be determined. As long as Annehem Fastigheter remains on Peab's books the properties will not be recognized at market value in Peab's accounts. They will instead be recognized at their purchase prices.

Wholly owned property	Location	Area in m ²	Degree rented, %
Business park	Ängelholm	51,500	90
Business park	Ljungbyhed	73,700	77
Office building	Solna	12,400	100
Office building	Solna	2,900	100
Office building	Helsinki	9,300	94
Office building	Helsinki	7,600	91
Retail and offices	Gothenburg	6,400	98
Office building	Malmö	4,900	79
Office building	Malmö	1,000	100

Construction market

SWEDEN

After the severe drop in GDP Sweden's economy began to recover during the second quarter. Several forecasts and indicators point to a softer decline than feared. GDP is expected to contract by around 4.5 percent this year and gross investments by some 8.5 percent. Housing construction is expected to continue to decline this year at the same time price levels for existing single houses and tenant-owned homes continue to rise driven by the housing shortage, low new production volumes and a stable interest level. A shift in behavior due to COVID-19 in combination with a downturn in the business cycle can have a negative effect on the need for private premises such as offices, hotels and commercial space. However, public building construction can grow this year due to greater needs and investments from the state and municipalities. The forecast for civil engineering investments indicates a stable level during both 2020 and 2021 with a particular focus on investments in roads, railroads, water and sewage and energy related projects.

NORWAY

The Norwegian economy has begun to recover after the dramatic decline in the spring but it will take until 2021 before activity is on the same level as before the breakout of corona. Manufacturing has been hit hard by measures taken to control the spread of the virus, reduced international demand and the plunge in oil prices. Housing construction is expected to contract this year and the next due to less growth and rising unemployment. The forecast for premise construction indicates positive development in 2020-2021 where private building construction is expected to grow this year before it declines in 2021. The government's economic policy has been robust and there is room for investments in public sector and civil engineering construction, which are expected to grow during the period 2020-2021 and act as a cushion for the construction market.

FINLAND

Finland's economy has held up better than expected. Forecasts for both the total GDP and household consumption have been adjusted positively. All in all growth in the economy is expected to contract by around four percent in 2020. Total housing investments will most likely fall in 2020-2021. Industrial building construction is also expected to decline during the same period. However, the outlook for office and retail construction continues to be bright this year. The forecast for public building construction investments has been adjusted positively and indicates zero growth this year and an increase in 2021. The outlook for civil engineering investments is also looking up. An upturn is expected this year followed by a downturn next year.

Housing

	2020	2021	2022
Sweden	↓	↘	↗
Norway	↘	↘	↗
Finland	↓	↘	↗

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

Source: Navet Analytics

Other building construction

	2020	2021	2022
Sweden	↘	→	↗
Norway	↗	→	→
Finland	↘	↘	↘

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

Source: Navet Analytics

Civil engineering

	2020	2021	2022
Sweden	→	→	-
Norway	↗	↑	-
Finland	↗	↘	-

Forecast for civil engineering investments

Source: Navet Analytics

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



ARENA ÄLVSHÖGSBORG
Trollhättan

Other information

SUSTAINABILITY

Our workplaces should be secure and safe for everyone at them despite the fact that there are risk-filled aspects of our operations. In addition to our many subcontractors Peab has a high portion of own skilled workers compared to our colleagues in the construction and civil engineering industry. This makes the matter of safe workplaces particularly important to us. The number of employees in Peab at the end of the third quarter 2020 was 16,010, of which skilled workers were 8,887.

Serious accidents

To prevent accidents and incidents at our workplaces we continually develop quality assured work methods and educate our employees. Focus is on planning and risk assessment in connection with running projects going forward as well as learning from reported risk observations, incidents and accidents.

The number of serious accidents* during the first nine months 2020 amounted to 37 regarding our own employees and 33 regarding subcontractors at our workplaces. The industry initiative Maintain Zero, which Peab helped found and that strives for zero accidents in the construction industry, is currently working on developing an industry standard for measuring and monitoring workplace accidents. Peab will begin reporting according to it as soon as the standard is produced and adopted.

Risk observations

Every remedied risk is one less potential accident, which is why we work intensively to raise the number of reported and remedied risk observations*. The goal for 2020 is 45,000 reported and remedied risk observations. The number during the first nine months 2020 was 43,173.

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

Other

- Peab was a driving force behind producing a digital and cost-free education in corruption control, diversity and sound competition that the Ethical Council for the Swedish Construction Sector launched in July. The education is designed for both students and professionals.
- In July Lund Municipality became the first in the world to test a new kind of fall friendly asphalt that Peab paved on a pedestrian and bicycle path. The asphalt is five times more cushioning than normal asphalt and the idea is to reduce the number of accidents among pedestrians and cyclists. The project is the result of a research project with, among others, the research institute RISE.
- As part of an EU research project Peab Asfalt began the first trials of paving asphalt with lignin on a well trafficked stretch of road in Sundsvall. Lignin is the natural binder in trees with both technical and environmental advantages, and the objective is to be able to replace some of oil-based bitumen with it.
- In order to promote a good safety culture in our organization Peab carried out its annual focus week at the end of August. The week is aimed at creating dialogue, participation and engagement in all our employees' work environment, health and safety. One of the week's events was dialogue meetings that were held at all our workplaces.
- Since August all our employees receive safety messages in the form of an sms every time a serious accident occurs in our organization. The purpose is to increase safety awareness, whether or not someone works in production or an office, by reminding and pointing out to each other the importance of continuing to work to reduce accidents.
- As part of our organization's equal treatment and equality work Peab launched together with Svensk Talteknologi a new digital tool that makes it easier to read and write texts for all Peab's employees in Sweden, whether or not they have reading or writing difficulties. The intention is to make it possible for every employee to communicate on equal terms and not be treated differently because of reading or writing difficulties. The tool for computers and phones includes reading texts aloud and a spelling correction program.

RISKS AND UNCERTAINTY FACTORS

Peab's business is exposed both to operational and financial risks. How much risks affect Peab's profits and position depends on how well the company handles daily operations. In addition, as a construction and civil engineering company, Peab is vulnerable to external risks such as developments in the economy, climate effects and changes in circumstances due to amendments in laws and regulations, and other political decisions.

In the beginning of 2020 the coronavirus spread over a large part of the world. Governments and central banks are implementing different forms of crisis packages to reduce the negative financial effects. The entire global economy is affected but it is difficult to say how deeply and for how long. So far the effects of the coronavirus on Peab's operations have been limited. We closely follow developments in order to assess the effects in the long run. For more information see the section Coronavirus under Important events during the period.

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.

On December 13, 2019 Peab's supplier Nynas AB applied for a company reorganization and on March 12, 2020 Nynas AB applied for a further extension of three months which was granted. Thereafter further extensions were applied for, which the latest was granted until December 15, 2020. Nynas AB is an essential supplier of bitumen which is used as a binder in the manufacture of asphalt. If Nynas AB cannot fulfill its obligations it will cause considerable disturbances in the Nordic paving market and affect all the companies involved in asphalt paving, including Peab which is a major actor. Peab has chosen to complement with other suppliers to ensure deliveries of bitumen.

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 2019.

IMPORTANT EVENTS DURING THE PERIOD

Dividend and distribution proposals and withdrawal of proposals

In conjuncture with the year-end report 2019 Peab's Board decided to propose to the AGM an unchanged ordinary dividend of SEK 4.20 per share and an extra distribution of the shares in a newly founded real estate company (Annhem Fastigheter).

When the decision was made the global spread of the coronavirus had not yet begun. It has thereafter developed into a pandemic, which in turn has created enormous uncertainty concerning global financial developments.

On March 24, 2020 the Board reviewed the decision of an extra distribution of all the shares in Annhem Fastigheter. The Board put off the decision to actually distribute and list the company until there was less uncertainty and circumstances improved. The strategy to create the company, distribute and list it did not change.

On April 7, 2020 Peab's Board also decided to withdraw in its entirety the proposal to the AGM for an ordinary dividend of SEK 4.20 per share. The Board and executive management have reviewed the situation focusing on identifying measures needed to be taken for different scenarios on the Nordic construction market. Their main purpose is to be able to create the prerequisite conditions to handle overhead in a contracting business and at the same time safeguard long-term production capacity. Examples of measures are furloughs and training.

The Board's ambition have been to regularly evaluate the dividend capacity and depending on developments make a decision on both an ordinary dividend and when distribution of all the shares in Annehem Fastigheter can take place. Based on market assessments and the development presented in the second quarter report Peab's Board decided in August 2020 to propose a new date for the distribution of Annehem Fastigheter. On October 19, 2020 the Board summoned an Extra General Meeting on November 12, 2020. For more information see the section Annehem Fastigheter and Important events after the period.

Peab's Board has also decided not to present a new decision for a cash dividend. Instead the Annual General Meeting's decision of no dividend for 2019 stands.

Coronavirus

In the beginning of the year the coronavirus spread to a large part of the world. Countries are still putting different measures to limit the spread of the infection, for example entry and quarantine regulations. Governments and central banks are introducing different forms of crisis packages to reduce the financial effects. This will affect the global economy but to what extent is difficult to say.

Peab is a major employer with many employees and many people at our work places. As employer we care about our employees but naturally we also care about our customers, subcontractors, suppliers and other partners. For Peab it is important from a societal perspective that we do everything we can to thwart the spread of infection and keep our operations going.

Peab's measures to limit the spread of the infection are founded on The Public Health Agency of Sweden's guidelines and instructions as well as those that correspond in the other countries we work in. Since the situation and instructions from the authorities are constantly changing, we closely follow developments and adopt to them. Above all they affect the directives we give our employees.

The short-term effects of the coronavirus on Peab's operations are limited at the moment but naturally we closely follow developments so that we can continually assess possible affects in a longer perspective. Under the current circumstances we see what a strength it is for us to be the local company with the big group resources. Peab has four business areas – Construction, Civil Engineering, Industry and Project Development that collaborate locally and a large part of input goods and personnel are our own. This gives us good control over the construction process and makes us therefore less vulnerable to production disruptions.

Acquisition of Nordic paving and mineral aggregates operations

On July 4, 2019 Peab signed a contract to acquire YIT's paving and mineral aggregates operations in the Nordic region. The transaction was conditional on approval from competition authorities as well as the fulfillment of certain contractual conditions. At the end of March 2020 the transaction was approved by the competition authorities and the acquisition was finalized on April 1, 2020. The operations are consolidated into the Peab Group as of that date.

Through the acquisition Peab will expand its presence in Sweden, Norway and Finland and become established in the paving business in Denmark and this will give Peab a unique and market leading position in this business in the Nordic region. The acquisition entails taking over some 2,000 employees, around 200 strategically located quarries along with 63 production asphalt plants in the Nordic region. The deal will also increase the importance of industrial operations for the Group.

Greater geographic proliferation in areas that are normally less sensitive to the business cycle increases stability in the Group. It also provides a platform for further expansion and development in other operations such as Recycling and Concrete.

The transaction is a combination of an asset deal and a share purchase. The purchase price amounted to SEK 3,184 million for a debt-free business and is fully financed. In 2019 the acquired operations had net sales of SEK 5,878 million with an adjusted EBITDA of SEK 282 million.

For more information, see section Business area Industry and note 2.

IMPORTANT EVENTS AFTER THE PERIOD

Changes in Peab's executive management

In the spring of 2020 Peab's acquisition of YIT's paving and mineral aggregates operations in the Nordic region was finalized. As a result of the acquisition the importance of operations in Industry in the Group have grown at the same time Peab has increased its presence in Sweden, Norway and Finland and established itself in paving in Denmark. Peab has thereby transitioned from being a Swedish company with operations in Norway and Finland to becoming a Nordic company based in Sweden.

Today Peab has 16,000 employees. We now have a greater geographic spread and our local presence is stronger, which makes it possible for us to develop within the framework of what we call locally produced community building. Through Peab's four collaborating business areas we can, as far as possible, ensure that we use local resources in the form of our own employees, our own input goods and subcontractors.

Business area Industry changes

Business area Industry consists of a number of companies that deliver input goods and services to the construction industry. Due to the acquisition from YIT our operations have grown extensively and therefore need to be steered and led at company level rather than business area level. The industrial companies will continue to report externally as one business area. Operatively they will be led by MDs that report to two members of executive management responsible for them, Roger Linnér and Niclas Winkvist. Karl-Gunnar Karlsson will leave his role as Business Area Industry Manager and therefore executive management. Karl-Gunnar has been appointed MD for Swerock.

Chief Strategic Officer appointed

In order to ensure scale advantages, effectiveness and sustainable products, at the same time we develop our local business, we have to streamline the way we lead and steer. Digitalization will continue to enable this work going forward. In order to support executive management's work with these matters Johan Dagertun has been appointed CSO.

Johan Dagertun was most recently MD for Construction System in business area Industry and has previously been a business controller in Finance and Treasury at Peab.

After these changes have been made Peab's executive management will consist of the following members:

- Jesper Göransson, President and CEO
- Niclas Winkvist, CFO, part of business area Industry
- Roger Linnér, COO, part of business area Industry
- Stefan Danielsson, Business Area Construction Manager
- Lotta Brändström, Business Area Civil Engineering Manager
- Göran Linder, Business Area Project Development Manager
- Camila Buzaglo, CCO
- Johan Dagertun, CSO

Summons to an Extra General Meeting

On October 19, 2020 Peab's Board has summoned to an Extra General Meeting (EGM) November 12, 2020 to decide on its proposal to distribute all the shares in the wholly owned subsidiary Annehem Fastigheter. The intention is to list the B shares in Annehem Fastigheter on Nasdaq Stockholm in December 2020.

The distribution ratio is 1:5 which means that one (1) share in Peab entitles to one (1) share right of the same sort in Annehem Fastigheter, and five (5) share rights entitle to one (1) share of the same sort in Annehem Fastigheter. The distribution corresponds to equity of around SEK 2 billion. The level of equity and borrowing in Annehem Fastigheter has been determined based on the current property portfolio and taking into consideration future growth.

If the EGM votes according to the proposal to distribute Annehem Fastigheter the record day is expected to be in close connection with the listing of B shares in Annehem Fastigheter. The Board's intention is to list the company in December 2020. When Annehem Fastigheter is distributed the difference between fair value and book values will be taken up as income in Peab. This preliminarily amounts to SEK 800 million. To this will be added eliminated construction contract profit of around SEK 50 million.

HOLDINGS OF OWN SHARES

At the beginning of 2020 Peab's own B shareholding was 1,086,984 which corresponds to 0.4 percent of the total number of shares. No changes have taken place during the period January-September 2020.

THE PEAB SHARE

Peab's B share is listed on the Nasdaq Stockholm, Large Cap list. As of October 21, 2020, the price of the Peab share was SEK 89.00 a decrease of five percent during 2020. During the same period, the Swedish stock market increased by seven percent according to the general index in the business magazine "Affärsvärlden". During 2020 the Peab share has been quoted at a maximum of SEK 110.70 and a minimum of SEK 59.30.

Report on the Group income statement, IFRS

Group net sales according to IFRS increased by seven percent during the period January-September 2020 and amounted to SEK 43,863 million (40,848).

Operating profit according to IFRS for the period January-September 2020 amounted to SEK 1,980 million (2,452) and the operating margin was 4.5 percent (6.0).

MSEK	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Oct-Sep 2019/2020	Jan-Dec 2019
Net sales	16,204	12,869	43,863	40,848	59,318	56,303
Production costs	-14,463	-11,717	-39,552	-36,443	-53,421	-50,312
Gross profit	1,741	1,152	4,311	4,405	5,897	5,991
Sales and administrative expenses	-717	-604	-2,445	-2,128	-3,196	-2,879
Other operating income	72	122	145	187	238	280
Other operating costs	-9	-6	-31	-12	-126	-107
Operating profit	1,087	664	1,980	2,452	2,813	3,285
Financial income	18	14	73	99	104	130
Financial expenses	-55	-35	-218	-126	-280	-188
Net finance	-37	-21	-145	-27	-176	-58
Pre-tax profit	1,050	643	1,835	2,425	2,637	3,227
Tax	-210	-104	-383	-422	-532	-571
Profit for the period	840	539	1,452	2,003	2,105	2,656
Profit for the period, attributable to:						
Shareholders in parent company	840	539	1,452	2,003	2,105	2,656
Non-controlling interests	0	0	0	0	0	0
Profit for the period	840	539	1,452	2,003	2,105	2,656
Key ratios, IFRS						
Earnings per share before and after dilution, SEK	2.85	1.83	4.92	6.79	7.13	9.00
Average number of outstanding shares, million	295.0	295.0	295.0	295.0	295.0	295.0
Return on capital employed, % ¹⁾	10.7	-	10.7	-	10.7	13.2
Return on equity, % ¹⁾	17.5	-	17.5	-	17.5	24.3

¹⁾ Calculated on rolling 12 months. Since the numbers for 2018 have not been translated according to the changed accounting principles no numbers for September 30, 2019 are given.

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

MSEK	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Oct-Sep 2019/2020	Jan-Dec 2019
Profit for the period	840	539	1,452	2,003	2,105	2,656
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	-9	5	-123	109	-183	49
Changes in fair value of cash flow hedges for the period	1	-4	3	4	8	9
Shares in joint ventures' other comprehensive income	0	0	0	0	0	0
Tax referring to items that can be reclassified or have been reclassified to profit for the period	-1	1	-17	12	-23	6
Other comprehensive income for the period	-9	2	-137	125	-198	64
Total comprehensive income for the period	831	541	1,315	2,128	1,907	2,720
Total comprehensive income for the period, attributable to:						
Shareholders in parent company	831	541	1,315	2,127	1,908	2,720
Non-controlling interests	0	0	0	1	-1	0
Total comprehensive income for the period	831	541	1,315	2,128	1,907	2,720

Report on financial position for the Group in summary, IFRS

MSEK	Sep 30 2020	Sep 30 2019	Dec 31 2019	Jan 1 2019
Assets				
Intangible assets	3,795	2,324	2,334	2,250
Tangible assets	7,048	6,644	6,811	5,741
Investment property	132	704	558	589
Interest-bearing long-term receivables	1,183	1,077	1,086	1,445
Other financial fixed assets	1,937	1,999	2,097	1,297
Deferred tax recoverables	213	209	201	346
Total fixed assets	14,308	12,957	13,087	11,668
Project and development properties	15,106	16,822	16,948	17,219
Inventories	1,267	500	533	441
Interest-bearing current receivables	139	118	144	456
Other current receivables	12,856	13,630	12,603	13,030
Liquid funds	1,347	261	373	1,376
Assets held for value transfer to owners ¹⁾	2,127	-	-	-
Total current assets	32,842	31,331	30,601	32,522
Total assets	47,150	44,288	43,688	44,190
Equity and liabilities				
Equity	12,874	10,966	11,559	10,077
Liabilities				
Interest-bearing long-term liabilities	5,412	4,272	3,803	3,970
Interest-bearing long-term liabilities, project financing	232	448	326	213
Deferred tax liabilities	99	138	148	123
Other long-term liabilities	1,367	850	938	868
Total long-term liabilities	7,110	5,708	5,215	5,174
Interest-bearing current liabilities	2,716	3,300	3,011	1,310
Interest-bearing current liabilities, project financing	5,505	7,385	7,637	10,963
Other current liabilities	17,851	16,929	16,266	16,666
Liabilities referring to assets held for value transfer to owners ²⁾	1,094	-	-	-
Total current liabilities	27,166	27,614	26,914	28,939
Total liabilities	34,276	33,322	32,129	34,113
Total equity and liabilities	47,150	44,288	43,688	44,190
Key ratios, IFRS				
Capital employed	27,729	26,371	26,336	26,533
Equity/assets ratio, %	27.3	24.8	26.5	22.8
Net debt	12,125	13,949	13,174	13,179
Equity per share, SEK	43.64	37.17	39.18	34.16
Number of outstanding shares at the end of the period, million	295.0	295.0	295.0	295.0

¹⁾ The item includes liquid funds of SEK 61 million per September 30, 2020.

²⁾ The item includes interest-bearing liabilities of SEK 990 million per September 30, 2020.

Report on changes in Group equity in summary, IFRS

MSEK	Sep 30 2020	Sep 30 2019	Dec 31 2019
Equity attributable to shareholders in parent company			
Opening equity on January 1	11,557	11,347	11,347
Adjustment consolidation tenant-owner housing associations (see note 1)	-	-1,271	-1,271
Adjusted equity on January 1	11,557	10,076	10,076
Profit for the period	1,452	2,003	2,656
Other comprehensive income for the period	-137	124	64
Total comprehensive income for the period	1,315	2,127	2,720
Cash dividend	-	-1,239	-1,239
Closing equity	12,872	10,964	11,557
Non-controlling interests			
Opening equity on January 1	2	1	1
Comprehensive income for the period	0	1	0
Shareholder contribution	-	-	1
Closing equity	2	2	2
Total closing equity	12,874	10,966	11,559

Report on Group cash flow in summary, IFRS

MSEK	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Oct-Sep 2019/2020	Jan-Dec 2019
Cash flow from current operations before changes in working capital	1,415	640	3,181	2,590	4,460	3,869
Increase (-) / Decrease (+) of project and development properties	957	-327	1,521	728	1,130	337
Increase (-) / Decrease (+) of inventories	88	5	-114	-48	-155	-89
Increase (-) / Decrease (+) of current receivables / current liabilities	527	-828	984	-318	1,198	-104
Cash flow from changes in working capital	1,572	-1,150	2,391	362	2,173	144
Cash flow from current operations	2,987	-510	5,572	2,952	6,633	4,013
Acquisition of subsidiaries / businesses, net effect on liquid funds	-	-2	-2,384	-22	-2,384	-22
Redemption of loan to seller upon acquisition of business	-	-	-746	-	-746	-
Sale of subsidiaries / businesses, net effect on liquid funds	20	88	20	88	95	163
Acquisition of fixed assets	-334	-347	-974	-1,351	-1,548	-1,925
Sale of fixed assets	162	177	307	744	560	997
Cash flow from investment operations	-152	-84	-3,777	-541	-4,023	-787
Cash flow before financing	2,835	-594	1,795	2,411	2,610	3,226
Shareholder contribution holding with non-controlling interest	-	-	-	-	1	1
Increase (+) / Decrease (-) of interest-bearing liabilities	-1,039	-612	1,441	1,133	551	243
Increase (+) / Decrease (-) of interest-bearing liabilities, project financing	-1,307	342	-2,160	-3,429	-1,975	-3,244
Dividend distributed to shareholders in parent company	-	-	-	-1,239	-	-1,239
Cash flow from financing operations	-2,346	-270	-719	-3,535	-1,423	-4,239
Cash flow for the period	489	-864	1,076	-1,124	1,187	-1,013
Cash at the beginning of the period	923	1,128	373	1,376	261	1,376
Exchange rate differences in cash	-4	-3	-41	9	-40	10
Cash at the end of the period	1,408	261	1,408	261	1,408	373

Parent company

The parent company Peab AB's net sales for the period January-September 2020 amounted to SEK 257 million (234) and mainly consisted of internal Group services. Profit for the period amounted to SEK 362 million (-3). Profit for the period included dividends of SEK 500 million (200) from subsidiaries.

The parent company's assets mainly consist of participations in Group companies amounting to SEK 14,051 million (11,952). The increase consisted primarily of a capital contribution to Annehem Fastigheter in preparation for the distribution. The assets have been financed from equity of SEK 9,419 million (7,791) and long-term liabilities to Group companies amounting to SEK 2,531 million (2,651).

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

Report on the parent company income statement in summary

MSEK	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Oct-Sep 2019/2020	Jan-Dec 2019
Net sales	87	78	257	234	371	348
Administrative expenses	-109	-110	-390	-357	-546	-513
Other operating income	-	-	-	5	-	5
Operating profit	-22	-32	-133	-118	-175	-160
Result from financial investments						
Profit from participation in Group companies	-	-	500	130	500	130
Other financial items	-14	-16	-42	-52	-58	-68
Result after financial items	-36	-48	325	-40	267	-98
Appropriations	-	-	-	-	1,656	1,656
Pre-tax profit	-36	-48	325	-40	1,923	1,558
Tax	7	11	37	37	-295	-295
Profit for the period ¹⁾	-29	-37	362	-3	1,628	1,263

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	Sep 30 2020	Sep 30 2019	Dec 31 2019
Assets			
Fixed assets			
Intangible assets	45	52	51
Tangible assets	1	1	1
Financial assets			
Participation in Group companies	14,051	11,952	12,050
Deferred tax recoverables	117	112	119
Total financial assets	14,168	12,064	12,169
Total fixed assets	14,214	12,117	12,221
Current assets			
Current receivables			
Accounts receivable	2	0	1
Receivables from Group companies	11	46	2,479
Current tax assets	270	313	60
Other receivables	1	29	44
Prepaid expenses and accrued income	19	13	10
Total current receivables	303	401	2,594
Cash and bank	0	0	0
Total current assets	303	401	2,594
Total assets	14,517	12,518	14,815
Equity and liabilities			
Equity			
Restricted equity	1,899	1,902	1,901
Non-restricted equity	7,520	5,889	7,156
Total equity	9,419	7,791	9,057
Untaxed reserves	2,403	1,930	2,403
Provisions			
Other provisions	51	44	41
Total provisions	51	44	41
Long-term liabilities			
Liabilities to Group companies	2,531	2,651	2,791
Total long-term liabilities	2,531	2,651	2,791
Current liabilities			
Accounts payable	20	22	32
Liabilities to Group companies	2	7	404
Other liabilities	21	17	12
Accrued expenses and deferred income	70	56	75
Total current liabilities	113	102	523
Total liabilities	2,644	2,753	3,314
Total equity and liabilities	14,517	12,518	14,815

Note 1 – Accounting principles

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

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

CHANGED ACCOUNTING PRINCIPLES FOR SWEDISH TENANT-OWNED HOUSING ASSOCIATIONS

As of fiscal year 2020 Peab consolidates projects with Swedish tenant-owned housing associations at the time the final homebuyers take possession of their apartments. This means that Peab recognizes the projects on the balance sheet as work-in-progress under the asset item project development properties, and as interest-bearing liabilities. Revenue and costs for the projects will be recognized as homebuyers take possession of their apartments. Costs for loans are included in the acquisition value of the properties. In conjuncture with this change Peab now recognizes all our own developed housing projects in Sweden, Norway and Finland according to the completion method. According to previous principles Peab did not consolidate projects with Swedish tenant-owned housing associations from the time land transfer and turnkey contracts were signed, and revenue and expenses were recognized over time as the projects were successively completed.

All comparative figures for 2019 are translated if not otherwise specified.

Jan-Sep 2019 MSEK	Reported income statement	Changed accounting principles	Group IFRS
Net sales	38,696	2,152	40,848
Production costs	-34,930	-1,513	-36,443
Gross profit	3,766	639	4,405
Sales and administrative expenses	-2,128		-2,128
Other operating income	187		187
Other operating costs	-12		-12
Operating profit	1,813	639	2,452
Financial income	99		99
Financial expenses	-126		-126
Net finance	-27	-	-27
Pre-tax profit	1,786	639	2,425
Tax	-285	-137	-422
Profit for the period	1,501	502	2,003
Profit for the period, attributable to:			
Shareholders in parent company	1,501	502	2,003
Non-controlling interests	0	-	0
Profit for the period	1,501	502	2,003

Sep 30, 2019 MSEK	Reported balance sheet	Changed accounting principles	Group IFRS
Assets			
Intangible assets	2,324		2,324
Tangible assets	6,644		6,644
Investment property	704		704
Interest-bearing long-term receivables	1,077		1,077
Other financial fixed assets	1,994	5	1,999
Deferred tax recoverables	–	209	209
Total fixed assets	12,743	214	12,957
Project and development properties	11,094	5,728	16,822
Inventories	500		500
Interest-bearing current receivables	195	-77	118
Other current receivables	14,910	-1,280	13,630
Liquid funds	261		261
Total current assets	26,960	4,371	31,331
Total assets	39,703	4,585	44,288
Equity and liabilities			
Equity	11,735	-769	10,966
Liabilities			
Interest-bearing long-term liabilities	5,942	-1,670	4,272
Interest-bearing long-term liabilities, project financing	–	448	448
Deferred tax liabilities	138		138
Other long-term liabilities	959	-109	850
Total long-term liabilities	7,039	-1,331	5,708
Interest-bearing current liabilities	3,533	-233	3,300
Interest-bearing current liabilities, project financing	–	7,385	7,385
Other current liabilities	17,396	-467	16,929
Total current liabilities	20,929	6,685	27,614
Total liabilities	27,968	5,354	33,322
Total equity and liabilities	39,703	4,585	44,288

ANNEHEM FASTIGHETER

In February 2020 Peab's Board proposed to the AGM, in addition to the ordinary dividend, an extra distribution of all the shares in a newly founded company, Annehem Fastigheter, containing Peab's wholly owned, fully developed commercial properties. As a result of the spread of the coronavirus, its effects on external circumstances and on financial markets, Peab's Board decided to withdraw the proposal to the AGM. Based on market assessments and the development presented in the second quarter report Peab's Board decided in August 2020 to propose a new date for the distribution of Annehem Fastigheter. On October 19, 2020 the Board summoned an Extra General Meeting on November 12, 2020. For more information see Important events after the period.

As of the Board's decision in February 2020 Annehem Fastigheter's assets and liabilities are classified as assets held for value transfer to owners. These assets and liabilities are recognized as a separate item as current assets respectively current liabilities on the balance sheet. The comparative year's corresponding assets and liabilities have not been reclassified.

Annehem Fastigheter is not recognized as a separate item as discontinued operations in the Group income statement since it previously only made up a small part of operations in business area Project Development.

Annehem Fastigheter is reported as a separate unit outside of segment reporting from January 1, 2020.

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-owned housing 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 and Peab Support (Shared Service Center). There is no difference in segment reporting and reporting according to IFRS regarding Group functions.

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 contract construction and the developer part of our own housing projects but the recognized profit consists of the profit in the developer part. Both revenue and profit are recognized in segment reporting in business area Project Development operations over time while in reporting according to IFRS they are recognized at a certain point in time, in other words when the homebuyers take possession of their homes.

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.

IFRS 16, additional leases

In segment reporting for all business areas leasing fees are recognized in operating profit as a cost linearly over the leasing period for IFRS 16, additional leases (previously operational leasing). Application of IFRS 16 for additional leases in reporting according to IFRS is only given as a total for the Group.

Financial key ratios in segment reporting

Financial key ratios such as capital employed, the equity/assets ratio, net debt, debt/equity ratio and earnings per share are presented in segment reporting with consideration taken to the above prerequisites. Net debt in segment reporting includes the unsold portion of housing projects.

Note 2 – Business combinations

ACQUISITION OF NORDIC PAVING AND MINERAL AGGREGATES OPERATIONS

On July 4, 2019 Peab signed a contract to acquire YIT's paving and mineral aggregates operations in the Nordic region. The transaction was conditional on approval from competition authorities as well as the fulfillment of certain contractual conditions. At the end of March 2020 the transaction was approved by the competition authorities. The take over took place on April 1, 2020. Through the acquisition Peab will expand its presence in Sweden, Norway and Finland and become established in the paving business in Denmark and this will give Peab a unique and market leading position in this business in the Nordic region. The acquisition also entails taking over some 2,000 employees, some 200 strategically located quarries along with 63 production asphalt plants in the Nordic region. The operations are primarily integrated into the companies Peab Asphalt and Swerock. For the paving business this entails establishing operations in Finland and Denmark. It also provides conditions for further expansion and development in other operations such as Recycling and Concrete.

The transaction is a combination of an asset deal and a share purchase. The total transferred remuneration from Peab was SEK 3,184 million, divided into SEK 2,438 million in transferred remuneration for shares and assets as well as SEK 746 million in redemption of shareholder loans to the seller.

During the six months the acquisition has been part of the Group it has contributed SEK 4,479 million to Group income and SEK 201 million to profit for the period (including financing costs and depreciation of surplus values but not including acquisition costs and transfer tax in Finland). If the acquisition had taken place on January 1, 2020 it would have contributed by SEK 4,785 million to Group income and SEK -47 million to profit for the period (including financing costs and depreciation of surplus values but not including acquisition costs and transfer tax in Finland). Acquisition costs and transfer tax in Finland were SEK 95 million, of which SEK 40 million were reported in 2019. The costs are recognized as sales and administration costs and in the cash flow analysis in current operations.

Effects of the acquisition in 2020

The acquired companies' net assets at the time of acquisition:

Group, MSEK	
Intangible assets	279
Tangible assets	1,563
Other financial assets	83
Deferred tax recoverables	166
Inventories	666
Accounts receivable and other receivables	359
Liquid funds	59
Interest-bearing liabilities (leases)	-361
Shareholder loan to selling company (acquired receivables) ¹⁾	-746
Deferred tax liabilities	-57
Accounts payable and other current liabilities	-983
Net identifiable assets and liabilities	1,028
Group goodwill	1,410
Consideration transferred ²⁾	2,438
¹⁾ Acquired receivables are recognized at the seller's nominal value and is settled in Peab against acquired liabilities for the corresponding amount	
²⁾ Cash	2,438
Additional shareholder loans to the selling company	746

The acquisition analysis is preliminary, which means that fair value has not been finally determined for all items. Uncertainty in valuation primarily concerns tangible and intangible fixed assets, inventories and other current liabilities. Since the acquisition was finalized on April 1, 2020 the process of determining fair values was initiated during the second quarter and will be completed during 2020.

Goodwill

The goodwill recognized for the acquisition represents a strong market position, establishment on new markets, synergies with existing operations, further expansion and development of other operations such as Recycling and Concrete as well as a well functioning organization. SEK 87 million of acquired goodwill is tax deductible.

Acquired receivables

The fair value of accounts receivable amounts to SEK 172 million. The gross amount of the receivables amounts to SEK 178 million, of which SEK -6 million is not expected to be settled.

OTHER ACQUISITIONS

During the period other minor acquisitions have been made by the Peab Group but since these are not material no information about them is provided.

GOODWILL

Group, MSEK

Opening acquisition value	1,875
Purchases through acquired companies	1,410
Sales through acquired companies	-20
Exchange rate differences	-82
Closing accumulated acquisition value	3,183
Opening write-downs	-39
Sales through acquired companies	20
Write-downs for the year	-20
Closing accumulated write-downs	-39
Closing recognized value	3,144

Note 3 – Revenue allocation

Group Jan-Sep 2020 MSEK	Construction	Civil Engineering	Industry	Project Development	Group functions	Eliminations	Group Segment	Differences in accounting principles and other ¹⁾	Group IFRS
Allocation per external/internal									
External sales	16,439	8,462	11,289	5,636	39		41,865	1,998	43,863
Internal sales	3,102	781	2,502	60	850	-7,167	128	-128	-
Total	19,541	9,243	13,791	5,696	889	-7,167	41,993	1,870	43,863
Allocation per country									
Sweden	14,132	8,323	8,285	3,572	737	-4,955	30,094	1,380	31,474
Norway	2,645	832	1,455	727	93	-619	5,133	-106	5,027
Finland	2,764	88	3,561	1,397	59	-1,593	6,276	596	6,872
Denmark			474				474		474
Other			16				16		16
Total	19,541	9,243	13,791	5,696	889	-7,167	41,993	1,870	43,863
Allocation per type of customer									
Public sector	6,566	6,250	3,594	20	31		16,461	12	16,473
Private customers	9,873	2,212	7,695	5,616	8		25,404	1,986	27,390
Internal customers	3,102	781	2,502	60	850	-7,167	128	-128	-
Total	19,541	9,243	13,791	5,696	889	-7,167	41,993	1,870	43,863
Allocation per point in time									
At one point in time	12	7	4,452	555	38	-938	4,126	5,516	9,642
Over time	19,516	9,229	8,023	5,071	716	-5,237	37,318	-3,715	33,603
Rent revenue ²⁾	13	7	1,316	70	135	-992	549	69	618
Total	19,541	9,243	13,791	5,696	889	-7,167	41,993	1,870	43,863
Allocation per type of revenue									
Construction contracts	19,516	9,229	8,023	5,063	23	-4,551	37,303	-3,708	33,595
Sales of goods			3,101			-456	2,645		2,645
Sales of property projects				480		-1	479	5,505	5,984
Transportation services			1,212			-405	807		807
Administrative services				8	693	-686	15	-7	8
Rent revenue ²⁾	13	7	1,316	70	135	-992	549	69	618
Other	12	7	139	75	38	-76	195	11	206
Total	19,541	9,243	13,791	5,696	889	-7,167	41,993	1,870	43,863

¹⁾ Refers to differences in accounting principles regarding our own developed housing projects. In segment reporting revenue is recognized over time while in reporting according to IFRS it is at the time of possession. The item also includes revenue of SEK 135 million attributable to Annehem Fastigheter including internal revenue from other Peab Group companies. ²⁾ Rent revenue is recognized according to IFRS 16.

Group Jan-Sep 2019 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	17,168	8,683	7,169	6,400	71		39,491	1,357	40,848
Internal sales	3,877	864	2,578	41	780	-8,140	-		-
Total	21,045	9,547	9,747	6,441	851	-8,140	39,491	1,357	40,848
Allocation per country									
Sweden	16,202	8,648	8,522	4,239	714	-6,655	31,670	2,165	33,835
Norway	2,460	810	782	672	87	-562	4,249	-276	3,973
Finland	2,383	89	432	1,530	50	-923	3,561	-532	3,029
Other			11				11		11
Total	21,045	9,547	9,747	6,441	851	-8,140	39,491	1,357	40,848
Allocation per type of customer									
Public sector	7,508	4,901	1,897	32	35		14,373		14,373
Private customers	9,660	3,782	5,272	6,368	36		25,118	1,357	26,475
Internal customers	3,877	864	2,578	41	780	-8,140	-		-
Total	21,045	9,547	9,747	6,441	851	-8,140	39,491	1,357	40,848
Allocation per point in time									
At one point in time	65	30	4,177	207	47	-1,113	3,413	5,291	8,704
Over time	20,977	9,498	4,164	6,084	702	-5,964	35,461	-3,934	31,527
Rent revenue ²⁾	3	19	1,406	150	102	-1,063	617		617
Total	21,045	9,547	9,747	6,441	851	-8,140	39,491	1,357	40,848
Allocation per type of revenue									
Construction contracts	20,977	9,498	4,164	6,079	68	-5,331	35,455	-3,934	31,521
Sales of goods	3		2,637			-563	2,077		2,077
Sales of property projects				120			120	5,291	5,411
Transportation services			1,380			-487	893		893
Administrative services				5	634	-633	6		6
Rent revenue ²⁾	3	19	1,406	150	102	-1,063	617		617
Other	62	30	160	87	47	-63	323		323
Total	21,045	9,547	9,747	6,441	851	-8,140	39,491	1,357	40,848

¹⁾ Refers to differences in accounting principles regarding our own developed housing 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 2019 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	24,265	12,141	9,784	9,067	92		55,349	954	56,303
Internal sales	5,151	1,198	3,555	58	1,084	-11,046	-		-
Total	29,416	13,339	13,339	9,125	1,176	-11,046	55,349	954	56,303
Allocation per country									
Sweden	22,349	12,063	11,712	5,980	993	-9,008	44,089	2,326	46,415
Norway	3,604	1,144	1,003	900	116	-784	5,983	-471	5,512
Finland	3,463	132	608	2,245	67	-1,254	5,261	-901	4,360
Other			16				16		16
Total	29,416	13,339	13,339	9,125	1,176	-11,046	55,349	954	56,303
Allocation per type of customer									
Public sector	8,457	6,782	3,085	98			18,422		18,422
Private customers	15,808	5,359	6,699	8,969	92		36,927	954	37,881
Internal customers	5,151	1,198	3,555	58	1,084	-11,046	-		-
Total	29,416	13,339	13,339	9,125	1,176	-11,046	55,349	954	56,303
Allocation per point in time									
At one point in time	62	37	5,746	725	66	-1,517	5,119	6,125	11,244
Over time	29,350	13,259	5,651	8,206	965	-8,082	49,349	-5,171	44,178
Rent revenue ²⁾	4	43	1,942	194	145	-1,447	881		881
Total	29,416	13,339	13,339	9,125	1,176	-11,046	55,349	954	56,303
Allocation per type of revenue									
Construction contracts	29,350	13,259	5,651	8,198	39	-7,202	49,295	-5,171	44,124
Sales of goods	3		3,665			-749	2,919		2,919
Sales of property projects				558			558	6,125	6,683
Transportation services			1,893			-659	1,234		1,234
Administrative services				8	926	-880	54		54
Rent revenue ²⁾	4	43	1,942	194	145	-1,447	881		881
Other	59	37	188	167	66	-109	408		408
Total	29,416	13,339	13,339	9,125	1,176	-11,046	55,349	954	56,303

¹⁾ Refers to differences in accounting principles regarding our own developed housing 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 4 – Operating segment and reconciliation between segment reporting and reporting according to IFRS

Group Jan-Sep 2020 MSEK	Construction	Civil Engineering	Industry	Project Development	Group functions	Eliminations	Group Segment	Differences in accounting principles and other ¹⁾	Group IFRS
External sales	16,439	8,462	11,289	5,636	39		41,865	1,998	43,863
Internal sales	3,102	781	2,502	60	850	-7,167	128	-128	-
Total revenue	19,541	9,243	13,791	5,696	889	-7,167	41,993	1,870	43,863
Operating profit	466	260	708	474	-178	-14	1,716	264	1,980
Operating margin, %	2.4	2.8	5.1	8.3			4.1		4.5
Financial income							71	2 ²⁾	73
Financial expenses							-161	-57 ³⁾	-218
Net finance							-90	-55	-145
Pre-tax profit							1,626	209	1,835
Tax							-333	-50	-383
Profit for the period							1,293	159	1,452
Capital employed (closing balance)	-1,253	-317	9,529	13,174		-47	21,086	6,643	27,729
Total assets							39,473	7,677 ⁴⁾	47,150
Equity/assets ratio, %							32.0		27.3
Cashflow before financing							1,016	779	1,795

¹⁾ For more information about the allocation of revenue and profit items see note 3 and the section Overview business areas. ²⁾ Refers to Annehem Fastigheter with SEK 2 million. ³⁾ Divided between Annehem Fastigheter SEK -34 million and IFRS 16, additional leases SEK -23 million. ⁴⁾ Divided between Annehem Fastigheter SEK 2,252 million, IFRS 16, additional leases SEK 1,202 million, housing projects SEK 4,346 million and internal items SEK -123 million.

Group Jan-Sep 2019 MSEK	Construction	Civil Engineering	Industry	Project Development	Group functions	Eliminations	Group Segment	Differences in accounting principles ¹⁾	Group IFRS
External sales	17,168	8,683	7,169	6,400	71		39,491	1,357	40,848
Internal sales	3,877	864	2,578	41	780	-8,140	-	-	-
Total revenue	21,045	9,547	9,747	6,441	851	-8,140	39,491	1,357	40,848
Operating profit	504	235	574	737	-148	-89	1,813	639	2,452
Operating margin, %	2.4	2.5	5.9	11.4			4.6		6.0
Financial income							99	-	99
Financial expenses							-105	-21 ²⁾	-126
Net finance							-6	-21	-27
Pre-tax profit							1,807	618	2,425
Tax							-289	-133	-422
Profit for the period							1,518	485	2,003
Capital employed (closing balance)	-1,053	259	7,002	17,003		-1,212	21,999	4,372	26,371
Total assets							39,747	4,541 ³⁾	44,288
Equity/assets ratio, %							30.2		24.8
Cashflow before financing							-70	2,481	2,411

¹⁾ For more information about the allocation of revenue and profit items see note 3 and the section Overview business areas. ²⁾ Refers to IFRS 16, additional leases SEK -21 million. ³⁾ Divided between IFRS 16, additional leases SEK 770 million and housing projects SEK 3,771 million.

Group Jan-Dec 2019 MSEK	Construction	Civil Engineering	Industry	Project Development	Group functions	Eliminations	Group Segment	Differences in accounting principles ¹⁾	Group IFRS
External sales	24,265	12,141	9,784	9,067	92		55,349	954	56,303
Internal sales	5,151	1,198	3,555	58	1,084	-11,046	-		-
Total revenue	29,416	13,339	13,339	9,125	1,176	-11,046	55,349	954	56,303
Operating profit	711	367	937	1,015	-278	-142	2,610	675	3,285
Operating margin, %	2.4	2.8	7.0	11.1			4.7		5.8
Financial income							130	-	130
Financial expenses							-161	-27 ²⁾	-188
Net finance							-31	-27 ²⁾	-58
Pre-tax profit							2,579	648	3,227
Tax							-441	-130	-571
Profit for the year							2,138	518	2,656
Capital employed (closing balance)	-1,013	267	6,799	16,679		-1,115	21,617	4,719	26,336
Total assets							38,362	5,326 ³⁾	43,688
Equity/assets ratio, %							32.5		26.5
Cashflow before financing							1,025	2,201	3,226

¹⁾ For more information about the allocation of revenue and profit items see note 3 and the section Overview business areas. ²⁾ Refers to IFRS 16, additional leases SEK -27 million. ³⁾ Divided between IFRS 16, additional leases SEK 761 million and housing projects SEK 4,565 million.

Note 5 – Financial assets and liabilities valued at fair value

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

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

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

Level 3: based on inputs unobservable to the market.

For a description of how fair value has been calculated see the Annual Report 2019, note 34. 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	Sep 30 2020			Sep 30 2019			Dec 31 2019			
	MSEK	Level 2	Level 3	Total	Level 2	Level 3	Total	Level 2	Level 3	Total
Financial assets										
Other securities held as fixed assets			67	67		100	100		82	82
<i>Of which investments in unlisted funds</i>			44	44		76	76		58	58
<i>Of which shareholding in unlisted company</i>			23	23		24	24		24	24
Other current receivables	6		6	6	1		1			-
<i>Of which commodity hedging with futures</i>	5		5	5			-			-
<i>Of which currency swaps</i>	1		1	1	1		1			-
Total financial assets	6	67	73	73	1	100	101	-	82	82
Financial liabilities										
Other long-term liabilities	9		9	9	16		16	13		13
<i>Of which interest rate swaps</i>	9		9	9	16		16	13		13
Other current liabilities	5		5	5	3	1	4	3	1	4
<i>Of which currency swaps</i>	1		1	1			-	2		2
<i>Of which commodity hedging with futures</i>	4		4	4	3		3	1		1
<i>Of which contingent consideration</i>			-	-		1	1		1	1
Total financial liabilities	14	-	14	14	19	1	20	16	1	17

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

Group	Other securities held as fixed asset						
	Unlisted funds			Unlisted shares			
	MSEK	Sep 30 2020	Sep 30 2019	Dec 31 2019	Sep 30 2020	Sep 30 2019	Dec 31 2019
Opening balance		58	89	89	24	25	25
Investments		3	7	9			
Sales					-1	-1	-1
Dividends received		-17	-31	-55			
Reported in profit/loss for the period							
Net finance		0	11	15			
Reported in other comprehensive income					0	0	0
Closing balance		44	76	58	23	24	24

Group	Contingent consideration			
	MSEK	Sep 30 2020	Sep 30 2019	Dec 31 2019
Opening balance		1	34	34
Payments during the period		-1	-31	-31
Reported in profit/loss for the period				
Other operating costs (+) / other operating income (-)			-3	-3
Interest expense (discount) ¹⁾			1	1
Reported in other comprehensive income			0	0
Closing balance		-	1	1

¹⁾ Recognized in net financial items

Future financial information

- | | |
|--|------------------|
| • Year-end report January-December 2020 | February 4, 2021 |
| • Annual and Sustainability Report 2020 | April 2021 |
| • Quarterly Report January-March 2021 and Annual General Meeting | May 6, 2021 |
| • Quarterly Report January-June 2021 | July 16, 2021 |
| • Quarterly Report January-September 2021 | October 27, 2021 |

Förslöv, October 22, 2020

*Jesper Göransson
CEO and President*

PRESENTATION OF THE QUARTERLY REPORT

This quarterly report will be presented digitally and on a phone conference Thursday, October 22 at 9:45 a.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/>.

Call one of the following telephone numbers to participate:

- From Sweden: +46 856642692
- From Great Britain: +44 3333009030

This information is information that Peab AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at October 22, 2020, 8:00 a.m. CET.

REVIEW REPORT

We have reviewed the interim report for Peab AB (publ) as of September 30, 2020 and the nine-month period which ended on this date. The Board of Directors and the CEO are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim financial information based on our review.

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

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

Förslöv, October 22, 2020

KPMG AB

*Dan Kjellqvist
Authorised Public Accountant*

Quarterly data

Group, IFRS

MSEK	Jul-Sep 2020	Apr-Jun 2020	Jan-Mar 2020	Oct-Dec 2019	Jul-Sep 2019	Apr-Jun 2019	Jan-Mar 2019
Net sales	16,204	15,789	11,870	15,455	12,869	15,140	12,839
Production costs	-14,463	-14,127	-10,962	-13,869	-11,717	-13,405	-11,321
Gross profit	1,741	1,662	908	1,586	1,152	1,735	1,518
Sales and administrative expenses	-717	-962	-766	-751	-604	-773	-751
Other operating income	72	36	37	93	122	38	27
Other operating costs	-9	-13	-9	-95	-6	-3	-3
Operating profit	1,087	723	170	833	664	997	791
Financial income	18	15	40	31	14	31	54
Financial expenses	-55	-34	-129	-62	-35	-41	-50
Net finance	-37	-19	-89	-31	-21	-10	4
Pre-tax profit	1,050	704	81	802	643	987	795
Tax	-210	-160	-13	-149	-104	-161	-157
Profit for the period	840	544	68	653	539	826	638
Profit for the period, attributable to:							
Shareholders in parent company	840	543	69	653	539	826	638
Non-controlling interests	0	1	-1	0	0	0	0
Profit for the period	840	544	68	653	539	826	638
Key ratios, IFRS							
Earnings per share, SEK	2.85	1.84	0.23	2.21	1.83	2.80	2.16
Average number of outstanding shares, million	295.0	295.0	295.0	295.0	295.0	295.0	295.0
Capital employed (closing balance)	27,729	28,829	25,830	26,336	26,371	26,025	24,888
Equity (closing balance)	12,874	12,043	11,560	11,559	10,966	10,425	10,808

Business areas

	Jul-Sep 2020	Apr-Jun 2020	Jan-Mar 2020	Oct-Dec 2019	Jul-Sep 2019	Apr-Jun 2019	Jan-Mar 2019
MSEK							
Net sales							
Construction	5,798	7,123	6,620	8,371	6,520	7,782	6,743
Civil Engineering	3,041	3,432	2,770	3,792	3,257	3,374	2,916
Industry	6,233	5,343	2,215	3,592	3,820	3,697	2,230
Project Development	1,750	1,977	1,969	2,684	2,015	2,259	2,167
– of which Property Development	71	111	122	179	180	254	173
– of which Housing Development	1,679	1,866	1,847	2,505	1,835	2,005	1,994
Group functions	298	308	283	325	289	287	275
Eliminations	-2,283	-2,665	-2,219	-2,906	-2,600	-2,872	-2,668
Group, segment reporting	14,837	15,518	11,638	15,858	13,301	14,527	11,663
Adjustment of housing to IFRS	1,384	295	252	-403	-432	613	1,176
IFRS 16. additional leases							
Annehem Fastigheter	47	48	40				
Eliminations	-64	-72	-60				
Group, IFRS	16,204	15,789	11,870	15,455	12,869	15,140	12,839
Operating profit							
Construction	137	183	146	207	150	199	155
Civil Engineering	92	127	41	132	76	123	36
Industry	471	303	-66	363	360	258	-44
Project Development	162	138	174	278	221	336	180
– of which Property Development	13	-17	25	28	34	192	46
– of which Housing Development	149	155	149	250	187	144	134
Group functions	-14	-81	-83	-130	-10	-90	-48
Eliminations	-4	-9	-1	-53	-34	-42	-13
Group, segment reporting	844	661	211	797	763	784	266
Adjustment of housing to IFRS	226	57	-47	30	-105	207	520
IFRS 16. additional leases	12	6	4	6	6	6	5
Annehem Fastigheter	5	6	6				
Eliminations	0	-7	-4				
Group, IFRS	1,087	723	170	833	664	997	791
Operating margin, %							
Construction	2.4	2.6	2.2	2.5	2.3	2.6	2.3
Civil Engineering	3.0	3.7	1.5	3.5	2.3	3.6	1.2
Industry	7.6	5.7	-3.0	10.1	9.4	7.0	-2.0
Project Development	9.3	7.0	8.8	10.4	11.0	14.9	8.3
– of which Property Development	18.3	-15.3	20.5	15.6	18.9	75.6	26.6
– of which Housing Development	8.9	8.3	8.1	10.0	10.2	7.2	6.7
Group functions							
Eliminations							
Group, segment reporting	5.7	4.3	1.8	5.0	5.7	5.4	2.3
Adjustment of housing to IFRS							
IFRS 16. additional leases							
Annehem Fastigheter	10.6	12.5	15.0				
Eliminations							
Group, IFRS	6.7	4.6	1.4	5.4	5.2	6.6	6.2
Key ratios, segment reporting, MSEK							
Earnings per share, SEK	2.25	1.72	0.41	2.10	2.14	2.24	0.77
Capital employed (closing balance)	21,086	22,390	19,927	21,617	21,999	21,961	20,106
Equity (closing balance)	12,637	12,852	12,349	12,479	11,992	11,386	11,920
Orders received	11,718	13,220	12,608	12,096	9,349	10,817	11,868
Order backlog at the end of the period	44,722	46,123	44,151	42,494	43,821	45,873	47,532

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 greater detail in note 1. The difference consists primarily of differences in accounting principles for our own developed housing projects where revenue and profit are recognized over time in segment reporting and at a certain point in time, when homebuyers take possession of their homes, in reporting according to IFRS. For the key ratios below, however, the method of calculation is the same in both segment reporting and reporting according to IFRS. For more information and calculations, see note 1 and www.peab.com/alternative-performance-measures.

FINANCIAL DEFINITIONS

Available liquidity

Liquid funds and short-term investments along with unutilized credit facilities, not including unutilized project financing. Shows the Group's available liquidity.

Capital employed for the business areas

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

Capital employed for the Group

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

Earnings per share

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

Equity/assets ratio

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

Equity per share

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

Net debt

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

Net debt/equity ratio

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

Net investments

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

Operating margin

Operating profit as a percentage of net sales.

Order backlog

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

Orders received

The sum of orders received during the period. Measures how new orders replace produced work. In our own developed housing projects tenant-owned housing associations and residential limited companies are considered external customers.

Return on capital employed

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

Return on equity

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

OTHER NON-FINANCIAL DEFINITIONS

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.

Risk observations

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

The Nordic Community Builder

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

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

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

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

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

Net sales, appr.

**SEK 58
billion**

Employees, appr.

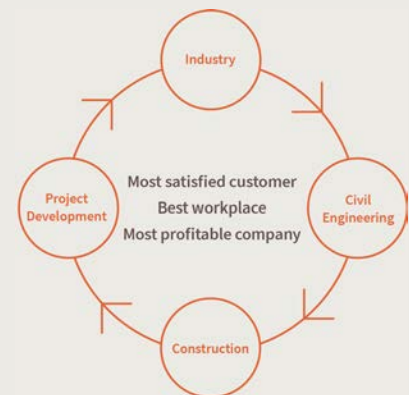
16,000

BUSINESS MODEL

Four collaborating business areas create added value

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

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



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



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



Business area Industry delivers, among other things, mineral aggregates, concrete, paving, temporary electricity and prefabricated concrete elements to external customers and the other business areas in Peab. It also provides cranes, machines and transportation as well as recycle construction waste, demolition waste and rubble.



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

Photographers: Anders Edin, Peter Steen, Sebastian Lamotte and Kuvatoimisto Kyivo.

Peab takes work environment matters very seriously and works systematically to create safe workplaces. The kind of safety equipment used varies depending on national regulations and the type of operations. A risk analysis is always performed for each workplace before any exception is made. The people pictured in this publication are wearing personal safety equipment required by regulations valid for the operations and country they are in.