



## PEAB AB HALF-YEAR REPORT JANUARY– JUNE 2011.

Operative net sales increased by 16 percent to SEK 19,890 million (17,203)

Operative operating profit amounted to SEK 520 million (591)

Earnings per share before dilution amounted to SEK 1.06 (1.36)

Orders received during the first half year increased by 11 percent to SEK 21,333 million (19,161). The amount of orders received during the second quarter was an all time high of SEK 11,027 million

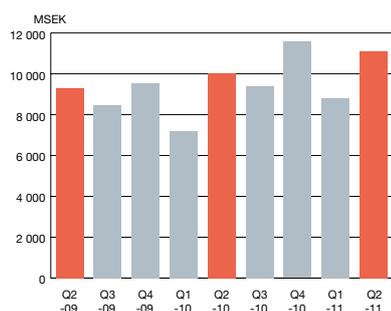
Order backlog in Construction and Civil Engineering has grown by 9 percent to SEK 31,515 million (29,039)

Continued investments for the future



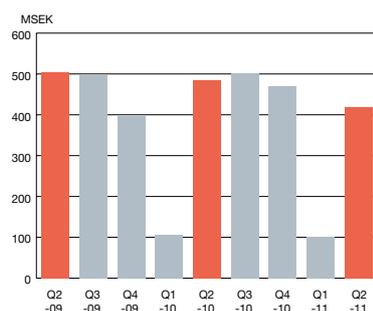
## HALF-YEAR REPORT JANUARY - JUNE 2011

### Operative net sales



Group operative net sales the first half of 2011 amounted to SEK 19,890 million (17,203), which was an increase of 16 percent. After adjustments for acquired and divested units operative net sales increased by 14 percent compared to the same period last year.

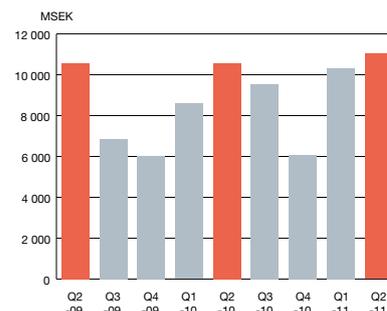
### Operative operating profit



Operative operating profit the first half of 2011 amounted to SEK 520 million compared to SEK 591 million for the same period last year.

### Construction and Civil Engineering

#### Orders received per quarter



Orders received the first half of 2011 amounted to SEK 21,333 million compared to SEK 19,161 million for the same period last year. Order backlog amounted to SEK 31,515 million compared to SEK 27,063 million per 31 December 2010.

### Group

MSEK	Jan-Jun 2011	Jan-Jun 2010	Jul-Jun 2010/2011	Jan-Dec 2010	Financial objectives
Operative net sales	19,890	17,203	40,871	38,184	
Net sales	19,738	17,383	40,400	38,045	
Operative operating profit	520	591	1,492	1,563	
Operative operating margin, %	2.6	3.4	3.7	4.1	
Operating profit	541	601	1,443	1,503	
Operating margin, %	2.7	3.5	3.6	4.0	
Pre-tax profit	412	528	1,397	1,513	
Profit for the period	304	396	1,098	1,190	
Earnings per share before dilution, SEK	1.06	1.36	3.83	4.11	
Return on equity, %	15.5 <sup>1)</sup>	17.2 <sup>1)</sup>	15.5	15.6	> 20%
Equity/assets ratio, %	24.6	25.8	24.6	27.8	> 25%

<sup>1)</sup> Calculated on rolling 12 months

### NEW CONTRACTS DURING THE SECOND QUARTER

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

- Peab has been awarded mandates to put new asphalt on 280 kilometers road in the area around Trondheim in Norway. The client is the Norwegian Public Roads Administration and the contract amounts to NOK 165 million.
- Peab has been commissioned to build the first stage of the new housing tract Åstaden in Örebro. This stage comprises 34 privately-owned homes in a mix of single houses, semi-detached homes and townhouses. We have received the order from HSB Mälardalen and the contract is worth around SEK 70 million.
- Peab has been contracted to build a new hotel in Arenastaden in Solna. The client is Pasab Fastighetsutveckling AB and the contract amounts to SEK 502 million.
- Peab has been contracted to carry out the preparatory work to begin iron ore mining in Kaunisvaara in Pajala. The client is Northland Resources AB and the contract amounts to approximately SEK 800 million.
- Peab has been contracted to build a new stage of E45 between Torpa and Stenröset south of Trollhättan. The customer is the Swedish Transport Administration and the contract amounts to SEK 259 million.
- Peab has signed a partnering agreement with Svenska Mässan, the Swedish exhibition & congress centre, to build an extension of the Hotel Gothia Towers in Gothenburg. The customer is Svenska Mässan and the contract amounts to approximately SEK 1 billion.
- Peab has been contracted to build Phase 1 of the Max IV research laboratory in Lund. The client is Fastighets AB ML4 and the contract amounts to SEK 360 million.
- Peab has been contracted to build an office and retail building in Tromsø, Norway. The client is Thor Eiendom and the contract amounts to NOK 110 million.

## COMMENTS BY THE CEO

The first half of 2011 has been characterized by an intense production tempo and a strong inflow of new projects. Operative net sales for the period were SEK 19,890 million (17,203), which was an increase of 16 percent compared to the same period in 2010. Operative operating profit amounted to SEK 520 million compared to SEK 591 million in the first half of 2010. The year started with a severe winter. Profitability in the construction projects received when the economy was slow has in some cases proven to be lower than previously estimated, which has charged profits for the period. We also recognize revenue cautiously in big projects where production will continue for quite some time. Orders that have come in during the first half-year have been received in a better business cycle.

Orders received for the first half-year amounted to SEK 21,333 million compared to SEK 19,161 million for the corresponding period in 2010. The increase is spread throughout all our product segments. A strong influx of orders during the first quarter has been followed by a very good inflow of orders during the second quarter. Orders received amounted to SEK 11,027 million, the highest amount in Peab's history for a single quarter. Order backlog increased and was SEK 31.5 billion compared to SEK 27.1 billion in 2010.

During the first half-year we sold 972 (1,164) of our own developed homes and started production on 959 (1,271). The fact that 78 percent (73) of our housing in production is already sold means we have a good platform to start up new projects. However, higher interest rates and the mortgage ceiling in Sweden have resulted in longer sales processes and this has had a negative effect on opportunities to start up new projects. Despite uncertain times due to the current financial unrest there are good prerequisites in the long term for a high demand in housing with different forms of ownership on our markets in Sweden, Norway and Finland.

Market developments in Sweden show a continued increase in ongoing building construction, particularly in the industrial sector. New construction of apartment buildings and new construction and renovation of public premises are on the rise as well but construction of single homes, and even more so office and commercial premises, has leveled off. There is still a considerable housing shortage but higher interest rates, buyer's capital investment requirements and growing uncertainty in households can dampen demand. Growth in revamping apartment buildings is expected for several years ahead because of an acute need for renovation and energy efficiency improvements. Civil engineering construction shrunk in 2010 and volumes are expected to remain the same in 2011 with some risk for a further decline by a few percent.

The general trend for Norway is positive and ongoing building construction in 2011 will continue to grow. Norwegian civil engineering construction also indicates continued growth.

After strong growth in building construction volumes during 2009 and 2010 a slight slowdown is expected on the Finnish construction market. Underlying factors on the Finnish construction market are positive, among them are a substantial need to improve energy efficiency and revamp a large part of existing buildings. The civil engineering market is expected to be weak in 2011 as well.



We believe the situation on the Nordic construction market will continue to be good. Government finances in the countries where we are active are solid and there is a need to invest in construction and civil engineering. However, due to the growing unrest on the market we are well prepared for if this situation changes. An effect of the turbulence on the market can be lower interest rates, which is good for, among other things, housing construction.

We are rapidly growing, both organically and via acquisitions. This growth is based on our vision of becoming a Nordic company. With a broader base in our markets in Sweden, Norway and Finland we will always be close to our customers no matter whether they are local, national or Nordic. In the short term this requires investments that charge both profits and liquidity. In the long run this sharpens our competitive edge with customers and employees alike.

*Jan Johansson  
CEO and President*

## ACCOUNTING PRINCIPLES FOR HOUSING

Peab applies IFRIC 15, Agreements for the construction of real estate, in legal reporting. As a result IAS 18, Revenue, will be applied to Peab's housing projects in Finland and Norway as well as Peab's own single homes in Sweden. Revenue from these projects will be recognised first when the home is handed over to the buyer. Segments are reported through the percentage of completion method in all our projects since this reflects the way executive management and the Board monitor the business. A bridge is created in segment reporting between operative reporting according to the percentage of completion method and legal reporting.

## NET SALES AND PROFIT

Group operative net sales for the first half of 2011 amounted to SEK 19,890 million (17,203), which was an increase of 16 percent. After adjustments for acquired and divested units operative net sales increased by 14 percent compared to the same period last year. Adjustments in housing reporting affected net sales by SEK -152 million (180). Group net sales for the first half of 2011 increased by 14 percent to SEK 19,738 million (17,383). Of the period's net sales, SEK 2,959 million (2,820) was attributable to sales and production outside Sweden.

Operative operating profit for the first half of 2011 amounted to SEK 520 million compared to SEK 591 million for the same period last year. Adjustments in housing reporting affected operating profit by SEK 21 million (10). Operating profit for the first half of 2011 amounted to SEK 541 million compared to SEK 601 million for the same period last year. Depreciation for the period was SEK 378 million (359).

Operating profit has been affected by higher costs due to the unusually severe winter weather in the first part of the year. Profitability in the construction projects received when the economy was slow has in some cases proven to be lower than previously estimated, which has charged profits for the period. We also recognize revenue cautiously in big projects where production will continue for quite some time.

Net financial items amounted to SEK -129 million (-73), of which net interest expense amounted to SEK -111 million (-82). The effect of valuing financial instruments at fair value affected net financial items by SEK -52 million (-6), of which the income effect of valuing the Brinova holding at fair value amounted to SEK -47 million (-1). The shareholding is reported at market price on the balance sheet date. Peab's holding in Catena is reported as an associated company and has therefore not been given a market value.

Pre-tax profit amounted to SEK 412 million compared to SEK 528 million for the same period last year.

Tax for the period was SEK -108 million (-132).

Profit for the period amounted to SEK 304 million (396).

## FINANCIAL POSITION

The equity/assets ratio on 30 June 2011 was 24.6 percent compared to 27.8 percent at the previous year-end. Interest-bearing net debt amounted to SEK 7,581 million compared to SEK 5,719 million at the previous year-end. The increase is due to dividends paid in the second quarter, a seasonal increase in working capital, the acquisition of companies as well as investments in machines and housing and real

estate development projects. The average interest rate in the loan portfolio including derivatives on 30 June 2011 was 3.3 percent (2.2).

Group liquid funds, including non-utilised credit facilities, amounted to SEK 3,708 million at the end of the period compared to SEK 5,274 million on 31 December 2010.

At the end of the period, Group contingent liabilities, excluding joint and several liabilities in trading and limited partnerships, amounted to SEK 1,956 million compared to SEK 1,602 million on 31 December 2010. Of contingent liabilities, obligations to tenant-owners' associations under construction amounted to SEK 1,600 million compared to SEK 1,449 million at year-end.

## INVESTMENTS

Net investment of tangible and intangible assets amounted to SEK 267 million during the period. Net divestments were SEK 56 million for the same period last year. Project and development properties were invested for a total of SEK 424 million (472) during the first half of 2011.

## CASH FLOW

Cash flow from current operations before changes in working capital was SEK 809 million (554). Cash flow from changes in working capital was SEK -1,439 million (-739). The growth in net sales in the first half year has generated a higher level of working capital. The acquisition of project and development property for SEK 409 million (140) is also included in the change in working capital.

Cash flow from investment activities amounted to SEK -672 million compared to SEK -540 million the same period the previous year. The increase consists of strategic company acquisitions and investments in machines and housing and real estate development projects. Cash flow before financing amounted to SEK -1,302 million compared to SEK -725 million for the same period last year.

## PERSONNEL

At the end of the period, the company had 15,560 employees compared to 13,829 at the same time the previous year.

## COMMENTS ON THE BUSINESS AREAS

Peab's business areas Construction, Civil Engineering and Industry are operating segments.

## CONSTRUCTION

The Construction business area comprises the Group's construction related services and is run in five divisions in Sweden, one division in Norway and one division in Finland. As of 1 January 2011 a new Nordic division has been added to the business area that handles Group property development.

Operative net sales for the first half of 2011 amounted to SEK 12,866 million (11,015), which is an increase of 17 percent. After adjustments for acquired and divested units the increase was 14 percent.

Operative operating profit for the first half of 2011 amounted to SEK 276 million compared to SEK 396 million the same period last year. Operative operating margin sank to 2.1 percent compared to 3.6 percent for the same period last year. Operative margin for the latest rolling 12 month period was 2.7 percent compared to 3.5 percent for

full year 2010.

Production tempo has been high during the first half-year. Production of our own housing developments continues to grow and generate improved profitability. At the same time operating profit has been affected by higher costs due to the unusually severe winter weather at the beginning of the year. Profitability in the construction projects received when the economy was slow has in some cases proven to be lower than previously estimated, which has charged profits for the period. In addition, revenue has cautiously been recognized in big projects where production will continue for quite some time, which also has affected profitability.

#### CIVIL ENGINEERING

The Civil Engineering business area consists of civil engineering related operations and is run in a single Nordic division.

Net sales for the first half of 2011 amounted to SEK 5,306 million compared to SEK 4,688 million for the same period last year, which is an increase of 13 percent. Even after adjustments for acquired and divested units the increase was 13 percent.

Operating profit for the period amounted to SEK 153 million compared to SEK 144 million for the same period last year. Operating margin sank to 2.9 percent compared to 3.1 percent for the same period last year. Operative margin for the latest rolling 12 month period was 3.2 percent compared to 3.3 percent for full year 2010.

Operating profit and margins have been affected negatively by orders received in tough competition as well as winter costs.

#### INDUSTRY

The Industry business area is run in two divisions, Industry and Construction systems. Both of them are focused on the Nordic construction and civil engineering markets.

Net sales for the first half of 2011 amounted to SEK 4,364 million compared to SEK 3,687 million for the same period last year, which is an increase of 18 percent. After adjustments for acquired and divested units net sales increased by 21 percent.

Operating profit for the period amounted to SEK 195 million compared to SEK 152 million for the same period last year. Operating margin was 4.5 percent compared to 4.1 percent for the same period last year. Operative margin for the latest rolling 12 month period was 6.4 percent, which is unchanged compared to full year 2010.

Both net sales and profits have grown compared to last year as a result of increased activity in construction and civil engineering operations even though the cost of winter had a negative effect on profit, particularly in asphalt operations.

#### Peab's own housing development construction

	Jan-Jun 2011	Jan-Jun 2010	Jan-Dec 2010
Number of housing starts during the period	959	1,271	2,113
Number of homes sold during the period	972	1,164	2,179
Total number of homes under construction, at the end of the period	3,488	3,390	3,212
Share of sold homes under construction, at the end of the period	78%	73%	77%
Number of repurchased homes in the balance sheet, at the end of the period	179	203	213

#### ORDERS RECEIVED AND ORDER BACKLOG

##### CONSTRUCTION AND CIVIL ENGINEERING

Orders received for the first half of 2011 amounted to SEK 21,333 million compared to SEK 19,161 million for the same period last year. The amount of orders received during the second quarter was an all time high of SEK 11,027 million.

Order backlog yet to be produced at the end of the period amounted to SEK 31,515 million compared to SEK 29,039 million the same period last year. Order backlog has increased in both construction and civil engineering operations since 2010.

Of the total order backlog, 55 percent (56) is expected to be produced after 2011. Construction projects accounted for 66 percent (66) of the order backlog. Swedish operations accounted for 85 percent (88) of the order backlog.

No orders received or order backlog is given for the business area Industry.

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

MSEK	30 Jun 2011	30 Jun 2010	31 Dec 2010
Current financial year	14,113	12,851	19,137
Next financial year	13,707	12,100	6,374
Thereafter	3,695	4,088	1,552
<b>Total order backlog</b>	<b>31,515</b>	<b>29,039</b>	<b>27,063</b>
<b>Orders received</b>	<b>21,333</b>	<b>19,161</b>	<b>34,764</b>

#### HOUSING PRODUCTION

Peab produces all kinds of housing which includes apartment buildings with tenant-owners, condominiums and rentals. We also have a certain amount of single home construction.

Our own housing developments do not include rental production. New production of Peab's own housing developments made up 10 percent of net sales for the latest rolling 12 month period compared to 9 percent for full year 2010. The number of homes in production at the end of the period was 3,488 compared to 3,212 the previous year-end. The level of own housing development start-ups is slightly lower than last year and amounted to 959 (1,271). The number of sold homes during the period was 972 compared to 1,164 during the same period 2010.

The fact that 78 percent (73) of our housing in production is already sold means we have a good platform to start up new projects. However, the current financial unrest and mortgage ceiling in Sweden have resulted in longer sales processes, which has a negative effect on our ability to start up new projects. An effect of the turbulence on the market can be lower interest rates, which is good for, among other

things, housing construction.

Several aspects such as demography, the economy, interest rates, and access to mortgages are driving demand. All these factors indicate continuing good demand in all kinds of housing.

Total holdings of project and development property at the end of the period amounted to SEK 5,723 million compared to SEK 4,921 million per 31 December 2010. The increase is partly a result of reclassification of property from fixed assets in connection with the creation of the new division for property development. The number of repurchased homes on 30 June 2011 was 179 (203) and is evenly divided in Sweden, Finland and Norway.

## **THE CONSTRUCTION MARKET**

A significant increase in ongoing building construction took place during the first part of 2011. Growth was highest in the industrial sector. New construction of apartment buildings and new construction and renovation of public premises also accelerated while construction of single homes and in particular, office and commercial premises, has levelled off considerably.

Looking at 2011 in its entirety the analytics company Industrifakta sees a great deal of uncertainty in several sectors in Sweden. There is still a considerable housing shortage but higher interest rates, buyer's capital investment requirements and growing uncertainty in households, due to the current financial unrest, can dampen demand. Nonetheless ongoing apartment building construction is expected to increase by some 15 percent, while the forecast for single homes has been adjusted down to null growth and this figure can worsen. On the other hand growth in revamping apartment buildings is expected for several years ahead because of an acute need for renovation and improved energy efficiency. There was a very low level of start-ups in commercial premises at the beginning of the year despite higher employment rates. The forecast for 2011 in its entirety is unchanged volumes while renovation volumes are expected to increase by around 20 percent. Industrial construction is expected to increase by around 50 percent in 2011, but this forecast is affected by a few major projects initiated at the beginning of the year. Start-ups of new construction and renovation of public premises are expected to level off during the year and grow in total by just a few percent but this is still a very high level after the dramatic rise in 2010. In total, ongoing building construction is expected to increase by 8 percent in 2011. As expected, the outcome in civil engineering construction was a negative 4 percent in 2010 and there is a great deal of uncertainty in 2011 with risk for a further decline by a few percent. However, investments are expected to increase in 2012 in both the public and private civil engineering sector. All in all building and civil engineering construction in Sweden is forecasted by Industrifakta to grow by around 4 percent in 2011, which is slightly higher than predicted in the previous quarter.

After last year's growth in building construction Norway the general positive trend has continued and ongoing building construction projects are expected to increase by 6 percent in 2011. Higher forecasts for housing are the primary factor behind this anticipated growth. At the same time forecasts regarding commercial and public premises have shrunk somewhat. Housing construction is expected to constitute most of the growth in 2012 as well since there is still a housing shortage in many places. Rising interest rates can have a

negative effect in some sections of the Norwegian construction market along with uncertainty concerning the global economy. This, however, should not be an obstacle for growth in the construction needed in sectors like health care and education. The forecast for Norwegian civil engineering construction is continued growth of about 5 percent in 2011 followed by a leveling off in 2012. All in all building and civil engineering construction in Norway is forecasted to grow by around 6 percent in 2011.

After strong growth in building construction volumes during 2009 and 2010 a slight slowdown is expected on the Finnish construction market to about 2 percent total growth in 2011. Housing construction, which constitutes almost half of building construction in Finland, rose dramatically in 2010 and continued growth in single home construction is anticipated. However, the forecast for ongoing apartment buildings has dropped even further. A decline in growth in 2011 in other building construction is anticipated, primarily due to a somewhat weaker market for commercial premises, which will most likely be affected negatively by the uncertain situation in EMU cooperation and less belief in the future in Finnish households. On the other hand, the pendulum is expected to swing back after the downturn in 2010 in construction in the public sector. Underlying factors on the Finnish construction market are positive, among them are a substantial need to improve energy efficiency and revamp a large part of existing buildings. For example, renovation of apartment buildings is expected to increase by some 15 percent in 2011. The outcome of the civil engineering market for 2010 has been adjusted downward to -10 percent and this year a further drop by a few percent is anticipated before volumes rise again in 2012. All in all building and civil engineering construction in Finland is forecasted to grow by 1 percent in 2011.

In all the three countries renovation and maintenance is expected to grow by 2-3 percent in 2011 and forecasts for 2012 are on the same level.

## **RISKS AND UNCERTAINTY FACTORS**

Peab's business is largely project related. Operational risks in day-to-day business are primarily connected to bids, percentage of completion and volume and price risks.

Structured risk assessment is crucial in the business to ensure that risks are identified, correctly priced in tenders submitted and that the proper resources are available.

Peab applies the percentage of completion method in project reporting. The application of the percentage of completion method depends on reliable forecasting. Well developed monitoring and system support for monitoring and forecasting in each project are crucial to limiting risks of incorrect revenue recognition.

For Peab, price risks mainly refer to unforeseen price hikes for materials, subcontractors and wages. Risks vary according to the type of contract. Fixed price contracts also involve the risk of incorrect tender calculations and the risk that price hikes deteriorate profits because the company can not demand compensation from customers for them.

The Group is exposed to financial risks such as changes in debt and interest rate levels. Peab's shareholding in Brinova creates considerable exposure for the company through a single holding. Large fluctuations in the price of the Brinova share may exert a major impact

on the valuation of the holding, which would affect Peab's net financial items.

For further information on risks and uncertainty factors, see the 2010 Annual Report.

#### IMPORTANT EVENTS DURING THE REPORT PERIOD

Jan Johansson was appointed new President and CEO of Peab and took up this position at the AGM on 10 May 2011. Jan Johansson, 52, has a Master of Science in Engineering and joined Peab in 1986. Jan had been Deputy CEO with responsibility for Peab's operations since 2009. Mats Paulsson was elected Vice Chairman of the Board.

Mats Leifland resigned from his position as Deputy CEO of Peab. Mats has begun his new post as President of Medicon Village AB in Lund. Mats Leifland 54, joined Peab in 1995, when he was appointed CFO and he was a Deputy CEO from 1996.

#### ACQUISITIONS DURING THE REPORT PERIOD

Peab acquired 90.1 percent of the shares in K. Nordang AS. The construction company operates in Western Norway. K. Nordang AS had net sales of about MNOK 300 in 2010 and has around 80 employees.

Peab acquired 50 percent of the shares in Balder Fjorton AB from Fastighets AB Balder. The total investment by Peab amounts to SEK 270 million. The property portfolio contains good locations in Sweden and offers interesting exploitation and development opportunities.

#### ACQUISITIONS AFTER THE REPORT PERIOD

Peab acquired 65 percent of the shares in Terje Hansen AS. The company conducts manufacturing and paving of asphalt in the greater Oslo area. Terje Hansen AS has about 45 employees and had sales amounting to NOK 144 million during 2010.

#### ACCOUNTING PRINCIPLES

This half-year report is presented according to the IFRS standards and interpretations of valid standards, IFRICs, that have been adopted by EU. This report is presented in accordance with IAS 34, Interim financial reporting.

The parent company's reports have been prepared according to the Swedish Company Accounts Act and RFR 2, Accounting rules for legal entities.

This interim report has otherwise been presented according to the same accounting principles and prerequisites as described in the Annual Report of 2010.

#### HOLDINGS OF OWN SHARES

At the beginning of 2011 Peab's own B share holding was 9,308,220 which corresponds to 3.1 percent of the total number of shares. Peab's Annual General Meeting on 10 May 2011 resolved to authorise the Board to, during the period until the next Annual General Meeting, acquire shares so that the company would have at most 10 percent of the total shares in Peab AB. During the period 240,000 B shares have been repurchased. As of 30 June 2011, Peab's own B share holding amounted to 9,548,220 B shares, corresponding to 3.2 percent of the total number of shares.

#### THE PEAB SHARE

Peab's B share is listed on the NASDAQ OMX Stockholm, Large Cap list. As of 22 August 2011, the price of the Peab share was SEK 34.30, a decrease of 40 percent during 2011. During the same period, the Swedish stock market decreased by 24 percent according to general index in the business magazine "Affärsvärlden". During 2011, the Peab share has been quoted at a maximum of SEK 59.20 and a minimum of SEK 30.64.

#### PARENT COMPANY

The parent company Peab AB's net sales for the first half of 2011 amounted to SEK 60 million (40) and mainly consisted of internal Group services. Profit after tax amounted to SEK 1,154 million (1,338).

The parent company's assets mainly consist of participations in Group companies amounting to SEK 11,728 million (11,626), shares in Catena AB worth SEK 263 million (248), shares in Brinova Fastigheter AB worth SEK 525 million (392) and convertible bonds in Peab Industri AB worth SEK 580 million (576). The assets have been financed from equity of SEK 7,756 million (7,105) and long-term liabilities amounting to SEK 5,491 million (5,990).

The parent company's liquid assets amounted to SEK 2 million (7) at the end of the period.

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

#### Share capital and number of shares

	Share capital MSEK	Number of registered A shares	Number of registered B shares	Total number of registered shares	Holdings of own shares	Shares owned by other shareholders
Share capital and number of shares 1 January 2011	1,583.9	34,319,957	261,729,773	296,049,730	9,308,220	286,741,510
Acquisition of own shares during the period					240,000	-240,000
<b>Share capital and number of shares 30 June 2011</b>	<b>1,583.9</b>	<b>34,319,957</b>	<b>261,729,773</b>	<b>296,049,730</b>	<b>9,548,220</b>	<b>286,501,510</b>

## **FUTURE FINANCIAL INFORMATION**

- Interim report January-September 2011 22 November 2011
- Year-end report 2011 15 February 2012
- Annual report 2011 April 2012

The Board of Directors and the CEO hereby certify that the interim report for the first half-year 2011 gives a true and fair view of the parent company's and the Group's operations, financial position and profits, as well as describes significant risks and uncertainties that the parent company and the companies within the Group face.

*Förslöv, 23 August 2011*

*Göran Grosskopf  
Chairman*

*Mats Paulsson  
Vice chairman*

*Karl-Axel Granlund  
Board member*

*Annette Brodin Rampe  
Board member*

*Svante Paulsson  
Board member*

*Fredrik Paulsson  
Board member*

*Lars Sköld  
Board member*

*Anne-Marie Pålsson  
Board member*

## **REVIEW REPORT**

We have reviewed the interim report for the period 1 January - 30 June, 2011, for Peab AB (publ). The Board of Directors and the CEO are responsible for preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

We conducted our review in accordance with the Standard on Review Engagements SÖG 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review 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 ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

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

*Förslöv, 23 August 2011*

*Alf Svensson  
Authorised Public  
Accountant*

*Thomas Thiel  
Authorised Public  
Accountant*

*Patrik Svensson  
Board member*

*Kim Thomsen  
Board member*

*David Karlsson  
Board member*

*Jan Johansson  
CEO*

## Condensed income statement for the Group

MSEK	Jan-Jun 2011	Jan-Jun 2010	Apr-Jun 2011	Apr-Jun 2010	Jul-Jun 2010/2011	Jan-Dec 2010
Net sales	19,738	17,383	11,030	10,283	40,400	38,045
Production costs	-18,165	-15,753	-10,151	-9,283	-36,945	-34,533
<b>Gross profit</b>	<b>1,573</b>	<b>1,630</b>	<b>879</b>	<b>1,000</b>	<b>3,455</b>	<b>3,512</b>
Sales and administrative expenses	-1,083	-1,082	-479	-560	-2,140	-2,139
Profit from participation in joint ventures/ associated companies	20	40	17	51	75	95
Other operating income	32	14	10	8	56	38
Other operating costs	-1	-1	-	0	-3	-3
<b>Operating profit</b>	<b>541</b>	<b>601</b>	<b>427</b>	<b>499</b>	<b>1,443</b>	<b>1,503</b>
Net financial items	-129	-73	-89	-75	-46	10
<b>Pre-tax profit</b>	<b>412</b>	<b>528</b>	<b>338</b>	<b>424</b>	<b>1,397</b>	<b>1,513</b>
Tax	-108	-132	-89	-105	-299	-323
<b>Profit for the period</b>	<b>304</b>	<b>396</b>	<b>249</b>	<b>319</b>	<b>1,098</b>	<b>1,190</b>
<b>Profit for the period, attributable to:</b>						
Shareholders in parent company	305	394	250	315	1,098	1,187
Non-controlling interests	-1	2	-1	4	0	3
<b>Profit for the period</b>	<b>304</b>	<b>396</b>	<b>249</b>	<b>319</b>	<b>1,098</b>	<b>1,190</b>
<b>Key ratios</b>						
Earnings per share, SEK	1.06	1.36	0.87	1.09	3.83	4.11
- after dilution	1.06	1.36	0.87	1.08	3.82	4.10
Average number of outstanding shares, million	286.7	290.6	286.7	290.0	286.7	288.6
- after dilution	295.5	299.4	295.5	298.8	295.5	297.4
Return on capital employed, %	10.9 <sup>1)</sup>	11.4 <sup>1)</sup>			10.9	11.7
Return on equity, %	15.5 <sup>1)</sup>	17.2 <sup>1)</sup>			15.5	15.6

<sup>1)</sup> Calculated on rolling 12 months

## Condensed comprehensive income statement for the Group

MSEK	Jan-Jun 2011	Jan-Jun 2010	Apr-Jun 2011	Apr-Jun 2010	Jul-Jun 2010/2011	Jan-Dec 2010
<b>Profit for the period</b>	<b>304</b>	<b>396</b>	<b>249</b>	<b>319</b>	<b>1,098</b>	<b>1,190</b>
<b>Other comprehensive income</b>						
Translation differences for the period from translation of foreign operations	40	-80	65	-30	-47	-167
Profit/loss from currency risk hedging in foreign operations	-16	31	-25	13	18	65
Translation differences transferred to profit for the period	-	-	-	-	-3	-3
Changes in fair value of cash flow hedges for the period	-5	-89	-12	-73	117	33
Tax attributable to components in other comprehensive income	5	-19	15	-7	-23	-47
<b>Other comprehensive income for the period</b>	<b>24</b>	<b>-157</b>	<b>43</b>	<b>-97</b>	<b>62</b>	<b>-119</b>
<b>Total comprehensive income for the period</b>	<b>328</b>	<b>239</b>	<b>292</b>	<b>222</b>	<b>1,160</b>	<b>1,071</b>
<b>Total comprehensive income for the period, attributable to:</b>						
Shareholders in parent company	329	237	293	218	1,160	1,068
Non-controlling interests	-1	2	-1	4	0	3
<b>Total comprehensive income for the period</b>	<b>328</b>	<b>239</b>	<b>292</b>	<b>222</b>	<b>1,160</b>	<b>1,071</b>

## Condensed balance sheet for the Group

MSEK	30 Jun 2011	30 Jun 2010	31 Dec 2010
<b>Assets</b>			
Intangible assets	2,210	2,285	2,190
Tangible assets	4,324	4,486	4,847
Interest-bearing long-term receivables	772	204	474
Other financial fixed assets	2,134	1,764	2,056
Deferred tax recoverables	94	211	90
<b>Total fixed assets</b>	<b>9,534</b>	<b>8,950</b>	<b>9,657</b>
Project and development properties	5,723	4,604	4,921
Inventories	406	502	411
Work in progress	1,461	1,088	1,263
Interest-bearing current receivables	95	140	36
Other current receivables	11,604	10,081	10,482
Short-term holdings	1	902	1
Liquid funds	653	708	809
<b>Total current assets</b>	<b>19,943</b>	<b>18,025</b>	<b>17,923</b>
<b>Total assets</b>	<b>29,477</b>	<b>26,975</b>	<b>27,580</b>
<b>Equity and liabilities</b>			
<b>Equity</b>	<b>7,249</b>	<b>6,959</b>	<b>7,673</b>
<b>Liabilities</b>			
Interest-bearing long-term liabilities	7,290	6,171	5,437
Deferred tax liabilities	248	-	326
Other long-term liabilities	257	298	298
<b>Total long-term liabilities</b>	<b>7,795</b>	<b>6,469</b>	<b>6,061</b>
Interest-bearing current liabilities	1,812	2,180	1,602
Other current liabilities	12,621	11,367	12,244
<b>Total current liabilities</b>	<b>14,433</b>	<b>13,547</b>	<b>13,846</b>
<b>Total liabilities</b>	<b>22,228</b>	<b>20,016</b>	<b>19,907</b>
<b>Total equity and liabilities</b>	<b>29,477</b>	<b>26,975</b>	<b>27,580</b>
<b>Key ratios</b>			
Capital employed	16,351	15,310	14,712
Equity/assets ratio, %	24.6	25.8	27.8
Net debt	7,581	6,397	5,719
Equity per share, SEK	25.30	24.09	26.76
- after dilution	26.53	25.32	27.93
Number of outstanding shares at the end of the period, million	286.5	287.3	286.7
- after dilution	295.3	296.1	295.5

## Condensed statement of changes in Group's equity

MSEK	30 Jun 2011	30 Jun 2010	31 Dec 2010
<b>Equity attributable to shareholders in parent company</b>			
Opening equity on 1 January	7,673	7,563	7,563
Profit for the period	305	394	1,187
Other comprehensive income for the period	24	-157	-119
Comprehensive income for the period	329	237	1,068
Cash dividend	-746	-728	-728
Acquisition of own shares	-7	-157	-177
Disposal of own shares	-	5	4
Acquisition of non-controlling interests, controlling interests already	-	-	-57
<b>Closing equity</b>	<b>7,249</b>	<b>6,920</b>	<b>7,673</b>
<b>Non-controlling interests</b>			
Opening equity on 1 January	0	43	43
Profit for the period	-1	2	3
Acquisition of non-controlling interests, controlling interests already	1	-6	-46
<b>Closing equity</b>	<b>0</b>	<b>39</b>	<b>0</b>
<b>Total closing equity</b>	<b>7,249</b>	<b>6,959</b>	<b>7,673</b>

## Condensed cash flow statement for the Group

MSEK	Jan-Jun 2011	Jan-Jun 2010	Apr-Jun 2011	Apr-Jun 2010	Jul-Jun 2010/2011	Jan-Dec 2010
Cash flow from current operations before changes in working capital	809	554	631	532	2,145	1,890
Cash flow from changes in working capital	-1,439	-739	-935	-573	-1,427	-727
<b>Cash flow from current operations</b>	<b>-630</b>	<b>-185</b>	<b>-304</b>	<b>-41</b>	<b>718</b>	<b>1,163</b>
Acquisition of subsidiaries	-252	-89	-76	-15	-563	-400
Disposal of subsidiaries	-2	-4	-1	-	60	58
Acquisition of fixed assets	-593	-636	-96	-516	-1,255	-1,298
Sales of fixed assets	175	189	137	85	148	162
<b>Cash flow from investment operations</b>	<b>-672</b>	<b>-540</b>	<b>-36</b>	<b>-446</b>	<b>-1,610</b>	<b>-1,478</b>
<b>Cash flow before financing</b>	<b>-1,302</b>	<b>-725</b>	<b>-340</b>	<b>-487</b>	<b>-892</b>	<b>-315</b>
Cash flow from financing operations	1,146	-141	454	439	-43	-1,330
<b>Cash flow for the period</b>	<b>-156</b>	<b>-866</b>	<b>114</b>	<b>-48</b>	<b>-935</b>	<b>-1,645</b>
Cash at the beginning of the period	810	2,488	540	1,663	1,610	2,488
Exchange rate differences in cash	-	-12	-	-5	-21	-33
<b>Cash at the end of the period</b>	<b>654</b>	<b>1,610</b>	<b>654</b>	<b>1,610</b>	<b>654</b>	<b>810</b>

## Net sales and operating profit per business area

MSEK	Net sales				Operating profit				Operating margin			
	Jan-Jun 2011	Jan-Jun 2010	Jul-Jun 2010/2011	Jan-Dec 2010	Jan-Jun 2011	Jan-Jun 2010	Jul-Jun 2010/2011	Jan-Dec 2010	Jan-Jun 2011	Jan-Jun 2010	Jul-Jun 2010/2011	Jan-Dec 2010
Construction	12,866	11,015	26,037	24,186	276	396	715	835	2.1%	3.6%	2.7%	3.5%
Civil Engineering	5,306	4,688	11,282	10,664	153	144	365	356	2.9%	3.1%	3.2%	3.3%
Industry	4,364	3,687	9,185	8,508	195	152	587	544	4.5%	4.1%	6.4%	6.4%
Group functions	94	67	173	146	-104	-101	-175	-172				
Eliminations	-2,740	-2,254	-5,806	-5,320								
<b>Operative<sup>1)</sup></b>	<b>19,890</b>	<b>17,203</b>	<b>40,871</b>	<b>38,184</b>	<b>520</b>	<b>591</b>	<b>1,492</b>	<b>1,563</b>	<b>2.6%</b>	<b>3.4%</b>	<b>3.7%</b>	<b>4.1%</b>
Adjustment for housing reporting <sup>2)</sup>	-152	180	-471	-139	21	10	-49	-60				
<b>Legal</b>	<b>19,738</b>	<b>17,383</b>	<b>40,400</b>	<b>38,045</b>	<b>541</b>	<b>601</b>	<b>1,443</b>	<b>1,503</b>	<b>2.7%</b>	<b>3.5%</b>	<b>3.6%</b>	<b>4.0%</b>

<sup>1)</sup> According to the percentage of completion method (IAS 11)

<sup>2)</sup> Adjustment in accounting principle for own single homes in Sweden as well as housing in Finland and Norway according to the completed contract method (IAS 18)

## Quarterly data

### Group

	Apr-Jun 2011	Jan-Mar 2011	Oct-Dec 2010	Jul-Sep 2010	Apr-Jun 2010	Jan-Mar 2010	Oct-Dec 2009	Jul-Sep 2009	Apr-Jun 2009
<b>MSEK</b>									
Net sales	11,030	8,708	11,538	9,124	10,283	7,100	9,228	8,448	9,094
Production costs	-10,151	-8,014	-10,491	-8,289	-9,283	-6,470	-8,278	-7,603	-8,045
<b>Gross profit</b>	<b>879</b>	<b>694</b>	<b>1,047</b>	<b>835</b>	<b>1,000</b>	<b>630</b>	<b>950</b>	<b>845</b>	<b>1,049</b>
Sales and administrative expenses	-479	-604	-656	-401	-560	-522	-588	-397	-597
Profit from participation in joint ventures/associated companies	17	3	29	26	51	-11	-7	12	14
Other operating income	10	22	19	6	8	5	17	18	25
Other operating costs	-	-1	-3	0	0	0	0	0	0
<b>Operating profit</b>	<b>427</b>	<b>114</b>	<b>436</b>	<b>466</b>	<b>499</b>	<b>102</b>	<b>372</b>	<b>478</b>	<b>491</b>
Net financial items	-89	-40	28	55	-75	2	6	46	13
<b>Pre-tax profit</b>	<b>338</b>	<b>74</b>	<b>464</b>	<b>521</b>	<b>424</b>	<b>104</b>	<b>378</b>	<b>524</b>	<b>504</b>
Tax	-89	-19	-60	-131	-105	-27	-8	-134	-122
<b>Profit for the period</b>	<b>249</b>	<b>55</b>	<b>404</b>	<b>390</b>	<b>319</b>	<b>77</b>	<b>370</b>	<b>390</b>	<b>382</b>
<b>Profit for the period, attributable to:</b>									
Shareholders in parent company	250	55	403	390	315	79	369	387	381
Non-controlling interests	-1	0	1	0	4	-2	1	3	1
<b>Profit for the period</b>	<b>249</b>	<b>55</b>	<b>404</b>	<b>390</b>	<b>319</b>	<b>77</b>	<b>370</b>	<b>390</b>	<b>382</b>
<b>Key ratios</b>									
Earnings per share, SEK	0.87	0.19	1.39	1.36	1.09	0.27	1.27	1.33	1.35
- after dilution	0.87	0.19	1.39	1.35	1.08	0.27	1.26	1.32	1.34
Average number of outstanding shares, million	286.7	286.7	286.7	286.8	290.0	291.1	291.1	291.1	282.2
- after dilution	295.5	295.5	295.5	295.6	298.8	299.9	299.9	299.9	292.0

### Business areas

	Apr-Jun 2011	Jan-Mar 2011	Oct-Dec 2010	Jul-Sep 2010	Apr-Jun 2010	Jan-Mar 2010	Oct-Dec 2009	Jul-Sep 2009	Apr-Jun 2009
<b>MSEK</b>									
<b>Net sales</b>									
Construction	6,747	6,119	7,552	5,619	6,035	4,980	5,996	4,988	5,881
Civil Engineering	2,930	2,376	3,319	2,657	2,703	1,985	2,700	2,355	2,373
Industry	2,675	1,689	2,265	2,556	2,392	1,295	2,024	2,218	2,041
Group functions	56	38	46	33	34	33	50	49	42
Eliminations	-1,315	-1,425	-1,613	-1,453	-1,150	-1,104	-1,244	-1,127	-1,050
<b>Operative <sup>1)</sup></b>	<b>11,093</b>	<b>8,797</b>	<b>11,569</b>	<b>9,412</b>	<b>10,014</b>	<b>7,189</b>	<b>9,526</b>	<b>8,483</b>	<b>9,287</b>
Adjustment for housing reporting <sup>2)</sup>	-63	-89	-31	-288	269	-89	-298	-35	-193
<b>Legal</b>	<b>11,030</b>	<b>8,708</b>	<b>11,538</b>	<b>9,124</b>	<b>10,283</b>	<b>7,100</b>	<b>9,228</b>	<b>8,448</b>	<b>9,094</b>
<b>Operating profit</b>									
Construction	144	132	241	198	279	117	194	178	295
Civil Engineering	115	38	113	99	79	65	118	131	129
Industry	196	-1	160	232	175	-23	122	210	150
Group functions	-37	-67	-45	-26	-49	-52	-36	-23	-69
<b>Operative <sup>1)</sup></b>	<b>418</b>	<b>102</b>	<b>469</b>	<b>503</b>	<b>484</b>	<b>107</b>	<b>398</b>	<b>496</b>	<b>505</b>
Adjustment for housing reporting <sup>2)</sup>	9	12	-33	-37	15	-5	-26	-18	-14
<b>Legal</b>	<b>427</b>	<b>114</b>	<b>436</b>	<b>466</b>	<b>499</b>	<b>102</b>	<b>372</b>	<b>478</b>	<b>491</b>
<b>Order situation</b>									
Orders received	11,027	10,306	6,056	9,547	10,570	8,591	6,039	6,854	10,551
Order backlog at the end of the period	31,515	29,689	27,063	30,753	29,039	26,769	24,487	26,694	26,728

<sup>1)</sup> According to the percentage of completion method (IAS 11)

<sup>2)</sup> Adjustment in accounting principle for own single homes in Sweden as well as housing in Finland and Norway according to the completed contract method (IAS 18)

## Condensed income statement for the parent company

MSEK	Jan-Jun 2011	Jan-Jun 2010	Apr-Jun 2011	Apr-Jun 2010	Jul-Jun 2010/2011	Jan-Dec 2010
Net sales	60	40	36	20	102	82
Administrative expenses	-86	-88	-45	-45	-150	-152
<b>Operating profit</b>	<b>-26</b>	<b>-48</b>	<b>-9</b>	<b>-25</b>	<b>-48</b>	<b>-70</b>
<b>Result from financial investments</b>						
Profit from participation in Group companies	1,146	1,441	1,146	1,441	1,095	1,390
Profit from participation in associated companies	136	–	136	–	195	59
Other financial items	-130	-90	-109	-77	-55	-15
<b>Pre-tax profit</b>	<b>1,126</b>	<b>1,303</b>	<b>1,164</b>	<b>1,339</b>	<b>1,187</b>	<b>1,364</b>
Tax	28	35	12	19	58	65
<b>Profit and comprehensive income for the period</b>	<b>1,154</b>	<b>1,338</b>	<b>1,176</b>	<b>1,358</b>	<b>1,245</b>	<b>1,429</b>

## Condensed balance sheet for the parent company

MSEK	30 Jun 2011	30 Jun 2010	31 Dec 2010
<b>Assets</b>			
<b>Fixed assets</b>			
Machinery and equipment	2	2	2
Participation in Group companies	11,728	11,626	11,728
Participation in associated companies	263	248	263
Receivables from Group companies	676	754	1,015
Other securities held as fixed assets	553	427	602
Deferred tax recoverables	25	28	–
Other long-term receivables	1	1	1
<b>Total fixed assets</b>	<b>13,248</b>	<b>13,086</b>	<b>13,611</b>
<b>Current assets</b>			
Accounts receivable	0	0	0
Receivables from Group companies	32	42	27
Interest-bearing current receivables	–	6	5
Tax recoverables	–	2	–
Other receivables	0	3	–
Prepaid expenses and accrued income	24	25	8
Liquid funds	2	7	3
<b>Total current assets</b>	<b>58</b>	<b>85</b>	<b>43</b>
<b>Total assets</b>	<b>13,306</b>	<b>13,171</b>	<b>13,654</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
	<b>7,756</b>	<b>7,105</b>	<b>7,355</b>
<b>Long-term liabilities</b>			
Liabilities to Group companies	4,902	5,407	5,670
Convertible promissory note	586	577	581
Deferred tax liabilities	–	–	5
<b>Total long-term liabilities</b>	<b>5,488</b>	<b>5,984</b>	<b>6,256</b>
<b>Current liabilities</b>			
Accounts payable	5	18	4
Liabilities to Group companies	3	3	4
Income tax liabilities	0	–	1
Other liabilities	12	6	4
Accrued expenses and deferred income	42	55	30
<b>Total current liabilities</b>	<b>62</b>	<b>82</b>	<b>43</b>
<b>Total liabilities</b>	<b>5,550</b>	<b>6,066</b>	<b>6,299</b>
<b>Total equity and liabilities</b>	<b>13,306</b>	<b>13,171</b>	<b>13,654</b>
<b>Pledged assets and contingent liabilities for the parent company</b>			
Pledged assets	–	–	–
Contingent liabilities	17,633	15,848	15,126

## List of shareholders 31 July 2011

Shareholder	A shares	B shares	Total no of shares	Proportion of capital, %	Proportion of votes, %
Mats Paulsson with companies	9,754,910	34,398,610	44,153,520	14.9	21.8
Erik Paulsson with family and companies	12,207,615	11,918,299	24,125,914	8.1	22.2
Karl-Axel Granlund with family and companies		17,852,000	17,852,000	6.0	3.0
Fredrik Paulsson with family and companies	4,261,430	6,002,154	10,263,584	3.5	8.0
Anita Paulsson with family and companies	4,261,431	5,957,050	10,218,481	3.5	8.0
Lannebo Funds		9,382,979	9,382,979	3.2	1.6
Folksam		6,900,000	6,900,000	2.3	1.1
Peab's profit sharing foundation		6,545,108	6,545,108	2.2	1.1
Swedbank Robur Funds		5,073,171	5,073,171	1.7	0.8
Handelsbanken Funds		4,953,718	4,953,718	1.7	0.8
Danica Pension		4,180,885	4,180,885	1.4	0.7
SEB Investment Management		3,551,295	3,551,295	1.2	0.6
Länsförsäkringar Funds		3,500,434	3,500,434	1.2	0.6
Svante Paulsson with family and companies	1,720,908	1,343,580	3,064,488	1.0	3.1
Sara Karlsson with family and companies	1,778,140	863,299	2,641,439	0.9	3.1
Foreign owners		31,677,321	31,677,321	10.7	5.2
Others	335,523	97,961,650	98,297,173	33.2	16.7
<b>Number of outstanding shares</b>	<b>34,319,957</b>	<b>252,061,553</b>	<b>286,381,510</b>		
Peab AB		9,668,220	9,668,220	3.3	1.6
<b>Number of registered shares</b>	<b>34,319,957</b>	<b>261,729,773</b>	<b>296,049,730</b>	<b>100.0</b>	<b>100.0</b>

Source: Euroclear Sweden AB

