



# PEAB AB INTERIM REPORT JANUARY–SEPTEMBER 2011.

Operative net sales increased by 14 percent to SEK 30,360 million (26,615)

Operative operating profit amounted to SEK 962 million (1,094)

Earnings per share before dilution amounted to SEK 1.97 (2.71)

Orders received during the first nine months increased by 8 percent to SEK 31,084 million (28,708)

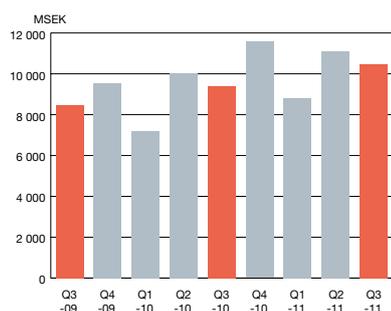
Order backlog in Construction and Civil Engineering hit an all time high and has grown by 22 percent since the beginning of 2011 to SEK 32,888 million

Continued investments for growth



## INTERIM REPORT JANUARY - SEPTEMBER 2011

### Operative net sales



Group operative net sales for January-September 2011 amounted to SEK 30,360 million (26,615), which was an increase of 14 per cent. After adjustments for acquired and divested units operative net sales increased by 12 percent compared to the same period last year.

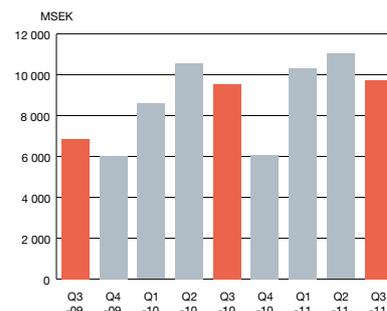
### Operative operating profit



Operative operating profit for January-September 2011 amounted to SEK 962 million compared to SEK 1,094 million for the same period last year.

### Construction and Civil Engineering

#### Orders received per quarter



Orders received for January-September 2011 amounted to SEK 31,084 million compared to SEK 28,708 million for the same period last year. Order backlog amounted to SEK 32,888 million compared to SEK 27,063 million per 31 December 2010.

### Group

MSEK	Jan-Sep 2011	Jan-Sep 2010	Oct-Sep 2010/2011	Jan-Dec 2010	Financial objectives
Operative net sales	30,360	26,615	41,929	38,184	
Net sales	30,295	26,507	41,833	38,045	
Operative operating profit	962	1,094	1,431	1,563	
Operative operating margin, %	3.2	4.1	3.4	4.1	
Operating profit	1,001	1,067	1,437	1,503	
Operating margin, %	3.3	4.0	3.4	4.0	
Pre-tax profit	765	1,049	1,229	1,513	
Profit for the period	564	786	968	1,190	
Earnings per share before dilution, SEK	1.97	2.71	3.37	4.11	
Return on equity, %	13.0 <sup>1)</sup>	16.1 <sup>1)</sup>	13.0	15.6	> 20%
Equity/assets ratio, %	24.6	26.2	24.6	27.8	> 25%

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

### NEW CONTRACTS DURING THE THIRD QUARTER

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

- Peab has been contracted to build a new concentrator in Garpenberg. Boliden is the client and the contract amounts to approximately SEK 500 million.
- Peab has been contracted to build 116 apartments in Oslo. The client is Naturbetong AS and Lorentzen Eiendom AS and the contract amounts to NOK 148 million.
- Peab has been contracted to perform a conversion and extension of a psychiatric care unit in Lund. The client is Wihlborgs and the contract amounts to about SEK 500 million.
- Peab has been contracted to build 70 tenant-owner apartments, 150 student apartments and parking lots in Jönköping. The client to tenant-owner apartments is HSB Göta and Brandtorner AB to the student flats. The total contract amounts to SEK 200 million.
- Peab has been contracted to excavate soil on the ore deposit in the Tapuli mine in Kaunisvaara outside Pajala. The client is Northland Resources AB and the contract amounts to approximately SEK 350 million.
- Peab has been contracted to implement an extension to the Sports House in Örebro. The client is Örebroporten Fastigheter AB and the contract amounts to SEK 110 million.
- Peab has been contracted to build 174 apartments, including 30 sheltered housing, in Trollhättan. The client is AB Eidar, Trollhättan Housing and the contract amounts to SEK 193 million.
- Peab has been commissioned to build 85 tenant owner homes to Brf Bryggan in Malmö. Peab received the order from JM and the contract is worth SEK 136 million.

## COMMENTS BY THE CEO

The first nine months of the year were permeated by our strategic plan and ambition to increase our presence on the Nordic construction and civil engineering market. We have grown both organically and through acquisitions and invested heavily.

Operative net sales amounted SEK 30,360 million (26,615) for the period, which is an increase by 14 percent compared to the same period in 2010. Operative operating profit totaled SEK 962 million compared to SEK 1,094 million for the same period in 2010. This means a somewhat lower operating margin than in 2010, a fact that is directly connected to our intense expansion which, during the initial building up phase, has a short-term negative effect on profitability in all our operations. We have also suffered a decline in profits in ongoing production due to downwardly adjusted project forecasts in construction operations. In addition, profitability has been affected by cautious revenue recognition in big projects where production will continue for quite some time.

Orders received for the first nine months amounted to SEK 31,084 million compared to SEK 28,708 million for the same period in 2010. The increase is spread throughout all our product segments and markets. Order backlog increased and totaled SEK 32,888 million compared to SEK 27,063 million at the end of 2010. This substantial level of orders gives us a stable platform for the future in light of the growing volatility of developments in the economy.

During the period we sold 1,222 (1,755) of our own developed homes and started production on 1,427 (1,810). The debt concerns in the world around us and the ceiling on mortgages in Sweden have led to longer sales processes. The fact that 73 percent (75) of our housing in production is already sold limits the risk of unsold homes, which creates the prerequisites for starting up new projects where there is a demand for them. Continued low interest rates, a relatively strong domestic economy in our markets and, above all, a significant underlying need for housing are all good conditions for housing production in Sweden, Norway and Finland in the near future.

Ongoing building construction in Sweden continued to increase, particularly in the industrial and public premise sectors. Construction of commercial space and apartment buildings is also developing positively. Civil engineering construction shrunk in 2010 and this trend has continued which means the forecast for 2011 is still a slight decline in investment volumes. Ongoing building construction continues to grow in Norway, particularly in new construction and renovation of apartment buildings. Continued growth is also expected in civil engineering construction in 2011. The forecasts in Finland point to mild growth in ongoing building construction in 2011 while civil engineering construction is expected to shrink.



The general debate on responsibility, ethics and morals has included, and been active in, the construction and civil engineering businesses. Peab has an ethics program that describes our core values and how they are integrated into our operations. We also have an ethics council that answers directly to executive management and which supports employees in ethical matters and handles any infringements of Peab's ethical guidelines if any should arise. Peab does not tolerate personnel acting unethically or violating the law in any way or on any level.

This autumn has been characterized by debt concerns and dampened forecasts for economic growth. Nonetheless we still believe the conditions on the Nordic construction market are good in a longer perspective. Thanks to Peab's broad range, strong local ties and committed personnel we are confident about our future and at the same time we are well prepared for changes in the market and prioritize greater cost effectiveness.

*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 January-September 2011 amounted to SEK 30,360 million (26,615), which was an increase of 14 percent. After adjustments for acquired and divested units operative net sales increased by 12 percent compared to the same period last year. Adjustments in housing reporting affected net sales by SEK -65 million (-108). Group net sales for January-September 2011 increased by 14 percent to SEK 30,295 million (26,507). Of the period's net sales, SEK 5,192 million (4,122) was attributable to sales and production outside Sweden.

Operative operating profit for January-September 2011 was SEK 962 million compared to SEK 1,094 million for the same period last year. Adjustments in housing reporting affected operating profit by SEK 39 million (-27). Operating profit for January-September 2011 amounted to SEK 1,001 million compared to SEK 1,067 million for the same period last year.

This means a somewhat lower operating margin than in 2010, a fact that is directly connected our intense expansion which, during the initial building up phase, has a short-term negative effect on profitability in all our operations. We have also suffered a decline in profits in ongoing production due to downwardly adjusted project forecasts in construction operations. In addition, profitability has been affected by cautious revenue recognition in big projects where production will continue for quite some time and the unusually severe winter weather at the beginning of the year.

Depreciation for the period was SEK 582 million (537).

Net financial items amounted to SEK -236 million (-18), of which net interest expense amounted to SEK -181 million (-130). The effect of valuing financial instruments at fair value affected net financial items by SEK -83 million (102), of which the income effect of valuing the Brinova holding at fair value amounted to SEK -81 million (110). 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 765 million compared to SEK 1,049 million for the same period last year.

Tax for the period was SEK -201 million (-263).

Profit for the period amounted to SEK 564 million (786).

## FINANCIAL POSITION

The equity/assets ratio on 30 September 2011 was 24.6 percent compared to 27.8 percent at the previous year-end. Interest-bearing net debt amounted to SEK 7,861 million compared to SEK 5,719

million at the previous year-end. The increase stems primarily from Peab's intense growth through an increase in working capital, acquisitions as well as investments in machines and housing and property development projects. In addition, net debt has grown due to the dividends paid during the period and a financial investment in a block of shares in Lemminkäinen Oyj. The average interest rate in the loan portfolio including derivatives on 30 September 2011 was 3.3 percent (2.4).

Group liquid funds, including non-utilised credit facilities, were SEK 3,588 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 2,504 million compared to SEK 1,602 million on 31 December 2010. Of contingent liabilities, obligations to tenant-owners' associations under construction were SEK 1,847 million compared to SEK 1,449 million at year-end.

## INVESTMENTS

Net investment of tangible and intangible assets amounted to SEK 677 million (342) during the period. Project and development properties were invested for a total of SEK 679 million (350) during the period.

## CASH FLOW

Cash flow from current operations before changes in working capital was SEK 1,386 million (1,083). Cash flow from changes in working capital was SEK -1,976 million (-699). The growth in net sales during the period has generated a higher level of working capital. The acquisition of project and development property for SEK -616 million (-263) is also included in the change in working capital.

Cash flow from investment activities was SEK -1,200 million compared to SEK -792 million the same period the previous year and this is due to Peab's growth through strategic acquisitions as well as investments in machines and housing and property development projects. In addition, we have made a financial investment in a block of shares in Lemminkäinen Oyj. Cash flow before financing amounted to SEK -1,790 million compared to SEK -408 million for the same period last year.

## PERSONNEL

At the end of the period, the company had 15,326 employees compared to 13,873 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 January-September 2011 amounted to SEK

18,901 million (16,634), which is an increase of 14 percent. After adjustments for acquired and divested units the increase was 11 percent.

Operative operating profit for the period amounted to SEK 381 million compared to SEK 594 million the same period last year. Operative operating margin sank to 2.0 percent compared to 3.6 percent for the same period last year. Operative margin for the latest rolling 12 month period was 2.4 percent compared to 3.5 percent for full year 2010.

Profitability has been charged with a decline in profits in ongoing production due to downwardly adjusted project forecasts in construction operations. In addition, profitability has been affected by cautious revenue recognition in big projects where production will continue for quite some time and the unusually severe winter weather at the beginning of the year.

#### CIVIL ENGINEERING

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

Net sales for January-September 2011 amounted to SEK 8,141 million compared to SEK 7,345 million for the same period last year, which is an increase of 11 percent. Even after adjustments for acquired and divested units the increase was 11 percent.

Operating profit for the period amounted to SEK 262 million compared to SEK 243 million for the same period last year. Operating margin sank to 3.2 percent compared to 3.3 percent for the same period last year. Operative margin for the latest rolling 12 month period was 3.3 percent, which is unchanged compared to full year 2010.

Operating profit and margin 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 January-September 2011 amounted to SEK 7,387 million compared to SEK 6,243 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 17 percent. A large part of the increase in net sales refers to transportation operations that have lower margins and tie up less capital compared to Peab's other industrial operations.

Operating profit for the period amounted to SEK 464 million com-

pared to SEK 384 million for the same period last year. Operating margin was 6.3 percent compared to 6.2 percent for the same period last year. Operative margin for the latest rolling 12 month period was 6.5 percent compared to 6.4 percent for 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 markets even though the cost of winter had a negative effect on profit in the first quarter, particularly in asphalt operations.

#### ORDERS RECEIVED AND ORDER BACKLOG

##### CONSTRUCTION AND CIVIL ENGINEERING

Orders received for January-September 2011 amounted to SEK 31,084 million compared to SEK 28,708 million for the same period last year.

Order backlog yet to be produced at the end of the period amounted to SEK 32,888 million compared to SEK 30,753 million the same period last year. Order backlog has increased in both construction and civil engineering operations since 2010.

Of the total order backlog, 75 percent (77) is expected to be produced after current financial year. Construction projects accounted for 68 percent (68) of the order backlog. Swedish operations accounted for 86 percent (87) 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 Sep 2011	30 Sep 2010	31 Dec 2010
Current financial year	8,246	7,108	19,137
Next financial year	18,991	17,393	6,374
Thereafter	5,651	6,252	1,552
<b>Total order backlog</b>	<b>32,888</b>	<b>30,753</b>	<b>27,063</b>
<b>Orders received</b>	<b>31,084</b>	<b>28,708</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 11 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 3,705 compared to 3,212 the previous year-end. The level of own housing development start-ups is slightly

#### Peab's own housing development construction

	Jan-Sep 2011	Jan-Sep 2010	Jan-Dec 2010
Number of housing starts during the period	1,427	1,810	2,113
Number of homes sold during the period	1,222	1,755	2,179
Total number of homes under construction, at the end of the period	3,705	3,639	3,212
Share of sold homes under construction, at the end of the period	73%	75%	77%
Number of repurchased homes in the balance sheet, at the end of the period	178	177	213

lower than last year and amounted to 1,427 (1,810). The number of sold homes during the period was 1,222 compared to 1,755 during the same period 2010.

The fact that 73 percent (75) 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 with the current demands on the number of homes sold before production begins. An effect of continued turbulence on the market can be that interest rates are lower than would have otherwise been the case, which is positive for 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 5,977 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 September 2011 was 178 (177) and is evenly divided in Sweden, Norway and Finland.

## **THE CONSTRUCTION MARKET**

Ongoing building construction in Sweden continued to increase during the first half-year of 2011, particularly in the industrial and public premise sectors. Construction of commercial space and apartment buildings also developed positively leading to a forecast of 13 percent growth for the entire year in ongoing building construction. Civil engineering construction shrunk in 2010 and this trend has continued which means the forecast for 2011 is still a decline of 2 percent. All in all this signifies an increase of 8 percent in building construction and civil engineering in 2011 according to forecasts by the analytics company Industrifakta.

Heading into 2012 uncertainty on the construction market has risen during the autumn. Two of the major risks factors are the effects of the debt crisis on access to credit and indications that housing prices are falling. At the same time concerns for higher interest rates is not as strong while the housing shortage only grows greater, as does the need to renovate and improve energy efficiency in older apartment blocks, including the so-called million project, which is older areas of high rise municipal housing. There is also a significant need for investments in infrastructure, particularly in communication and energy supply. Nonetheless the forecast for building construction investments in total in Sweden has fallen to -7 percent while the forecast for civil engineering remains an unchanged 2 percent increase in 2012. Behind the decrease lies a drop in demand for single homes and a backlash in industrial and public premise construction. Growth in construction of new apartment buildings is not anticipated but this is a difficult area to predict, in particular when it comes to the demand for tenant owned homes. Uncertainty among households is growing as well as the numbers of young households and this indicates a shift towards rentals in housing production for several years. An increase in apartment building renovation is expected to continue in 2012 as the refurbishing of the million project gets underway. Growth by a few

percent in new construction and renovation of commercial premises is also forecasted, primarily offices. There is a clear downward trend in retail space due to reduced consumption.

The debt crisis is expected to have a lesser effect on civil engineering construction. Investment decisions are more far-reaching and a number of major road and railroad projects are already in the works or will start up in 2012 and 2013. The need to increase capacity in communication nets and mass transit in Stockholm and Gothenburg is both acute and massive while revamping of the energy sector continues. All in all building and civil engineering investments in Sweden are expected to shrink by around 4 percent in 2012, according to forecasts by Industrifakta.

Ongoing building construction continued to grow in Norway and the forecast for the entire year is close to 10 percent growth. Although growth in new construction and renovation of apartment buildings is especially strong with anticipated increases of up to 30 respectively 40 percent, production of single homes and public premises also contributes to high building construction volumes. However, construction of private premises, both industrial and commercial, is expected to fall in 2011. Building construction on the whole is expected to decline somewhat in 2012, with the exception of new construction of single homes, mainly due to higher debt levels in households and municipalities as well as a shortage of land to build apartments on. Construction in the public premise sector is expected to drop the most and all together ongoing building construction is expected to shrink by 5 percent. The forecast for Norwegian civil engineering construction is continued growth of about 5 percent in 2011 but the market is increasingly shaky and a levelling off to zero growth is expected in 2012. All in all this signifies a decrease of 3-4 percent in building and civil engineering investments in Norway in 2012.

A slowdown is expected on the Finnish construction market to about 2 percent total growth in 2011, even though growth was relatively strong during the first half-year. However, the only negative forecast for 2011 is in new construction of apartment buildings and this is a backlash from the intense growth of the previous year. Zero growth in building construction is expected in 2012 but the turbulence in EMU generates a great deal of uncertainty about room for investments as does shrinking public funding and tax deductions. At the same time Finland's growing population and urbanization is driving the need for new housing in growth centers. The only building construction sector expected to grow in 2012 is commercial premises but a lack of financing can become a hindrance. Civil engineering is expected to grow by around 3 percent after a drop in 2011. All in all this signifies a slight increase of around 1 percent in building and civil engineering investments in Finland in 2012, barring new problems within EMU.

Renovation and maintenance is expected to grow by 2-3 percent annually in all three countries in 2011 and 2012, partly as a result of a growing number of jobs connected to improving energy efficiency.

## **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 has been Deputy CEO with responsibility for Peab's operations since 2009. Mats Paulsson was elected Vice Chairman of the Board.

Mats Leifland has resigned from his position as Deputy CEO of Peab and he 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.

Peab disposes 2,080,225 shares of Lemminkäinen Oyj, representing 10.59 percent of the capital and votes. The deal was done through direct purchase of 1,140,225 shares on NASDAQ OMX Helsinki, and signed by futures contracts for the purchase of 940,000 shares. The block of shares is presented under the category Financial assets available-for-sale and therefore any changes in value are reported under Other comprehensive income.

#### IMPORTANT EVENTS AFTER THE REPORT PERIOD

Peab has issued unsecured bonds for a total of SEK 1,000 million

that run for three, four and five years. These transactions are so-called private placements. Peab has also signed a new five year credit agreement with DNB Bank for SEK 200 million which supplements the existing credit agreement of SEK 300 million due in 2013.

#### ACQUISITIONS DURING THE REPORT PERIOD

Peab has 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 NOK 300 million in 2010 and has around 80 employees.

Peab has 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.

Peab has acquired 65 percent of the shares in Terje Hansen AS. The company manufactures and paves asphalt in the greater Oslo area. Terje Hansen AS has about 45 employees and had net sales of NOK 144 million in 2010.

#### ACCOUNTING PRINCIPLES

This interim 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 360,000 B shares have been repurchased.

Peab has sold 8,581,236 B shares to Ingvar Kamprad, corresponding to 2.9 percent of the shares. The disposal is a direct transaction

#### 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					360,000	-360,000
Disposal of own shares during the period					-8,581,236	8,581,236
<b>Share capital and number of shares 30 September 2011</b>	<b>1,583.9</b>	<b>34,319,957</b>	<b>261,729,773</b>	<b>296,049,730</b>	<b>1,086,984</b>	<b>294,962,746</b>

between the parties off-exchange. Following the disposal Peab holds 1,086,984 own B shares corresponding to 0.4 percent of the capital.

#### **THE PEAB SHARE**

Peab's B share is listed on the NASDAQ OMX Stockholm, Large Cap list. As of 21 November 2011, the price of the Peab share was SEK 29.20, a decrease of 49 percent during 2011. During the same period, the Swedish stock market decreased by 23 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 29.10.

#### **PARENT COMPANY**

The parent company Peab AB's net sales for January-September 2011 amounted to SEK 83 million (60) and mainly consisted of internal Group services. Profit after tax amounted to SEK 1,080 million (1,402).

The parent company's assets mainly consist of participations in Group companies amounting to SEK 11,728 million (11,680), shares in Catena AB worth SEK 263 million (247), shares in Brinova Fastigheter AB worth SEK 491 million (503), shares in Lemminkäinen Oyj worth SEK 213 million (-) and convertible bonds in Peab Industri AB worth SEK 581 million (577). The assets have been financed from equity of SEK 7,975 million (7,148) and long-term liabilities amounting to SEK 5,500 million (5,991).

The parent company's liquid assets amounted to SEK 8 million (5) at the end of the period.

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

#### **ANNUAL GENERAL MEETING**

The Annual General Meeting of Peab will be held on 15 May 2012 at Grevieparken in Grevie.

#### **NOMINATING COMMITTEE**

At the Annual General Meeting held on 10 May 2011, Malte Åkerström (chairman), Leif Franzon, Göran Grosskopf and Erik Paulsson were appointed to the Peab nominating committee.

Shareholders wishing to propose candidates to Peab's nominating committee can do so at email address [valberedning@peab.se](mailto:valberedning@peab.se) or by writing to Peab AB, Att. Nominating Committee, SE-260 92 Förslöv, Sweden. In order to be considered by the 2012 AGM, nominations must be received by the company no later than 21 January 2012.

#### **FUTURE FINANCIAL INFORMATION**

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|---|------------------|
| • Year-end report 2011  | 15 February 2012 |
| • Annual report 2011  | April 2012       |
| • Interim report January-March 2012<br>and Annual General Meeting | 15 May 2012      |
| • Half-year report January-June 2012                              | 21 August 2012   |
| • Interim report January-September 2012                           | 22 November 2012 |
| • Year-end report 2012  | 14 February 2013 |

*Förslöv, 22 November 2011*

*Jan Johansson  
CEO and President*

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

## Condensed income statement for the Group

MSEK	Jan-Sep 2011	Jan-Sep 2010	Jul-Sep 2011	Jul-Sep 2010	Oct-Sep 2010/2011	Jan-Dec 2010
Net sales	30,295	26,507	10,557	9,124	41,833	38,045
Production costs	-27,774	-24,042	-9,609	-8,289	-38,265	-34,533
<b>Gross profit</b>	<b>2,521</b>	<b>2,465</b>	<b>948</b>	<b>835</b>	<b>3,568</b>	<b>3,512</b>
Sales and administrative expenses	-1,600	-1,483	-517	-401	-2,256	-2,139
Profit from participation in joint ventures/ associated companies	38	66	18	26	67	95
Other operating income	44	20	12	6	62	38
Other operating costs	-2	-1	-1	0	-4	-3
<b>Operating profit</b>	<b>1,001</b>	<b>1,067</b>	<b>460</b>	<b>466</b>	<b>1,437</b>	<b>1,503</b>
Net financial items	-236	-18	-107	55	-208	10
<b>Pre-tax profit</b>	<b>765</b>	<b>1,049</b>	<b>353</b>	<b>521</b>	<b>1,229</b>	<b>1,513</b>
Tax	-201	-263	-93	-131	-261	-323
<b>Profit for the period</b>	<b>564</b>	<b>786</b>	<b>260</b>	<b>390</b>	<b>968</b>	<b>1,190</b>
<b>Profit for the period, attributable to:</b>						
Shareholders in parent company	564	784	259	390	967	1,187
Non-controlling interests	0	2	1	0	1	3
<b>Profit for the period</b>	<b>564</b>	<b>786</b>	<b>260</b>	<b>390</b>	<b>968</b>	<b>1,190</b>
<b>Key ratios</b>						
Earnings per share, SEK	1.97	2.71	0.90	1.36	3.37	4.11
- after dilution	1.97	2.71	0.90	1.35	3.36	4.10
Average number of outstanding shares, million	286.9	289.3	287.2	286.8	286.9	288.6
- after dilution	295.7	298.1	296.0	295.6	295.7	297.4
Return on capital employed, %	9.9 <sup>1)</sup>	11.3 <sup>1)</sup>			9.9	11.7
Return on equity, %	13.0 <sup>1)</sup>	16.1 <sup>1)</sup>			13.0	15.6

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

## Condensed comprehensive income statement for the Group

MSEK	Jan-Sep 2011	Jan-Sep 2010	Jul-Sep 2011	Jul-Sep 2010	Oct-Sep 2010/2011	Jan-Dec 2010
<b>Profit for the period</b>	<b>564</b>	<b>786</b>	<b>260</b>	<b>390</b>	<b>968</b>	<b>1,190</b>
<b>Other comprehensive income</b>						
Translation differences for the period from translation of foreign operations	45	-153	5	-73	31	-167
Profit/loss from currency risk hedging in foreign operations	-18	62	-2	31	-15	65
Translation differences transferred to profit for the period	-	-3	-	-3	-	-3
Changes for the period in fair value of available-for-sale financial assets	-2	-	-2	-	-2	-
Changes in fair value of cash flow hedges for the period	-168	-56	-163	33	-79	33
Share in associated companies' other comprehensive income	-1	-	-1	-	-1	-
Tax attributable to components in other comprehensive income	16	-38	11	-19	7	-47
<b>Other comprehensive income for the period</b>	<b>-128</b>	<b>-188</b>	<b>-152</b>	<b>-31</b>	<b>-59</b>	<b>-119</b>
<b>Total comprehensive income for the period</b>	<b>436</b>	<b>598</b>	<b>108</b>	<b>359</b>	<b>909</b>	<b>1,071</b>
<b>Total comprehensive income for the period, attributable to:</b>						
Shareholders in parent company	436	596	107	359	908	1,068
Non-controlling interests	0	2	1	0	1	3
<b>Total comprehensive income for the period</b>	<b>436</b>	<b>598</b>	<b>108</b>	<b>359</b>	<b>909</b>	<b>1,071</b>

## Condensed balance sheet for the Group

MSEK	30 Sep 2011	30 Sep 2010	31 Dec 2010
<b>Assets</b>			
Intangible assets	2,240	2,227	2,190
Tangible assets	4,499	4,762	4,847
Interest-bearing long-term receivables	842	258	474
Other financial fixed assets	2,376	1,960	2,056
Deferred tax recoverables	107	211	90
<b>Total fixed assets</b>	<b>10,064</b>	<b>9,418</b>	<b>9,657</b>
Project and development properties	5,977	4,482	4,921
Inventories	418	444	411
Work in progress	1,453	1,249	1,263
Interest-bearing current receivables	97	26	36
Other current receivables	12,246	10,322	10,482
Short-term holdings	9	902	1
Liquid funds	814	659	809
<b>Total current assets</b>	<b>21,014</b>	<b>18,084</b>	<b>17,923</b>
<b>Total assets</b>	<b>31,078</b>	<b>27,502</b>	<b>27,580</b>
<b>Equity and liabilities</b>			
<b>Equity</b>	<b>7,648</b>	<b>7,207</b>	<b>7,673</b>
<b>Liabilities</b>			
Interest-bearing long-term liabilities	7,630	6,101	5,437
Deferred tax liabilities	208	-	326
Other long-term liabilities	352	286	298
<b>Total long-term liabilities</b>	<b>8,190</b>	<b>6,387</b>	<b>6,061</b>
Interest-bearing current liabilities	1,993	1,935	1,602
Other current liabilities	13,247	11,973	12,244
<b>Total current liabilities</b>	<b>15,240</b>	<b>13,908</b>	<b>13,846</b>
<b>Total liabilities</b>	<b>23,430</b>	<b>20,295</b>	<b>19,907</b>
<b>Total equity and liabilities</b>	<b>31,078</b>	<b>27,502</b>	<b>27,580</b>
<b>Key ratios</b>			
Capital employed	17,271	15,243	14,712
Equity/assets ratio, %	24.6	26.2	27.8
Net debt	7,861	6,191	5,719
Equity per share, SEK	25.93	25.13	26.76
- after dilution	27.11	26.34	27.93
Number of outstanding shares at the end of the period, million	295.0	286.7	286.7
- after dilution	303.8	295.5	295.5

## Condensed statement of changes in Group's equity

MSEK	30 Sep 2011	30 Sep 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	564	784	1,187
Other comprehensive income for the period	-128	-188	-119
Comprehensive income for the period	436	596	1,068
Cash dividend	-745	-728	-728
Acquisition of own shares	-16	-177	-177
Disposal of own shares	300	4	4
Acquisition of non-controlling interests, controlling interests already	-	-51	-57
<b>Closing equity</b>	<b>7,648</b>	<b>7,207</b>	<b>7,673</b>
<b>Non-controlling interests</b>			
Opening equity on 1 January	0	43	43
Profit for the period	0	2	3
Acquisition of non-controlling interests, controlling interests already	0	-45	-46
<b>Closing equity</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total closing equity</b>	<b>7,648</b>	<b>7,207</b>	<b>7,673</b>

## Condensed cash flow statement for the Group

MSEK	Jan-Sep 2011	Jan-Sep 2010	Jul-Sep 2011	Jul-Sep 2010	Oct-Sep 2010/2011	Jan-Dec 2010
Cash flow from current operations before changes in working capital	1,386	1,083	577	529	2,193	1,890
Cash flow from changes in working capital	-1,976	-699	-537	40	-2,004	-727
<b>Cash flow from current operations</b>	<b>-590</b>	<b>384</b>	<b>40</b>	<b>569</b>	<b>189</b>	<b>1,163</b>
Acquisition of subsidiaries	-297	-222	-45	-133	-475	-400
Disposal of subsidiaries	-2	-8	-	-4	64	58
Acquisition of fixed assets	-1,111	-880	-518	-244	-1,529	-1,298
Sales of fixed assets	210	318	35	129	54	162
<b>Cash flow from investment operations</b>	<b>-1,200</b>	<b>-792</b>	<b>-528</b>	<b>-252</b>	<b>-1,886</b>	<b>-1,478</b>
<b>Cash flow before financing</b>	<b>-1,790</b>	<b>-408</b>	<b>-488</b>	<b>317</b>	<b>-1,697</b>	<b>-315</b>
Cash flow from financing operations	1,802	-493	656	-352	965	-1,330
<b>Cash flow for the period</b>	<b>12</b>	<b>-901</b>	<b>168</b>	<b>-35</b>	<b>-732</b>	<b>-1,645</b>
Cash at the beginning of the period	810	2,488	654	1,610	1,561	2,488
Exchange rate differences in cash	1	-26	1	-14	-6	-33
<b>Cash at the end of the period</b>	<b>823</b>	<b>1,561</b>	<b>823</b>	<b>1,561</b>	<b>823</b>	<b>810</b>

## Net sales and operating profit per business area

MSEK	Net sales				Operating profit				Operating margin			
	Jan-Sep 2011	Jan-Sep 2010	Oct-Sep 2010/2011	Jan-Dec 2010	Jan-Sep 2011	Jan-Sep 2010	Oct-Sep 2010/2011	Jan-Dec 2010	Jan-Sep 2011	Jan-Sep 2010	Oct-Sep 2010/2011	Jan-Dec 2010
Construction	18,901	16,634	26,453	24,186	381	594	622	835	2.0%	3.6%	2.4%	3.5%
Civil Engineering	8,141	7,345	11,460	10,664	262	243	375	356	3.2%	3.3%	3.3%	3.3%
Industry	7,387	6,243	9,652	8,508	464	384	624	544	6.3%	6.2%	6.5%	6.4%
Group functions	132	100	178	146	-145	-127	-190	-172				
Eliminations	-4,201	-3,707	-5,814	-5,320								
<b>Operative<sup>1)</sup></b>	<b>30,360</b>	<b>26,615</b>	<b>41,929</b>	<b>38,184</b>	<b>962</b>	<b>1,094</b>	<b>1,431</b>	<b>1,563</b>	<b>3.2%</b>	<b>4.1%</b>	<b>3.4%</b>	<b>4.1%</b>
Adjustment for housing reporting <sup>2)</sup>	-65	-108	-96	-139	39	-27	6	-60				
<b>Legal</b>	<b>30,295</b>	<b>26,507</b>	<b>41,833</b>	<b>38,045</b>	<b>1,001</b>	<b>1,067</b>	<b>1,437</b>	<b>1,503</b>	<b>3.3%</b>	<b>4.0%</b>	<b>3.4%</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

	Jul-Sep 2011	Apr-Jun 2011	Jan-Mar 2011	Oct-Dec 2010	Jul-Sep 2010	Apr-Jun 2010	Jan-Mar 2010	Oct-Dec 2009	Jul-Sep 2009
<b>MSEK</b>									
Net sales	10,557	11,030	8,708	11,538	9,124	10,283	7,100	9,228	8,448
Production costs	-9,609	-10,151	-8,014	-10,491	-8,289	-9,283	-6,470	-8,278	-7,603
<b>Gross profit</b>	<b>948</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>
Sales and administrative expenses	-517	-479	-604	-656	-401	-560	-522	-588	-397
Profit from participation in joint ventures/associated companies	18	17	3	29	26	51	-11	-7	12
Other operating income	12	10	22	19	6	8	5	17	18
Other operating costs	-1	-	-1	-3	0	0	0	0	0
<b>Operating profit</b>	<b>460</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>
Net financial items	-107	-89	-40	28	55	-75	2	6	46
<b>Pre-tax profit</b>	<b>353</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>
Tax	-93	-89	-19	-60	-131	-105	-27	-8	-134
<b>Profit for the period</b>	<b>260</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>Profit for the period, attributable to:</b>									
Shareholders in parent company	259	250	55	403	390	315	79	369	387
Non-controlling interests	1	-1	0	1	0	4	-2	1	3
<b>Profit for the period</b>	<b>260</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>Key ratios</b>									
Earnings per share, SEK	0.90	0.87	0.19	1.39	1.36	1.09	0.27	1.27	1.33
- after dilution	0.90	0.87	0.19	1.39	1.35	1.08	0.27	1.26	1.32
Average number of outstanding shares, million	287.2	286.7	286.7	286.7	286.8	290.0	291.1	291.1	291.1
- after dilution	296.0	295.5	295.5	295.5	295.6	298.8	299.9	299.9	299.9

### Business areas

	Jul-Sep 2011	Apr-Jun 2011	Jan-Mar 2011	Oct-Dec 2010	Jul-Sep 2010	Apr-Jun 2010	Jan-Mar 2010	Oct-Dec 2009	Jul-Sep 2009
<b>MSEK</b>									
<b>Net sales</b>									
Construction	6,035	6,747	6,119	7,552	5,619	6,035	4,980	5,996	4,988
Civil Engineering	2,835	2,930	2,376	3,319	2,657	2,703	1,985	2,700	2,355
Industry	3,023	2,675	1,689	2,265	2,556	2,392	1,295	2,024	2,218
Group functions	38	56	38	46	33	34	33	50	49
Eliminations	-1,461	-1,315	-1,425	-1,613	-1,453	-1,150	-1,104	-1,244	-1,127
<b>Operative <sup>1)</sup></b>	<b>10,470</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>
Adjustment for housing reporting <sup>2)</sup>	87	-63	-89	-31	-288	269	-89	-298	-35
<b>Legal</b>	<b>10,557</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>Operating profit</b>									
Construction	105	144	132	241	198	279	117	194	178
Civil Engineering	109	115	38	113	99	79	65	118	131
Industry	269	196	-1	160	232	175	-23	122	210
Group functions	-41	-37	-67	-45	-26	-49	-52	-36	-23
<b>Operative <sup>1)</sup></b>	<b>442</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>
Adjustment for housing reporting <sup>2)</sup>	18	9	12	-33	-37	15	-5	-26	-18
<b>Legal</b>	<b>460</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>Order situation</b>									
Orders received	9,751	11,027	10,306	6,056	9,547	10,570	8,591	6,039	6,854
Order backlog at the end of the period	32,888	31,515	29,689	27,063	30,753	29,039	26,769	24,487	26,694

<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-Sep 2011	Jan-Sep 2010	Jul-Sep 2011	Jul-Sep 2010	Oct-Sep 2010/2011	Jan-dec 2010
Net sales	83	60	23	20	105	82
Administrative expenses	-119	-117	-33	-29	-154	-152
<b>Operating profit</b>	<b>-36</b>	<b>-57</b>	<b>-10</b>	<b>-9</b>	<b>-49</b>	<b>-70</b>
<b>Result from financial investments</b>						
Profit from participation in Group companies	1,146	1,442	–	1	1,094	1,390
Profit from participation in associated companies	136	–	–	–	195	59
Other financial items	-208	-34	-78	56	-189	-15
<b>Pre-tax profit</b>	<b>1,038</b>	<b>1,351</b>	<b>-88</b>	<b>48</b>	<b>1,051</b>	<b>1,364</b>
Tax	42	51	14	16	56	65
<b>Profit for the period</b>	<b>1,080</b>	<b>1,402</b>	<b>-74</b>	<b>64</b>	<b>1,107</b>	<b>1,429</b>

## Condensed comprehensive income statement for the parent company

MSEK	Jan-Sep 2011	Jan-Sep 2010	Jul-Sep 2011	Jul-Sep 2010	Oct-Sep 2010/2011	Jan-Dec 2010
<b>Profit for the period</b>	<b>1,080</b>	<b>1,402</b>	<b>-74</b>	<b>64</b>	<b>1,107</b>	<b>1,429</b>
<b>Other comprehensive income</b>						
Changes for the period in fair value of available-for-sale financial assets	1	–	1	–	1	–
<b>Total comprehensive income for the period</b>	<b>1,081</b>	<b>1,402</b>	<b>-73</b>	<b>64</b>	<b>1,108</b>	<b>1,429</b>

## Condensed balance sheet for the parent company

MSEK	30 Sep 2011	30 Sep 2010	31 Dec 2010
<b>Assets</b>			
<b>Fixed assets</b>			
Machinery and equipment	2	2	2
Participation in Group companies	11,728	11,680	11,728
Participation in associated companies	263	247	263
Receivables from Group companies	687	621	1,015
Other securities held as fixed assets	732	535	602
Deferred tax recoverables	39	48	–
Other long-term receivables	1	1	1
<b>Total fixed assets</b>	<b>13,452</b>	<b>13,134</b>	<b>13,611</b>
<b>Current assets</b>			
Accounts receivable	0	10	0
Receivables from Group companies	53	24	27
Interest-bearing current receivables	–	6	5
Tax recoverables	0	3	–
Other receivables	–	2	–
Prepaid expenses and accrued income	31	31	8
Liquid funds	8	5	3
<b>Total current assets</b>	<b>92</b>	<b>81</b>	<b>43</b>
<b>Total assets</b>	<b>13,544</b>	<b>13,215</b>	<b>13,654</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
	<b>7,975</b>	<b>7,148</b>	<b>7,355</b>
<b>Long-term liabilities</b>			
Liabilities to Group companies	4,912	5,407	5,670
Convertible promissory note	588	579	581
Deferred tax liabilities	–	5	5
<b>Total long-term liabilities</b>	<b>5,500</b>	<b>5,991</b>	<b>6,256</b>
<b>Current liabilities</b>			
Accounts payable	8	6	4
Liabilities to Group companies	1	1	4
Income tax liabilities	–	–	1
Other liabilities	9	15	4
Accrued expenses and deferred income	51	54	30
<b>Total current liabilities</b>	<b>69</b>	<b>76</b>	<b>43</b>
<b>Total liabilities</b>	<b>5,569</b>	<b>6,067</b>	<b>6,299</b>
<b>Total equity and liabilities</b>	<b>13,544</b>	<b>13,215</b>	<b>13,654</b>
<b>Pledged assets and contingent liabilities for the parent company</b>			
Pledged assets	–	–	–
Contingent liabilities	18,784	14,887	15,126

## List of shareholders 31 October 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
Anita Paulsson with family and companies	4,261,431	6,013,905	10,275,336	3.5	8.0
Fredrik Paulsson with family and companies	4,261,430	6,002,154	10,263,584	3.5	8.0
Ingvar Kamprad		8,581,236	8,581,236	2.9	1.4
Peab's profit sharing foundation		7,803,432	7,803,432	2.6	1.3
Lannebo Funds		7,000,379	7,000,379	2.4	1.2
Folksam		6,900,000	6,900,000	2.3	1.1
Swedbank Robur Funds		5,041,228	5,041,228	1.7	0.8
Danica Pension		4,114,580	4,114,580	1.4	0.7
Länsförsäkringar Funds		3,712,434	3,712,434	1.3	0.6
Handelsbanken Funds		3,552,197	3,552,197	1.2	0.6
Svante Paulsson with family and companies	1,720,908	1,343,580	3,064,488	1.0	3.1
SEB Investment Management		3,051,595	3,051,595	1.0	0.5
Sara Karlsson with family and companies	1,778,140	863,299	2,641,439	0.9	3.1
Foreign owners		33,753,875	33,753,875	11.4	5.6
Others	335,523	98,739,986	99,075,509	33.5	16.8
<b>Number of outstanding shares</b>	<b>34,319,957</b>	<b>260,642,789</b>	<b>294,962,746</b>		
Peab AB		1,086,984	1,086,984	0.4	0.2
<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

