

# Half-year report

## JANUARY – JUNE 2018

CITY BLOCK HÖRNAN  
Solna

## High level of orders received and improved operating profit

### April – June 2018

- Net sales SEK 13,453 million (12,791)
- Operating profit SEK 677 million (631)
- Operating margin 5.0 percent (4.9)
- Pre-tax profit SEK 673 million (617)
- Earnings per share SEK 1.94 (1.78)
- Orders received SEK 16,257 million (12,880)
- Cash flow before financing SEK -704 million (-1,105)

### January – June 2018

- Net sales SEK 24,943 million (23,896)
- Operating profit SEK 967 million (951)
- Operating margin 3.9 percent (4.0)
- Pre-tax profit SEK 929 million (928)
- Earnings per share SEK 2.68 (2.72)
- Orders received SEK 29,163 million (25,309)
- Order backlog SEK 47,453 million (39,470)
- Cash flow before financing SEK -1,094 million (683)
- Net debt SEK 3,592 million (2,707)
- Equity/assets ratio 29.2 percent (29.3)

# Comments from the CEO

Peab continues to develop positively with a high level of orders received, higher net sales and operating profit. Several large projects that we have been working on for quite some time were finalized in the second quarter and they strengthen and lengthen our order backlog. There is an increase in civil engineering projects among the orders received for the quarter, and in Construction other building construction continue to compensate for lower volumes in our own home development projects. All the business areas report improved profits for the quarter.

## MARKET CONDITIONS

The housing market in Sweden is expected to slow in 2018 while private and public premise construction is expected to rise. The construction market in Norway is similar with an expected decline in housing construction while other building construction is expected to grow. The construction market in Finland is affected positively by the growth in the economy and all segments are expected to have a good growth rate in 2018. Market prospects for the civil engineering market in Sweden and Norway continue to be good, primarily due to government infrastructure projects.

## ORDER SITUATION

The substantial level of orders received in the second quarter entailed an increase for the first half-year 2018 to SEK 29,2 billion (25,3). The rise in orders received was generated in business areas Construction and Civil Engineering. There is an increase in civil engineering projects among the orders received for the quarter, and in Construction other building construction continues to compensate for lower volumes in our own home development projects. Examples of larger projects are the expansion of the railway overpasses at the Olskroken junction in Gothenburg, construction of the new psychiatric premises in Kalmar, construction of the office building Gårda Vesta in Gothenburg and the construction of the office block Platinan in Gothenburg. Order backlog was SEK 47.5 billion (39.5). The orders are well spread geographically and there is good product diversity.

## BUSINESS AREAS DEVELOPMENT

Net sales and operating profit increased in business areas Construction and Civil Engineering compared to the first half-year 2017. Net sales and operating profit in business area Industry were on the same level as the corresponding period last year. Net sales in business area Project Development were slightly less and operating profit was unchanged. Net sales in Housing Development increased while the operating margin for the first half-year was unchanged. Property Development continues to develop well in both our wholly owned holdings and our joint venture companies. The comparable figures for Property Development included capital gains from the sales of joint venture companies of SEK 75 million while no property divestitures of significance have occurred in the first half-year 2018.

## GROUP DEVELOPMENT

Net sales for the period amounted to SEK 24,943 million (23,896), which was an increase of four percent. Operating profit was SEK 967 million (951) which meant an operating margin of 3.9 percent (4,0). Cash flow before financing was SEK -1,094 million (683), including asset divestitures in Arenastaden of around SEK 835 million in the comparable figures. Net debt was SEK 3,592 million (2,707), of which paid dividends charged the second quarter by SEK -1,180 million (-1,062).



## OUTLOOK FOR THE FUTURE

The outlook for Peab is positive with a solid order backlog, a good project mix, a well-dimensioned development rights portfolio and a strong financial position. The market situation continues to be good with a stable demand in Sweden, Norway and Finland. Thanks to the wide range of our business we can handle a downturn in some product areas with an upturn in others.

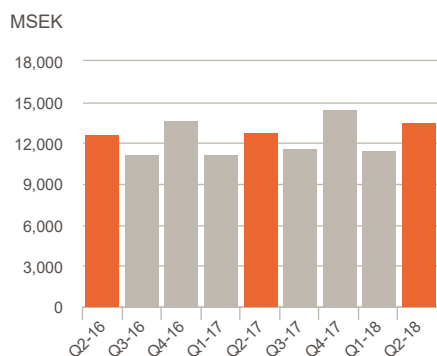
There is a substantial need for housing in Peab's markets, which we experience by a continued strong demand for apartment building projects from external customers. These are traditional apartment buildings and different kinds of category housing such as student housing. The slowdown on the tenant-owned housing market has affected the second quarter as well through less activity, particularly in Stockholm.

We have a unique position through our four complementary business areas and all our employees who are welded together by a strong company culture. Our business model creates opportunities throughout the entire value chain in a construction project and provides us with a good platform to deliver comprehensive solutions to our customers. From this foundation we will continue to strive towards our strategic goals to have the most satisfied customers, be the best workplace and the most profitable company in the industry.

*Jesper Göransson*  
CEO and President

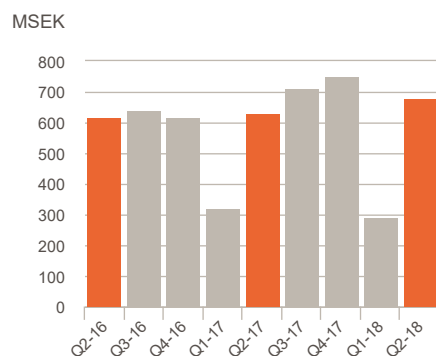
# Half-year report January – June 2018

## Net sales <sup>1)</sup>



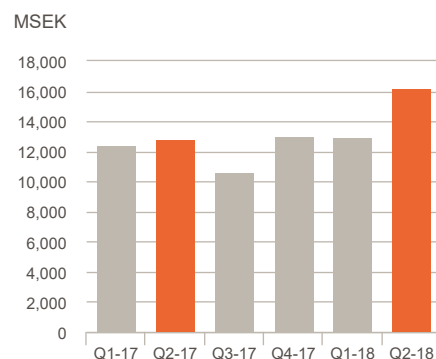
Group net sales for the first half-year 2018 amounted to SEK 24,943 million (23,896), which was an increase of four percent. After adjustments for acquired and divested units net sales increased by three percent compared to the same period last year.

## Operating profit <sup>1)</sup>



Operating profit for the first half-year 2018 amounted to SEK 967 million compared to SEK 951 million for the same period last year.

## Orders received <sup>1)</sup>



Orders received for the first half-year 2018 amounted to SEK 29,163 million compared to SEK 25,309 million for the same period last year. Order backlog amounted to SEK 47,453 million compared to SEK 40,205 million at the end of 2017.

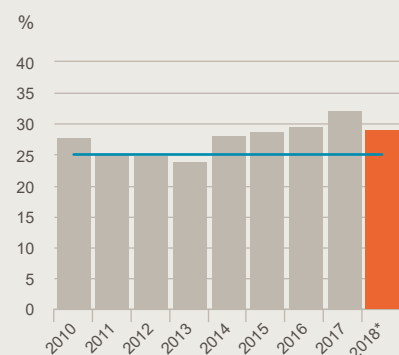
## Group <sup>1)</sup>

| MSEK   | Apr-Jun 2018       | Apr-Jun 2017       | Jan-Jun 2018       | Jan-Jun 2017       | Jul-Jun 2017/2018 | Jan-Dec 2017 |
|--|--------------------|--------------------|--------------------|--------------------|-------------------|--------------|
| Net sales                                    | 13,453             | 12,791             | 24,943             | 23,896             | 51,028            | 49,981       |
| Operating profit                             | 677                | 631                | 967                | 951                | 2,434             | 2,418        |
| Operating margin, %                          | 5.0                | 4.9                | 3.9                | 4.0                | 4.8               | 4.8          |
| Pre-tax profit                               | 673                | 617                | 929                | 928                | 2,459             | 2,458        |
| Profit for the period                        | 572                | 525                | 790                | 802                | 2,055             | 2,067        |
| Earnings per share, SEK                      | 1.94               | 1.78               | 2.68               | 2.72               | 6.97              | 7.01         |
| Return on equity, %                          | 20.1 <sup>2)</sup> | 20.1 <sup>2)</sup> | 20.1 <sup>2)</sup> | 20.1 <sup>2)</sup> | 20.1              | 21.3         |
| Net debt                                     | 3,592              | 2,707              | 3,592              | 2,707              | 3,592             | 1,216        |
| Equity/assets ratio, %                       | 29.2               | 29.3               | 29.2               | 29.3               | 29.2              | 32.2         |
| Cash flow before financing                   | -704               | -1,105             | -1,094             | 683                | 518               | 2,295        |
| Number of employees at the end of the period | 15,187             | 15,076             | 15,187             | 15,076             | 15,187            | 14,344       |

<sup>1)</sup> Recalculated taking IFRS 15 into account. <sup>2)</sup> Calculated on rolling 12 months.

## Financial goals <sup>3)</sup>

### Equity/assets ratio



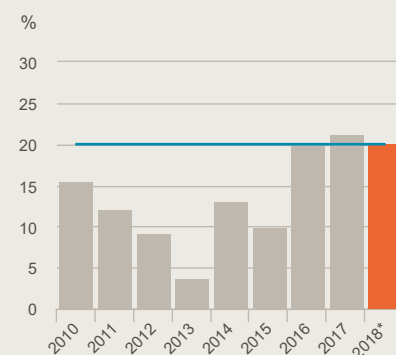
\* As of June 30 2018

Goal > 25%

The goal for the equity/assets ratio is at least 25 percent. On 30 June 2018 the equity/assets ratio was 29.2 percent compared to 32.2 percent at the end of last year.

<sup>3)</sup> Years 2010-2015 have not been recalculated taking IFRS 15 into account.

### Return on equity

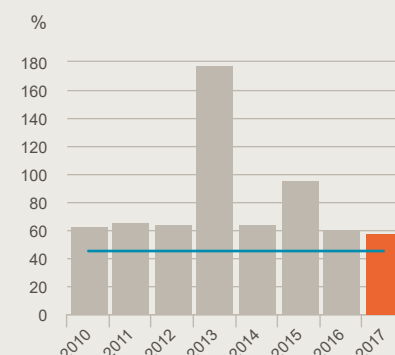


\* Rolling 12 months as of June 30 2018

Goal > 20%

The goal for return on equity is a yield of at least 20 percent. The return on equity calculated on a rolling 12 months period was 20.1 percent (20.1). For full year 2017 the return on equity amounted to 21.3 percent.

### Dividends



Goal > 50%

The goal for dividends is at least 50 percent of profit for the year. Dividend for 2017 of SEK 4.00 (3.60) per share corresponds to 58 percent (61) of profit for the year.



# Net sales and profit

## NEW ACCOUNTING PRINCIPLES FOR INCOME

IFRS 15 Revenue from contracts with customers, replaces as of 2018 previous standards related to revenue recognition such as IAS 18 Revenue, IAS 11 Construction contracts and IFRIC 15 Agreements for the construction of real estate. No material effects have been identified. Up until the end of 2017 there were differences between operative and legal accounting in Project Development. This difference was also reflected in the way executive management and the Board followed up the Group as a whole. The operative and segment accounting was based on the percentage of completion. Swedish tenant-owned housing projects will continue to be recognized as previously through "revenue over time" while our own home developments in Sweden will, as of the implementation of IFRS 15, change over to "revenue over time". IFRS 15 will not lead to any changes in reporting regarding housing projects in Finland and Norway compared to the current application since revenue is first recognized when the home is handed over to the buyer. As of implementation of IFRS 15 segment reporting mirrors legal reporting. The differences between operative and legal reporting therefore no longer exist for either business area Project Development or the Group as a whole. For business area Project Development this has entailed recalculating comparable figures in Housing Development. Peab has chosen to apply IFRS 15 retroactively by recalculating the financial reports for 2017. The recalculations have not had any material effect on either business area Project Development or the Group as a whole. All comparable figures for 2017 and 2016 in subsequent reports are recalculated if not otherwise noted. For more information regarding IFRS 15 and comparable figures please see note 1 or [www.peab.com/ifrs](http://www.peab.com/ifrs).

## NET SALES AND OPERATING PROFIT

### April – June 2018

Group net sales for the second quarter 2018 increased by five percent and amounted to SEK 13,453 million (12,791).

Net sales in business area Construction increased by six percent spread over all the business area's countries. Net sales in business area Civil Engineering increased by 21 percent and stemmed from all product areas. Business area Industry presented an increase in net sales of five percent spread over all product areas except Transportation and Machines where net sales shrunk. Net sales in business area Project Development were slightly lower compared to the second quarter last year. Net sales increased in Property Development compared to the same period last year while net sales in Housing Development contracted by 15 percent due to fewer relinquished projects in Norway and Finland.

Of the quarter's net sales SEK 2,351 million (2,352) were attributable to sales and production outside Sweden.

Operating profit for the second quarter 2018 amounted to SEK 677 million (631) and the operating margin was 5.0 percent (4.9). All business areas had a higher operating profit in the second quarter. In business area Construction operating margin was 2.4 percent (2.3) and in business area Civil Engineering the operating margin was 3.8 percent (3.9). Business area Industry showed a margin of 7.3 percent (7.2). In business area Project Development the operating profit grew in both Property Development and Housing Development. In Housing Development the operating margin increased to 10.0 percent (8.3).

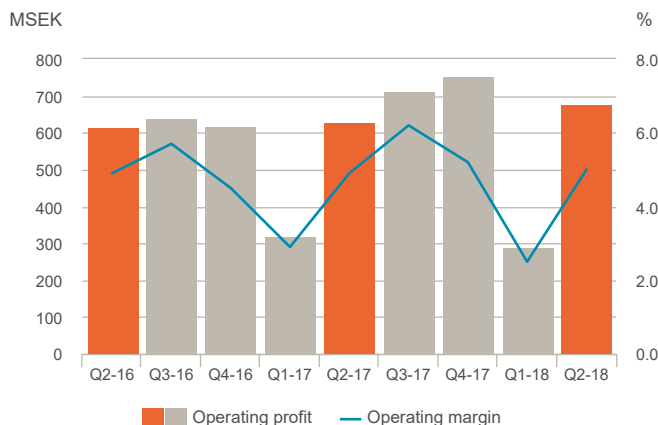
Depreciation and write-downs for the second quarter were SEK -247 million (-222).

Net financial items amounted to SEK -4 million (-14) of which net interest was SEK -18 million (-16).

Pre-tax profit was SEK 673 million (617).

Profit for the second quarter improved to SEK 572 million (525).

## Operating profit and operating margin, per quarter



ULTIMES BUSINESS GARDEN  
Helsinki, Finland

## January – June 2018

Group net sales for first half-year 2018 amounted to SEK 24,943 million (23,896), which was an increase of four percent. After adjustments for acquired and divested units net sales increased by three percent.

A continued favorable construction and civil engineering market has had a positive effect on all business areas during the first half-year. Net sales in business area Construction increased by five percent spread over all the business area's countries. Net sales in business area Civil Engineering increased by 20 percent and activity increased in all product areas. Business area Industry presented an increase in net sales of two percent spread over all product areas except Transportation and Machines where net sales shrunk. Net sales in business area Project Development were slightly lower, Property Development showing a decrease while net sales in Housing Development rose by eight percent. In the first quarter of 2017 net sales in Property Development were affected by SEK 577 million from sales of assets in Arenastaden and Ulriksdal in Solna to Fabege. No property divestitures of significance have occurred in Property Development during the first half-year 2018.

Of the period's net sales SEK 4,876 million (4,305) were attributable to sales and production outside Sweden.

Operating profit for the first half-year 2018 amounted to SEK 967 million (951) and the operating margin was 3.9 percent (4.0). The operating margin for the latest rolling 12 month period was unchanged at 4.8 percent compared to the entire year 2017.

The operating margin in business area Construction was unchanged at 2.3 percent compared to the same period last year. The operating margin in business area Civil Engineering was 2.7 percent (2.9). Business area Industry showed an unchanged operating margin of 3.9 percent compared to same period last year. The operating profit in business area Project Development was slightly lower due to a lower operating profit in Property Development. The result in Property Development included in the first quarter 2017 capital gains of SEK 75 million from the divestiture of joint venture companies with development properties in Skåne. The transactions regarding Arenastaden and Ulriksdal, which were carried out during the first quarter 2017 had no net effect on the result since the divestitures in Ulriksdal had a positive effect on operating profit by SEK 180 million and the sales of assets in Arenastaden had a negative effect of SEK 180 million. The operating margin in Housing Development was unchanged at 8.4 percent compared to the same period last year.

Eliminations and reversal of internal profit in our own projects has affected the result net by SEK -15 million (-10). Elimination is reversed in connection with the external divestment of a project.

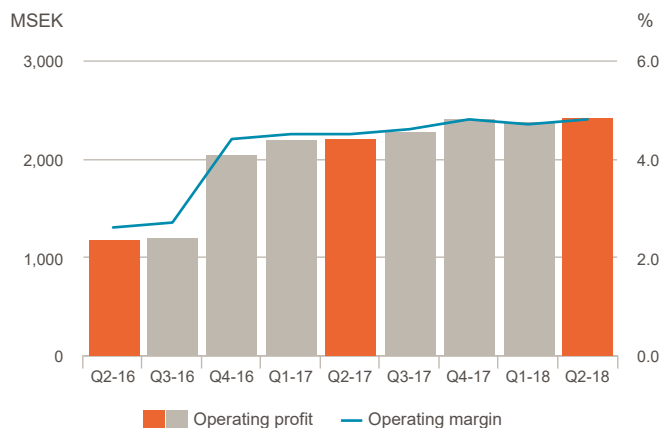
Depreciation and write-downs for the period were SEK -485 million (-439).

Net financial items amounted to SEK -38 million (-23) of which net interest improved to SEK -21 million (-31).

Pre-tax profit was SEK 929 million (928).

Profit for the period was SEK 790 million (802).

## Operating profit and operating margin, rolling 12 months



## SEASONAL VARIATIONS

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

# Financial position and cash flow

## FINANCIAL POSITION

The equity/assets ratio on 30 June 2018 was 29.2 percent compared to 32.2 percent at year-end. Interest-bearing net debt amounted to SEK 3,592 million compared to SEK 1,216 million at the end of 2017. The average interest rate in the loan portfolio, including derivatives, was 1.6 percent (2.5) on 30 June 2018.

Group liquid funds, including unutilized credit facilities, were SEK 3,253 million at the end of the period compared to SEK 5,145 million on 31 December 2017.

At the end of the period Group contingent liabilities, excluding joint and several liabilities in trading and limited partnerships, amounted to SEK 11,035 million compared to SEK 10,468 million on 31 December 2017. SEK 8,406 million (6,273) of contingent liabilities was surety given for credit lines for tenant-owned apartments under production.

## PROJECT AND DEVELOPMENT PROPERTIES

In connection with implementation of IFRS 15 the previous balance item Work-in-progress has been included in the balance item Project and development properties. Recalculation of the financial reports for 2017 is presented on Peab's website [www.peab.com/ifrs](http://www.peab.com/ifrs). As of 1 January 2017 the recalculated reported amount was SEK 1,203 million.

## INVESTMENTS AND DIVESTMENTS

During the quarter SEK 503 million (519) was net invested in tangible and intangible fixed assets and investment property. During the period January-June SEK 938 million (824) was net invested in tangible and intangible fixed assets and investment property.

Net investments in project and development properties, which are recognized as inventory items, totaled SEK 905 million (803) during the quarter. During the quarter a number of development rights have been acquired in, among other places, Finland. The remaining net investments were connected to the construction of our own housing developments in Finland and Norway. During the second quarter last year development rights worth SEK 658 million were acquired on Kvarnholmen in Nacka. Net investments in project and investment properties totaled SEK 1,002 million (418) during the period January-June 2018.

## CASH FLOW

### April – June 2018

Cash flow from current operations was SEK -191 million (-588), of which cash flow from changes in working capital was SEK -886 million (-1,288). The change in working capital included acquisition of development rights in, among other places, Finland and the erection of our own housing developments in Finland and Norway in Project Development. The corresponding quarter last year included the acquisition of development rights worth SEK 658 million on Kvarnholmen in Nacka.

Cash flow from investment activities was SEK -513 million (-517) and consisted of investments in machines and in operations and investment properties.

Cash flow before financing was SEK -704 million (-1,105).

### January – June 2018

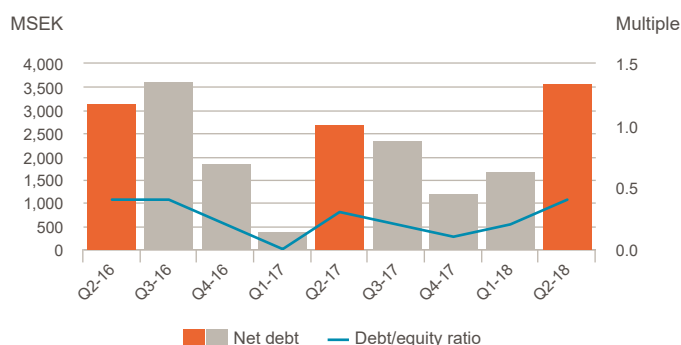
Cash flow from current operations was SEK -437 million (983) of which cash flow from changes in working capital was SEK -1,236 million (-7). Included in the change in working capital during the period was the acquisition of building rights in, among other places, Finland as well as the construction of our own developed housing projects in Finland and Norway in business area Project Development. The corresponding period last year contained the acquisition of SEK 658 million in building rights on Kvarnholmen in Nacka as well as the divestiture of properties in Arenastaden, Solna to Fabège.

Cash flow from investment activities was SEK -657 million (-300) and was largely investments in machines and in operations property and investment property. The comparable period included the divestiture of financial assets to Fabège.

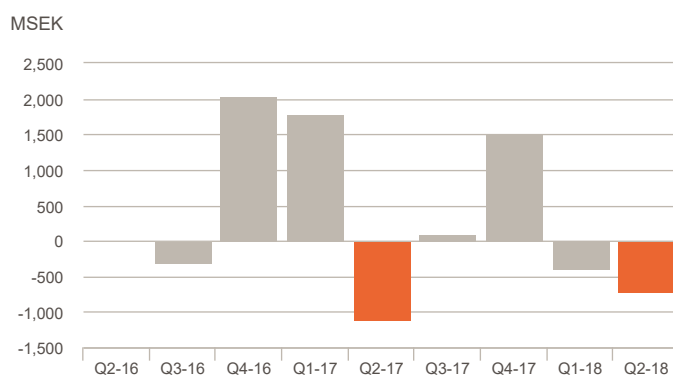
Cash flow before financing amounted to SEK -1,094 million compared to SEK 683 million for the same period last year. During the first quarter 2017 the transactions carried out regarding Arenastaden, Solna had a positive effect of around SEK 835 million.

Cash flow from financing operations amounted to SEK 999 million (-1,478) of which SEK -1,180 million (-1,062) consisted of paid dividends.

## Net debt and debt/equity ratio



## Cash flow before financing



# Order situation

Implementation of IFRS 15 Revenue from contracts with customers entails new disclosure demands which will be presented in the Annual Report 2018. One of the disclosure demands refers to remaining performance obligations, more often called order backlog. In quarterly reports Peab has previously chosen to present information on orders received and order backlog in business areas Construction, Civil Engineering and Project Development. As of 2018 Industry will also present orders received and order backlog for product areas Asphalt, Construction System and part of Rentals. In the other product areas in Industry contracts are usually short and therefore orders received and order backlog are not presented for them. Comparable figures regarding orders received and order backlog have been recalculated for 2017.

## April – June 2018

Orders received for the second quarter 2018 amounted to SEK 16,257 million compared to SEK 12,880 million for the same quarter last year. Included in orders received for business area Construction is the office project Platinan in Gothenburg for Vasakronan worth SEK 2,100 million.

Included in orders received for business area Civil Engineering is the extension of the west Sweden railroad system at Olskroken in Gothenburg, worth SEK 2,900 million, for the Swedish Transport Administration. The level of orders received has contracted in Project Development during the second quarter due to fewer production starts of our own housing developments.

## January – June 2018

Orders received for the first half-year 2018 amounted to SEK 29,163 million compared to SEK 25,309 million for the same period last year. The level of orders received has risen in business area Construction and Civil Engineering but contracted in Project Development and Industry. The orders received in the first half-year are well spread geographically and there is good product diversity.

Order backlog yet to be produced at the end of the period increased to SEK 47,453 million compared to SEK 39,470 million at the end of the same period last year. Of the total order backlog, 58 percent (56) is expected to be produced after 2018 (2017). Swedish operations accounted for 86 percent (84) of the order backlog.

## Orders received

| MSEK                | Apr-Jun 2018  | Apr-Jun 2017  | Jan-Jun 2018  | Jan-Jun 2017  | Jul-Jun 2017/2018 | Jan-Dec 2017  |
|---------------------|---------------|---------------|---------------|---------------|-------------------|---------------|
| Construction        | 9,846         | 6,530         | 17,990        | 14,395        | 32,875            | 29,280        |
| Civil Engineering   | 6,193         | 3,951         | 10,052        | 7,751         | 16,492            | 14,191        |
| Industry            | 893           | 1,009         | 2,439         | 2,769         | 4,822             | 5,152         |
| Project Development | 1,157         | 3,215         | 3,218         | 4,590         | 7,124             | 8,496         |
| Eliminations        | -1,832        | -1,825        | -4,536        | -4,196        | -8,460            | -8,120        |
| <b>Group</b>        | <b>16,257</b> | <b>12,880</b> | <b>29,163</b> | <b>25,309</b> | <b>52,853</b>     | <b>48,999</b> |

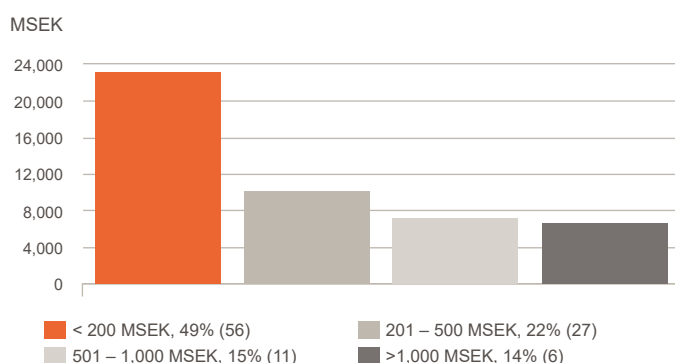
## Order backlog

| MSEK                | 30 Jun 2018   | 30 Jun 2017   | 31 Dec 2017   |
|---------------------|---------------|---------------|---------------|
| Construction        | 30,988        | 25,285        | 26,805        |
| Civil Engineering   | 14,749        | 10,974        | 10,832        |
| Industry            | 2,904         | 3,046         | 2,533         |
| Project Development | 7,492         | 7,992         | 8,198         |
| Eliminations        | -8,680        | -7,827        | -8,163        |
| <b>Group</b>        | <b>47,453</b> | <b>39,470</b> | <b>40,205</b> |

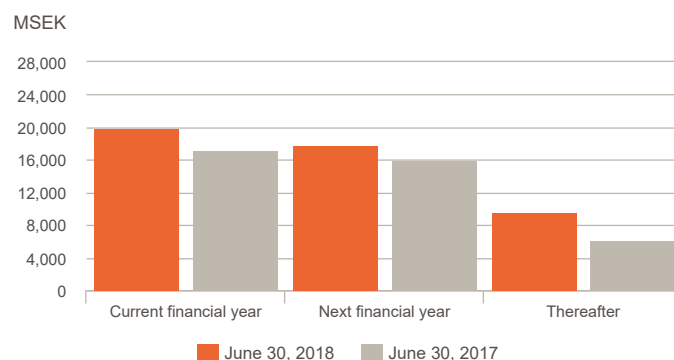
## We received several major contracts and agreements during the second quarter, including:

- Construction of Martina Hansens Hospital in Baerum, south of Oslo. The customer is the Martina Hansens Hospital Institute and the contract is worth NOK 192 million.
- Construction of 243 apartments for rent in Halmstad. The customer is Halmstads Fastighets AB and the contract is worth SEK 295 million.
- Construction of a new elementary school in the city district Sandbyhov in Norrköping. The customer is Hemsö Fastighets AB and the contract is worth SEK 207 million.
- Expansion of one of the most important junctions in the west Sweden railroad system, Olskroken, with railway track overpasses. The customer is the Swedish Transport Administration and the contract is worth SEK 2,900 million.
- Construction of a swimming and sports facility in Köping. The customer is Köping Municipality and the contract is worth SEK 340 million.
- An extension of the emergency room in Sunderby Hospital in Luleå. The customer is Region Norrbotten and the contract is worth SEK 264 million.
- Manage the maintenance of public roads in Hudiksvall, Borlänge, Rättvik and Avesta. The customer is the Swedish Transport Administration and the cumulative amount of the contracts is around SEK 520 million.
- Construction of new psychiatric premises in Kalmar. The customer is Kalmar County Council and the contract is worth SEK 745 million.
- Construction of the office building Gårda Vesta in the city district of Gårda in Gothenburg. The customer is Platzer Fastigheter and the contract is worth SEK 770 million.
- Construction of the new airport terminal in Sälen along with the accompanying garage and infrastructure. The customer is Scandinavian Mountains Airport AB and the contract is worth SEK 232 million.
- Construction of the office block Platinan as part of the new River City in Gothenburg. The customer is Vasakronan and the contract is worth SEK 2,100 million.
- Construction of 297 student apartments in Lappskärsberget close to the University of Stockholm. The customer is Stockholms Studentbostäder and the contract is worth SEK 261 million.

## Project allocation of order backlog, 30 June 2018



## Order backlog allocated over time



# Overview business areas

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

## RECOGNITION OF INTERNAL PROJECTS BETWEEN BUSINESS AREAS CONSTRUCTION AND PROJECT DEVELOPMENT

Business area Construction reports net sales and profit/loss referring to the contract construction in our own housing projects, in rental projects and other property projects to business area Project Development over time. Business area Project Development reports net sales for both contract construction and the developer part of our own housing projects. The reported profit/loss consists of the profit/loss in the developer part recognized over time.

## PRESENTATION OF PROPERTY PROJECTS ON OUR OWN

### BALANCE SHEET

The underlying sales value of property projects on our own balance sheet, reported as project and development property, that are sold in the form of a company via shares is recognized as net sales and the reported value on the balance sheet is recognized as an expense. When property projects reported as operations property or investment property are divested the net effect on profit/loss is recognized as other operating income or other operating cost.

### GROUP FUNCTIONS

In addition to the business areas, central companies, certain subsidiaries and other holdings are presented as Group functions. The central companies primarily consist of the parent company Peab AB, Peab Finans and Peab Support (Shared service center).

## Net sales and operating profit per business area

| MSEK                            | Net sales     |               |               |               |                   |               | Operating profit |              |              |              |                   |              |
|---------------------------------|---------------|---------------|---------------|---------------|-------------------|---------------|------------------|--------------|--------------|--------------|-------------------|--------------|
|                                 | Apr-Jun 2018  | Apr-Jun 2017  | Jan-Jun 2018  | Jan-Jun 2017  | Jul-Jun 2017/2018 | Jan-Dec 2017  | Apr-Jun 2018     | Apr-Jun 2017 | Jan-Jun 2018 | Jan-Jun 2017 | Jul-Jun 2017/2018 | Jan-Dec 2017 |
| Construction                    | 7,423         | 6,988         | 13,986        | 13,374        | 27,338            | 26,726        | 178              | 162          | 321          | 301          | 622               | 602          |
| Civil Engineering               | 3,439         | 2,831         | 6,255         | 5,219         | 12,861            | 11,825        | 130              | 110          | 172          | 149          | 397               | 374          |
| Industry                        | 3,580         | 3,420         | 5,758         | 5,657         | 12,862            | 12,761        | 262              | 246          | 224          | 223          | 868               | 867          |
| Project Development             | 1,775         | 2,000         | 4,062         | 4,212         | 8,193             | 8,343         | 174              | 162          | 375          | 384          | 795               | 804          |
| – of which Property Development | 171           | 106           | 327           | 765           | 575               | 1,013         | 13               | 5            | 63           | 95           | 66                | 98           |
| – of which Housing Development  | 1,604         | 1,894         | 3,735         | 3,447         | 7,618             | 7,330         | 161              | 157          | 312          | 289          | 729               | 706          |
| Group functions                 | 285           | 254           | 544           | 489           | 1,048             | 993           | -55              | -49          | -110         | -96          | -242              | -228         |
| Eliminations                    | -3,049        | -2,702        | -5,662        | -5,055        | -11,274           | -10,667       | -12              | 0            | -15          | -10          | -6                | -1           |
| <b>Group</b>                    | <b>13,453</b> | <b>12,791</b> | <b>24,943</b> | <b>23,896</b> | <b>51,028</b>     | <b>49,981</b> | <b>677</b>       | <b>631</b>   | <b>967</b>   | <b>951</b>   | <b>2,434</b>      | <b>2,418</b> |

| %                               | Operating margin |              |              |              |                   |              |
|---------------------------------|------------------|--------------|--------------|--------------|-------------------|--------------|
|                                 | Apr-Jun 2018     | Apr-Jun 2017 | Jan-Jun 2018 | Jan-Jun 2017 | Jul-Jun 2017/2018 | Jan-Dec 2017 |
| Construction                    | 2.4              | 2.3          | 2.3          | 2.3          | 2.3               | 2.3          |
| Civil Engineering               | 3.8              | 3.9          | 2.7          | 2.9          | 3.1               | 3.2          |
| Industry                        | 7.3              | 7.2          | 3.9          | 3.9          | 6.7               | 6.8          |
| Project Development             | 9.8              | 8.1          | 9.2          | 9.1          | 9.7               | 9.6          |
| – of which Property Development | 7.6              | 4.7          | 19.3         | 12.4         | 11.5              | 9.7          |
| – of which Housing Development  | 10.0             | 8.3          | 8.4          | 8.4          | 9.6               | 9.6          |
| Group functions                 |                  |              |              |              |                   |              |
| Eliminations                    |                  |              |              |              |                   |              |
| <b>Group</b>                    | <b>5.0</b>       | <b>4.9</b>   | <b>3.9</b>   | <b>4.0</b>   | <b>4.8</b>        | <b>4.8</b>   |



# Business area Construction

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

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

## NET SALES AND PROFIT

### April – June 2018

Net sales for the second quarter 2018 increased by six percent and amounted to SEK 7,423 million (6,988). The increase is spread over all the countries and there is a greater portion of other building construction for private customers in net sales.

Operating profit for the second quarter amounted to SEK 178 million (162) and the operating margin was 2.4 percent (2.3).

### January – June 2018

Net sales for the first half-year 2018 increased by five percent and amounted to SEK 13,986 million (13,374). The increase is spread over all the countries and there is a greater portion of other building construction for private customers in net sales.

Operating profit for the period amounted to SEK 321 million (301) and the operating margin was 2.3 percent (2.3). The operating margin for the latest 12 month rolling period was unchanged at 2.3 percent compared to the entire year of 2017.

## ORDERS RECEIVED AND ORDER BACKLOG

### April – June 2018

Orders received increased by 51 percent during the second quarter and amounted to SEK 9,846 million (6,530). Included in orders received is the office project Platinan in Gothenburg for Vasakronan worth SEK 2,100 million. In the orders received for the quarter other building construction compensated for lower volumes in our own home development projects.

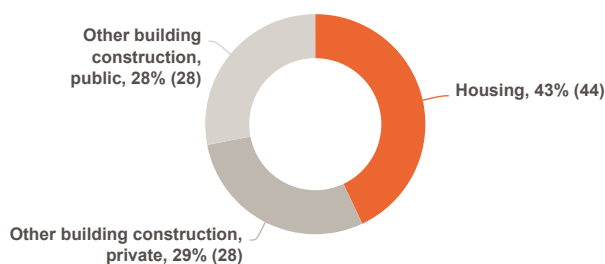
### January – June 2018

Orders received increased during the period compared to same period last year and amounted to SEK 17,990 million (14,395). Orders received were well diversified in terms of products and geography.

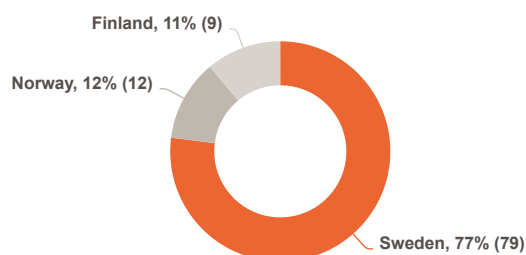
Order backlog 30 June 2018 increased to SEK 30,988 million compared to SEK 25,285 million at the end of June 2017.

## Net sales

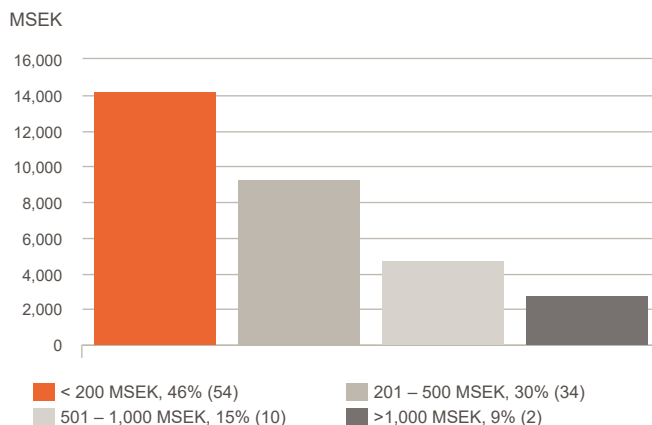
per product area, rolling 12 months



per geographic market, rolling 12 months



## Project allocation of order backlog, 30 June 2018



## Key ratios

|  | Apr-Jun 2018 | Apr-Jun 2017 | Jan-Jun 2018 | Jan-Jun 2017 | Jul-Jun 2017/2018 | Jan-Dec 2017 |
|--|--------------|--------------|--------------|--------------|-------------------|--------------|
| Net sales, MSEK                              | 7,423        | 6,988        | 13,986       | 13,374       | 27,338            | 26,726       |
| Operating profit, MSEK                       | 178          | 162          | 321          | 301          | 622               | 602          |
| Operating margin, %                          | 2.4          | 2.3          | 2.3          | 2.3          | 2.3               | 2.3          |
| Orders received, MSEK                        | 9,846        | 6,530        | 17,990       | 14,395       | 32,875            | 29,280       |
| Order backlog, MSEK                          | 30,988       | 25,285       | 30,988       | 25,285       | 30,988            | 26,805       |
| Number of employees at the end of the period | 6,907        | 6,978        | 6,907        | 6,978        | 6,907             | 6,685        |

# Business area Civil Engineering

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

Business area Civil Engineering is active on the local civil engineering market working with landscaping and pipelines, foundation work and builds different kinds of facilities.

Infrastructure and heavy construction builds roads, railroads, bridges, tunnels and ports.

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

## NET SALES AND PROFIT

### April – June 2018

Net sales for the second quarter 2018 amounted to SEK 3,439 million (2,831) which was an increase of 21 percent. The increase stems from all product areas.

Operating profit for the second quarter 2018 amounted to SEK 130 million (110) and the operating margin was 3.8 percent (3.9).

### January- June 2018

Net sales for the first half-year 2018 amounted to SEK 6,255 million (5,219) which was an increase of 20 percent. After adjustments for acquired units net sales increased by 17 percent. The increase during the first half-year stems from all product areas and there is a greater portion of Infrastructure in net sales.

Operating profit for the first half-year 2018 amounted to SEK 172 million (149) and the operating margin improved to 2.7 percent (2.9). The operating margin for the latest 12 month rolling period was 3.1 percent compared to 3.2 percent for the entire year of 2017.

## ORDERS RECEIVED AND ORDER BACKLOG

### April – June 2018

Orders received increased by 57 percent during the second quarter 2018 and amounted to SEK 6,193 million (3,951). The increase is primarily due to the extension of the west Sweden railroad system at Olskroken in Gothenburg, worth SEK 2,900 million, for the Swedish Transport Administration.

### January- June 2018

Orders received during the first half-year 2018 amounted to SEK 10,052 million (7,751).

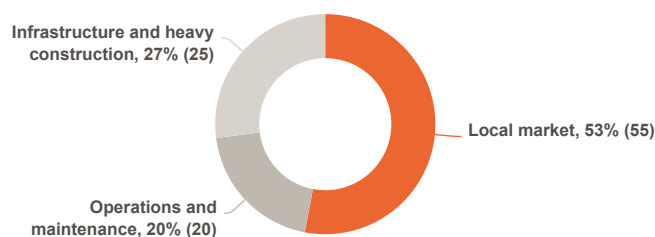
Order backlog on 30 June 2018 improved to SEK 14,749 million (10,974).

## Key ratios

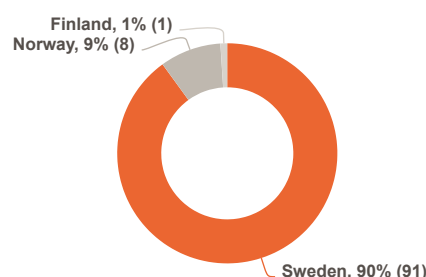
|  | Apr-Jun<br>2018 | Apr-Jun<br>2017 | Jan-Jun<br>2018 | Jan-Jun<br>2017 | Jul-Jun<br>2017/2018 | Jan-Dec<br>2017 |
|--|-----------------|-----------------|-----------------|-----------------|----------------------|-----------------|
| Net sales, MSEK                              | 3,439           | 2,831           | 6,255           | 5,219           | 12,861               | 11,825          |
| Operating profit, MSEK                       | 130             | 110             | 172             | 149             | 397                  | 374             |
| Operating margin, %                          | 3.8             | 3.9             | 2.7             | 2.9             | 3.1                  | 3.2             |
| Orders received, MSEK                        | 6,193           | 3,951           | 10,052          | 7,751           | 16,492               | 14,191          |
| Order backlog, MSEK                          | 14,749          | 10,974          | 14,749          | 10,974          | 14,749               | 10,832          |
| Number of employees at the end of the period | 3,871           | 3,532           | 3,871           | 3,532           | 3,871                | 3,344           |

## Net sales

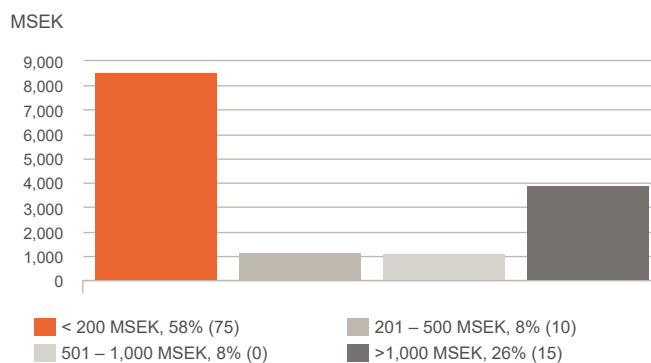
per product area, rolling 12 months



per geographic market, rolling 12 months



## Project allocation of order backlog, 30 June 2018



# Business area Industry

Business area Industry is a complete supplier of the products and services needed to carry out a sustainable and cost-effective construction and civil engineering project. Industry offers everything from gravel, rock, concrete, asphalt and temporary electricity to prefabricated concrete elements. Business area Industry also rents out cranes, machines and transportation as well as handles production waste.

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

## NET SALES AND PROFIT

### April – June 2018

Net sales for the second quarter 2018 increased by five percent and amounted to SEK 3,580 million (3,420). The increase in net sales was generated in all the product areas except Transportation and Machines where net sales contracted.

Operating profit for the second quarter 2018 amounted to SEK 262 million (246) and the operating margin rose to 7.3 percent (7.2). The increase in operating profit was primarily generated in Asphalt and Gravel and Rock.

### January – June 2018

Net sales for the first half-year 2018 increased by two percent and amounted to SEK 5,758 (5,657). After adjustments for acquired units net sales increased by one percent. The increase in net sales was generated in all the product areas except Transportation and Machines where net sales contracted.

Operating profit for the first half-year 2018 amounted to SEK 224 million (223). Profit was lower in product areas Asphalt and Gravel and Rock compared to the same period last year due to the severe winter weather during the first quarter. Profit improved in Construction System while it remained more or less the same in all the other product areas compared to the corresponding period. The operating margin was 3.9 percent (3.9). The operating margin was 6.7 percent during the latest rolling 12 month period compared to 6.8 percent for the entire year of 2017.

Capital employed in Industry at the end of the period amounted to SEK 6,279 million (5,519). The increase stems primarily from more investments in machines.

## ORDERS RECEIVED AND ORDER BACKLOG

### April – June 2018

Orders received decreased by eleven percent during the second quarter and amounted to SEK 893 million (1,009).

### January- June 2018

Orders received during the first half-year 2018 amounted to SEK 2,439 million (2,769). Order backlog on 30 June 2018 amounted to SEK 2,904 million (3,046).

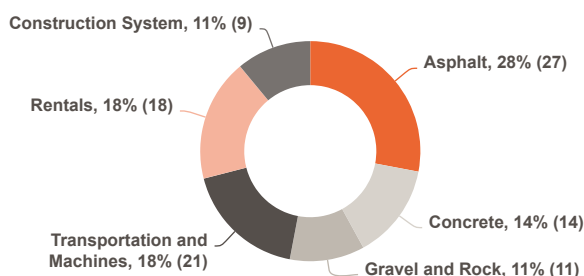
## Key ratios

|   | Apr-Jun<br>2018 | Apr-Jun<br>2017 | Jan-Jun<br>2018 | Jan-Jun<br>2017 | Jul-Jun<br>2017/2018 | Jan-Dec<br>2017 |
|---|-----------------|-----------------|-----------------|-----------------|----------------------|-----------------|
| Net sales, MSEK                                     | 3,580           | 3,420           | 5,758           | 5,657           | 12,862               | 12,761          |
| Operating profit, MSEK                              | 262             | 246             | 224             | 223             | 868                  | 867             |
| Operating margin, %                                 | 7.3             | 7.2             | 3.9             | 3.9             | 6.7                  | 6.8             |
| Orders received, MSEK                               | 893             | 1,009           | 2,439           | 2,769           | 4,822                | 5,152           |
| Order backlog, MSEK                                 | 2,904           | 3,046           | 2,904           | 3,046           | 2,904                | 2,533           |
| Capital employed at the end of the period, MSEK     | 6,279           | 5,519           | 6,279           | 5,519           | 6,279                | 5,781           |
| Number of employees at the end of the period        | 3,533           | 3,716           | 3,533           | 3,716           | 3,533                | 3,452           |
| Concrete, thousands of m <sup>3</sup> <sup>1)</sup> | 402             | 333             | 599             | 591             | 1,229                | 1,221           |
| Asphalt, thousands of tons <sup>1)</sup>            | 780             | 803             | 791             | 832             | 2,578                | 2,619           |
| Gravel and Rock, thousands of tons <sup>1)</sup>    | 4,237           | 3,864           | 6,644           | 6,501           | 14,942               | 14,799          |

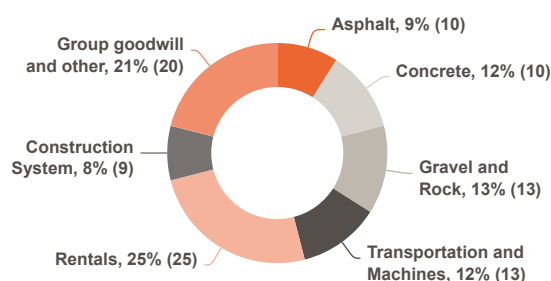
<sup>1)</sup> Refers to sold volume

## Net sales

per product area, rolling 12 months



## Capital employed, 30 June 2018



# Business area Project Development

Business area Project Development, which contains Housing Development and Property Development, creates sustainable and vibrant urban environments with residential and commercial property. The business area is responsible for the Group's acquisition, management and divestment of property as well as project developments that generate contract work for the other business areas. Project development takes place in wholly owned companies or in cooperation with other partners via joint ventures.

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

Operations in Property Development revolve around the acquisition, development, maintenance and management as well as the divestiture of commercial property. In cases where no divestment is planned property may remain in the Group for a long period of time in order to generate rental and appreciation revenues or a combination of both.

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

## NET SALES AND PROFIT

### April – June 2018

Net sales for the second quarter 2018 in business area Project Development amounted to SEK 1,775 million (2,000). Operating profit amounted to SEK 174 million (162).

### January – June 2018

Net sales for the first half-year 2018 in business area Project Development amounted to SEK 4,062 million (4,212). Operating profit increased to SEK 375 million (384).

Capital employed in Project Development at the end of the period amounted to SEK 11,549 million (9,738).



## Capital employed

| MSEK  | 30 Jun 2018   | 30 Jun 2017  | 31 Dec 2017  |
|---|---------------|--------------|--------------|
| Operations property                           | 1,102         | 923          | 1,036        |
| Investment property                           | 1,030         | 792          | 871          |
| Project and development property              | 8,531         | 7,084        | 7,612        |
| <i>of which housing development rights</i>    | 5,543         | 4,786        | 5,116        |
| <i>of which commercial development rights</i> | 598           | 616          | 627          |
| <i>of which ongoing housing projects</i>      | 1,447         | 957          | 1,173        |
| <i>of which ongoing commercial projects</i>   | 513           | 317          | 383          |
| <i>of which completed projects</i>            | 130           | 282          | 170          |
| <i>of which other</i>                         | 300           | 126          | 143          |
| Participation in joint ventures               | 944           | 764          | 912          |
| Loans to joint ventures                       | 1,430         | 1,441        | 1,383        |
| Working capital and other                     | -1,488        | -1,266       | -1,828       |
| <b>Total</b>                                  | <b>11,549</b> | <b>9,738</b> | <b>9,986</b> |

## Key ratios

|   | Apr-Jun 2018 | Apr-Jun 2017 | Jan-Jun 2018 | Jan-Jun 2017 | Jul-Jun 2017/2018 | Jan-Dec 2017 |
|---|--------------|--------------|--------------|--------------|-------------------|--------------|
| Net sales, MSEK                                 | 1,775        | 2,000        | 4,062        | 4,212        | 8,193             | 8,343        |
| <i>of which Property Development</i>            | 171          | 106          | 327          | 765          | 575               | 1,013        |
| <i>of which Housing Development</i>             | 1,604        | 1,894        | 3,735        | 3,447        | 7,618             | 7,330        |
| Operating profit, MSEK                          | 174          | 162          | 375          | 384          | 795               | 804          |
| <i>of which Property Development</i>            | 13           | 5            | 63           | 95           | 66                | 98           |
| <i>of which Housing Development</i>             | 161          | 157          | 312          | 289          | 729               | 706          |
| Operating margin, %                             | 9.8          | 8.1          | 9.2          | 9.1          | 9.7               | 9.6          |
| <i>of which Property Development</i>            | 7.6          | 4.7          | 19.3         | 12.4         | 11.5              | 9.7          |
| <i>of which Housing Development</i>             | 10.0         | 8.3          | 8.4          | 8.4          | 9.6               | 9.6          |
| Capital employed at the end of the period, MSEK | 11,549       | 9,738        | 11,549       | 9,738        | 11,549            | 9,986        |
| Orders received, MSEK                           | 1,157        | 3,215        | 3,218        | 4,590        | 7,124             | 8,496        |
| Order backlog, MSEK                             | 7,492        | 7,992        | 7,492        | 7,992        | 7,492             | 8,198        |
| Number of employees at the end of the period    | 383          | 359          | 383          | 359          | 383               | 361          |

## HOUSING DEVELOPMENT

### April – June 2018

Net sales decreased by 15 percent in Housing Development and amounted to SEK 1,604 million (1,894). The decrease is the result of fewer relinquished projects in Norway and Finland. Operating profit increased to SEK 161 million (157) and the operating margin improved to 10.0 percent (8.3).

The number of start-ups of our own developed homes during the second quarter amounted to 559 units (968) with a good geographic spread where most of the production starts are outside of the capital city areas. The number of sold homes was 391 (669). The slowdown on the tenant-owned housing market has affected the second quarter as well through less activity, particularly in Stockholm.

### January – June 2018

Net sales increased by eight percent in Housing Development and amounted to SEK 3,735 million (3,447). Operating profit increased to SEK 312 million (289) and the operating margin was 8.4 percent (8.4). The operating margin for the latest rolling 12 month period was unchanged with 9.6 percent compared to the entire year of 2017.

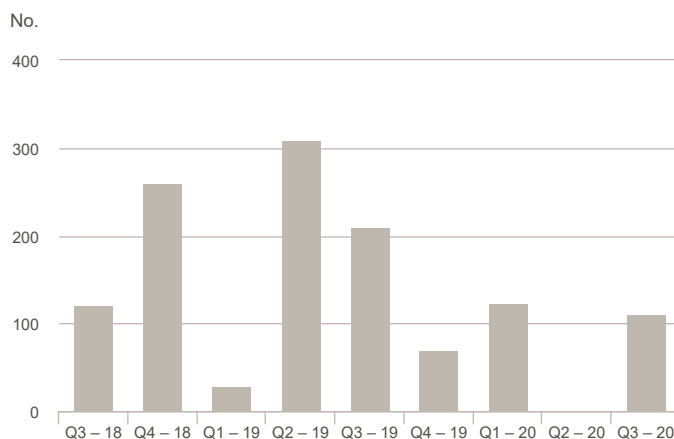
The number of start-ups of our own developed homes during the first half-year amounted to 1,116 units (1,517) with a good geographic spread in Sweden as well as in Norway and Finland. The number of sold homes during the first half-year 2018 was 763 (1,184). The number of own developed homes in production at the end of the period was 6,020 (5,169). The level of sold homes in production was 64 percent compared to 72 percent at year-end 2017. The number of repurchased homes per 30 June 2018 was 82 (37).

At the end of the period working capital had increased in Housing Development due to acquired development rights and greater activity in our own housing developments in Norway and Finland, which remain on the balance sheet until completion. The diagram shows when in time the housing projects in Norway and Finland are expected to be completed. The total number of ongoing own housing developments in Norway and Finland were 1,233 per 30 June 2018.

## Development rights for housing

| Number, approx.                             | 30 Jun 2018   | 30 Jun 2017   | 31 Dec 2017   |
|---|---------------|---------------|---------------|
| Development rights on our own balance sheet | 20,900        | 17,800        | 20,700        |
| Development rights via joint ventures       | 5,700         | 3,500         | 4,800         |
| Development rights via options etc.         | 7,800         | 7,200         | 7,100         |
| <b>Total</b>                                | <b>34,400</b> | <b>28,500</b> | <b>32,600</b> |

## When in time ongoing housing projects in Norway and Finland will be completed



## Own housing development construction

|  | Apr-Jun 2018 | Apr-Jun 2017 | Jan-Jun 2018 | Jan-Jun 2017 | Jul-Jun 2017/2018 | Jan-Dec 2017 |
|--|--------------|--------------|--------------|--------------|-------------------|--------------|
| Number of housing starts during the period                                 | 559          | 968          | 1,116        | 1,517        | 2,647             | 3,048        |
| Number of sold homes during the period                                     | 391          | 669          | 763          | 1,184        | 2,313             | 2,734        |
| Total number of homes under construction, at the end of the period         | 6,020        | 5,169        | 6,020        | 5,169        | 6,020             | 6,333        |
| Share of sold homes under construction, at the end of the period           | 64%          | 70%          | 64%          | 70%          | 64%               | 72%          |
| Number of repurchased homes on the balance sheet, at the end of the period | 82           | 37           | 82           | 37           | 82                | 33           |





## PROPERTY DEVELOPMENT

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

### April – June 2018

During the second quarter 2018 net sales were SEK 171 million (106) and operating profit was SEK 13 million (5). No major property transactions have occurred during the quarter.

### January – June 2018

During the first half-year 2018 net sales were SEK 327 million (765) and operating profit was SEK 63 million (95). Profit from partially owned companies was during the period SEK 45 million (49). No major property transactions have occurred during the period. The first quarter last year included divestitures of assets in Arenastaden to Faberge, which affected net sales by SEK 577 million but had no effect on operating profit. The first quarter last year also included a capital gains effect of SEK 75 million attributable to the divestiture of joint venture companies to Catena.

In cases where no divestiture is planned properties can remain in the Group for a considerable length of time in order to garner rent and appreciation revenue or a combination of both. Included in the capital employed in Property Development are operations property for a reported value of SEK 1,102 million (923) and investment property at SEK 1,030 million (792).

During the first quarter Peab made the decision to gather all the offices in the Öresund region into the new Peab Center in Hyllie in Malmö, and invest around SEK 200 million in the new office building, the first of five planned in the project The Gate.

Peab has signed a rental agreement with the physical training chain Actic for around 2,600 square meters in a new building in Ulriksdal, Solna. Actic is going to move its headquarters and open a new gym. The total 2,600 square meters will consist of 1,150 square meters office space and the rest will be a gym on two floors. Peab will invest around SEK 280 million in the eleven story building. The three top floors will be offices and a gym and the other eight floors will be a garage with 475 parking spaces. The building is expected to be completed in the summer of 2020.

All major development projects are presented in the table below.

## PROPERTY PROJECTS

| Completed projects                  | Location   | Area in m <sup>2</sup> | Degree rented, % | Recognized value, MSEK |
|-------------------------------------|------------|------------------------|------------------|------------------------|
| Hotel                               | Västerås   | 14,500                 | 100              | 512                    |
| Businesspark                        | Ängelholm  | 60,800                 | 90               | 242                    |
| Businesspark                        | Ljungbyhed | 76,100                 | 61               | 74                     |
| Offices                             | Helsinki   | 9,300                  | 100              | 283                    |
| Offices                             | Sigtuna    | 3,600                  | 78               | 67                     |
| Apartments for rent                 | Sigtuna    | 3,300                  | 100              | 97                     |
| Other completed projects            |            |                        |                  | 336                    |
| <b>Total</b>                        |            |                        |                  | <b>1,611</b>           |
| <i>of which operations property</i> |            |                        |                  | <i>867</i>             |
| <i>of which investment property</i> |            |                        |                  | <i>744</i>             |

| Ongoing projects                    | Location    | Area in m <sup>2</sup> | Degree rented, % | Recognized value, MSEK | Total investment at completion, MSEK | Timepoint of completion | Level of completion, % |
|-------------------------------------|-------------|------------------------|------------------|------------------------|--------------------------------------|-------------------------|------------------------|
| Offices                             | Solna       | 12,400                 | 100              | 197                    | 453                                  | Q4-2019                 | 43                     |
| Offices                             | Malmö       | 4,900                  | 68               | 38                     | 185                                  | Q1-2020                 | 21                     |
| Offices                             | Helsingborg | 4,500                  | 100              | 35                     | 117                                  | Q1-2020                 | 30                     |
| Offices and parking                 | Helsinki    | 7,600                  | 27               | 157                    | 342                                  | Q1-2019                 | 46                     |
| Offices and parking                 | Solna       | 2,600                  | 100              | 8                      | 281                                  | Q2-2020                 | 3                      |
| Other ongoing projects              |             |                        |                  | 86                     |                                      |                         |                        |
| <b>Total</b>                        |             |                        |                  | <b>521</b>             |                                      |                         |                        |
| <i>of which operations property</i> |             |                        |                  | <i>235</i>             |                                      |                         |                        |
| <i>of which investment property</i> |             |                        |                  | <i>286</i>             |                                      |                         |                        |

## SIGNIFICANT JOINT VENTURES

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

### Significant joint ventures

#### FASTIGHETS AB CENTUR

Own, manage and develop commercial property and housing.

**Peab's share:** 50 percent

**Partner:** Balder

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

**Recognized value on properties 30 June 2018 <sup>1)</sup>:** SEK 5,151 million (4,831)

**Peab's portion of unrecognized fair value exclusive tax <sup>1)</sup>:** SEK 328 million (277)

**Major ongoing projects:** Hotel Stay-at Varvsstaden, Malmö Rentable area 3,900 m<sup>2</sup>, Lyckholms, Gothenburg Rentable area 6,400 m<sup>2</sup>

#### FASTIGHETS AB ML4

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

**Peab's share:** 50 percent

**Partner:** Wihlborgs

**Location:** Lund

**Recognized value on properties 30 June 2018:** SEK 1,861 million (1,855)

#### TORNET BOSTADSPRODUKTION AB

Build and manage attractive and environmentally friendly rentals in larger cities in Sweden.

**Peab's share:** 31 percent

**Partner:** Riksbyggen, Folksam and Balder

**Location:** Stockholm, the Mälaren region, Gothenburg and the Öresund region

**Recognized value on properties 30 June 2018 <sup>1)</sup>:** SEK 3,127 million (2,473)

**Peab's portion of unrecognized fair value exclusive tax <sup>1)</sup>:** SEK 179 million (134)

**Major ongoing projects:** Munkebäck, Gothenburg Rentable area 14,800 m<sup>2</sup>, Kungsängen, Upplandsbro Rentable area 8,800 m<sup>2</sup> and several apartment building projects in Västerås, Helsingborg, Malmö and Örebro

#### POINT HYLLIE HOLDING AB

Develop, own and manage the office property The Point as well as own and manage the hotel property Vårdshuset 5 (Operator Quality Hotel View)

**Peab's share:** 50 percent

**Partner:** Volito

**Location:** Hyllie, Malmö

**Recognized value of properties 30 June 2018:** SEK 880 million (719)

**Major ongoing projects:** 29 floor office building, The Point, Rentable area 20,000 m<sup>2</sup>

<sup>1)</sup> Valued at fair value in joint venture companies. The market prices on properties that affect the recognized values in joint venture companies are not recognized in Peab's profit

# The construction market

## SWEDEN

New production of housing decreased at the beginning of the year. Several factors are behind the slowdown in condominiums and tenant-owner homes. One factor is the more stringent amortization requirement and another is over production in certain segments and partial markets. Housing construction is therefore expected to diminish during the period 2018-2020. However, this decline is compensated this year by a more premise construction. Driven by the growth of the labor force and few vacancies new production of office space is expected to grow this year at the same time the need for investments in public buildings is substantial. Total building construction investments are therefore expected to have a stable development this year and then contract. Civil engineering investments are boosted by greater funds in the infrastructure plan for 2018-2029 and are expected to grow at a good rate in 2018 and 2019.

## NORWAY

The Norwegian building construction market is expected to grow this year as well. Premise construction started well in 2018 based on new construction and renovation of office and industry buildings while the opposite was true for housing construction. A relatively large number of homes on the market reduces incentive to build new ones and this is expected to bring down housing construction. However, other building construction seems to be headed in the opposite direction. Total building construction investments are therefore expected to grow this year before volumes level off in 2019-2020. Strong financial growth and more infrastructure projects will result in good development of civil engineering investments in 2018-2019.

## FINLAND

The Finnish economy is developing at a good rate. Both businesses and households have confidence in the economy and the desire to invest is also reflected in building construction. Total building construction investments have developed well in the beginning of 2018 and public construction has been particularly trending. Many signs point to a similar development in housing and premise construction during the forecast period and that all sectors will contribute to growth in total building construction investments this year. Construction is expected to continue to rise in 2019 before investment volumes slow in 2020. The forecast for civil engineering investments indicates a sideways development in the coming years.

## Housing

|         | 2018 | 2019 | 2020 |
|---------|------|------|------|
| Sweden  | ↘    | ↘    | ↘    |
| Norway  | ↘    | →    | ↗    |
| Finland | ↗    | ↗    | →    |

Forecast for started-up housing investments, new and renovations

Source: Industrifakta

## Other building construction

|         | 2018 | 2019 | 2020 |
|---------|------|------|------|
| Sweden  | ↗    | ↘    | →    |
| Norway  | ↗    | →    | ↘    |
| Finland | ↗    | ↗    | ↘    |

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

Source: Industrifakta

## Civil engineering

|         | 2018 | 2019 | 2020 |
|---------|------|------|------|
| Sweden  | ↗    | ↗    | —    |
| Norway  | ↑    | ↗    | —    |
| Finland | →    | →    | —    |

Forecast for civil engineering investments

Source: Industrifakta

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





# Other information

## RISKS AND UNCERTAINTY FACTORS

Peab's business is exposed to operational and financial risks. The impact of these risks on Peab's result and position depends on how well the day-to-day business is handled in the company. In addition, Peab faces circumstantial risks such as developments in the economy and altered conditions like changes in laws and regulations and other political decisions.

Handling operational risks is a constant ongoing process since there are always a large number of projects that are beginning, up and running and ending. Operational risks are taken care of in the line organization in each business area. Peab's business is to a large extent project related. Grey areas concerning contract terms can lead to borderline issues followed by negotiations with customers.

The financial risks are connected to tying up capital and the need for capital, primarily in the form of interest rate risk and refinancing risk. Financial risks are dealt with on Group level. For further information on risks and uncertainty factors, see the 2017 Annual Report.

## HOLDINGS OF OWN SHARES

At the beginning of 2018 Peab's own B shareholding was 1,086,984 which corresponds to 0.4 percent of the total number of shares. No changes have taken place during the first half-year 2018.

## THE PEAB SHARE

Peab's B share is listed on the Nasdaq Stockholm, Large Cap list. As of 16 August 2018, the price of the Peab share was SEK 70.35, a decrease of 0.4 percent during 2018. During the same period, the Swedish stock market increased by four percent according to the general index in the business magazine "Affärsvärlden". During 2018 the Peab share has been quoted at a maximum of SEK 82.30 and a minimum of SEK 62.60.



# Report on the Group income statement

| MSEK  | Apr-Jun<br>2018 | Apr-Jun<br>2017 | Jan-Jun<br>2018    | Jan-Jun<br>2017    | Jul-Jun<br>2017/2018 | Jan-Dec<br>2017 |
|---|-----------------|-----------------|--------------------|--------------------|----------------------|-----------------|
| Net sales   | 13,453          | 12,791          | 24,943             | 23,896             | 51,028               | 49,981          |
| Production costs                                  | -12,038         | -11,461         | -22,520            | -21,695            | -46,054              | -45,229         |
| <b>Gross profit</b>                               | <b>1,415</b>    | <b>1,330</b>    | <b>2,423</b>       | <b>2,201</b>       | <b>4,974</b>         | <b>4,752</b>    |
| Sales and administrative expenses                 | -761            | -735            | -1,498             | -1,391             | -2,721               | -2,614          |
| Other operating income                            | 27              | 38              | 52                 | 156                | 201                  | 305             |
| Other operating costs                             | -4              | -2              | -10                | -15                | -20                  | -25             |
| <b>Operating profit</b>                           | <b>677</b>      | <b>631</b>      | <b>967</b>         | <b>951</b>         | <b>2,434</b>         | <b>2,418</b>    |
| Financial income                                  | 19              | 36              | 46                 | 56                 | 181                  | 191             |
| Financial expenses                                | -23             | -50             | -84                | -79                | -156                 | -151            |
| <b>Net finance</b>                                | <b>-4</b>       | <b>-14</b>      | <b>-38</b>         | <b>-23</b>         | <b>25</b>            | <b>40</b>       |
| <b>Pre-tax profit</b>                             | <b>673</b>      | <b>617</b>      | <b>929</b>         | <b>928</b>         | <b>2,459</b>         | <b>2,458</b>    |
| Tax   | -101            | -92             | -139               | -126               | -404                 | -391            |
| <b>Profit for the period</b>                      | <b>572</b>      | <b>525</b>      | <b>790</b>         | <b>802</b>         | <b>2,055</b>         | <b>2,067</b>    |
| <b>Profit for the period, attributable to:</b>    |                 |                 |                    |                    |                      |                 |
| Shareholders in parent company                    | 572             | 525             | 790                | 802                | 2,055                | 2,067           |
| Non-controlling interests                         | 0               | –               | 0                  | –                  | 0                    | 0               |
| <b>Profit for the period</b>                      | <b>572</b>      | <b>525</b>      | <b>790</b>         | <b>802</b>         | <b>2,055</b>         | <b>2,067</b>    |
| <b>Key ratios</b>                                 |                 |                 |                    |                    |                      |                 |
| Earnings per share before and after dilution, SEK | 1.94            | 1.78            | 2.68               | 2.72               | 6.97                 | 7.01            |
| Average number of outstanding shares, million     | 295.0           | 295.0           | 295.0              | 295.0              | 295.0                | 295.0           |
| Return on capital employed, %                     |                 |                 | 17.6 <sup>1)</sup> | 16.6 <sup>1)</sup> | 17.6                 | 18.7            |
| Return on equity, %                               |                 |                 | 20.1 <sup>1)</sup> | 20.1 <sup>1)</sup> | 20.1                 | 21.3            |

1) Calculated on rolling 12 months

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

| MSEK   | Apr-Jun<br>2018 | Apr-Jun<br>2017 | Jan-Jun<br>2018 | Jan-Jun<br>2017 | Jul-Jun<br>2017/2018 | Jan-Dec<br>2017 |
|--|-----------------|-----------------|-----------------|-----------------|----------------------|-----------------|
| <b>Profit for the period</b>   | <b>572</b>      | <b>525</b>      | <b>790</b>      | <b>802</b>      | <b>2,055</b>         | <b>2,067</b>    |
| <b>Other comprehensive income</b>  |                 |                 |                 |                 |                      |                 |
| <b>Items that can be reclassified or have been reclassified to profit for the period</b>           |                 |                 |                 |                 |                      |                 |
| Translation differences for the period from translation of foreign operations                      | 58              | -35             | 188             | -54             | 189                  | -53             |
| Translation differences transferred to profit for the period                                       | –               | 0               | –               | -2              | –                    | -2              |
| Changes for the period in fair value of available-for-sale financial assets                        | –               | 175             | –               | 128             | -183                 | -55             |
| Changes in fair value of cash flow hedges for the period   | 10              | 13              | 18              | 28              | 102                  | 112             |
| Shares in joint ventures' other comprehensive income   | 0               | 0               | 1               | 0               | 1                    | 0               |
| Tax referring to items that can be reclassified or have been reclassified to profit for the period | 5               | -5              | 11              | -10             | 5                    | -16             |
| <b>Other comprehensive income for the period</b>   | <b>73</b>       | <b>148</b>      | <b>218</b>      | <b>90</b>       | <b>114</b>           | <b>-14</b>      |
| <b>Total comprehensive income for the period</b>   | <b>645</b>      | <b>673</b>      | <b>1,008</b>    | <b>892</b>      | <b>2,169</b>         | <b>2,053</b>    |
| <b>Total comprehensive income for the period, attributable to:</b>                                 |                 |                 |                 |                 |                      |                 |
| Shareholders in parent company   | 645             | 673             | 1,008           | 892             | 2,169                | 2,053           |
| Non-controlling interests  | 0               | –               | 0               | –               | 0                    | 0               |
| <b>Total comprehensive income for the period</b>   | <b>645</b>      | <b>673</b>      | <b>1,008</b>    | <b>892</b>      | <b>2,169</b>         | <b>2,053</b>    |



# Report on financial position for the Group in summary

| MSEK   | 30 Jun<br>2018 | 30 Jun<br>2017 | 31 Dec<br>2017 |
|--|----------------|----------------|----------------|
| <b>Assets</b>  |                |                |                |
| Intangible assets  | 2,225          | 2,025          | 2,167          |
| Tangible assets  | 5,746          | 5,137          | 5,508          |
| Investment property  | 1,030          | 792            | 871            |
| Interest-bearing long-term receivables                         | 1,398          | 1,670          | 1,520          |
| Other financial fixed assets                                   | 1,237          | 1,663          | 1,147          |
| Deferred tax recoverables                                      | 4              | 61             | 13             |
| <b>Total fixed assets</b>                                      | <b>11,640</b>  | <b>11,348</b>  | <b>11,226</b>  |
| Project and development properties                             | 8,611          | 7,084          | 7,612          |
| Inventories  | 473            | 420            | 399            |
| Interest-bearing current receivables                           | 644            | 84             | 411            |
| Other current receivables                                      | 12,899         | 12,120         | 11,882         |
| Liquid funds   | 535            | 243            | 595            |
| <b>Total current assets</b>                                    | <b>23,162</b>  | <b>19,951</b>  | <b>20,899</b>  |
| <b>Total assets</b>  | <b>34,802</b>  | <b>31,299</b>  | <b>32,125</b>  |
| <b>Equity and liabilities</b>                                  |                |                |                |
| <b>Equity</b>  | <b>10,153</b>  | <b>9,170</b>   | <b>10,332</b>  |
| <b>Liabilities</b>   |                |                |                |
| Interest-bearing long-term liabilities                         | 3,627          | 2,743          | 2,573          |
| Deferred tax liabilities                                       | 110            | 256            | 201            |
| Other long-term liabilities                                    | 830            | 762            | 840            |
| <b>Total long-term liabilities</b>                             | <b>4,567</b>   | <b>3,761</b>   | <b>3,614</b>   |
| Interest-bearing current liabilities                           | 2,542          | 1,961          | 1,169          |
| Other current liabilities                                      | 17,540         | 16,407         | 17,010         |
| <b>Total current liabilities</b>                               | <b>20,082</b>  | <b>18,368</b>  | <b>18,179</b>  |
| <b>Total liabilities</b>                                       | <b>24,649</b>  | <b>22,129</b>  | <b>21,793</b>  |
| <b>Total equity and liabilities</b>                            | <b>34,802</b>  | <b>31,299</b>  | <b>32,125</b>  |
| <b>Key ratios</b>  |                |                |                |
| Capital employed   | 16,322         | 13,874         | 14,074         |
| Equity/assets ratio, %   | 29.2           | 29.3           | 32.2           |
| Net debt   | 3,592          | 2,707          | 1,216          |
| Equity per share, SEK  | 34.42          | 31.09          | 35.02          |
| Number of outstanding shares at the end of the period, million | 295.0          | 295.0          | 295.0          |

# Report on changes in Group's equity in summary

| MSEK   | 30 Jun<br>2018 | 30 Jun<br>2017 | 31 Dec<br>2017 |
|--|----------------|----------------|----------------|
| <b>Equity attributable to shareholders in parent company</b>                   |                |                |                |
| <b>Opening equity on 1 January</b>   | <b>10,331</b>  | <b>9,380</b>   | <b>9,380</b>   |
| Adjustment for retroactive application of IFRS 9 per 1 January 2018            | -7             | –              | –              |
| Adjustment for retroactive application of IFRS 15 per 1 January 2017           | –              | -40            | -40            |
| <b>Adjusted equity on 1 January</b>  | <b>10,324</b>  | <b>9,340</b>   | <b>9,340</b>   |
| Profit for the period  | 790            | 802            | 2,067          |
| Other comprehensive income for the period                                      | 218            | 90             | -14            |
| <b>Comprehensive income for the period</b>                                     | <b>1,008</b>   | <b>892</b>     | <b>2,053</b>   |
| Cash dividend  | -1,180         | -1,062         | -1,062         |
| Acquisition of non-controlling interests, previous controlling interests       | –              | –              | 0              |
| <b>Closing equity</b>  | <b>10,152</b>  | <b>9,170</b>   | <b>10,331</b>  |
| <b>Non-controlling interests</b>   |                |                |                |
| <b>Opening equity on 1 January</b>   | <b>1</b>       | <b>0</b>       | <b>0</b>       |
| Comprehensive income for the period  | 0              | –              | 0              |
| Acquisition of partially owned subsidiaries, non-controlling interests already | –              | –              | 1              |
| <b>Closing equity</b>  | <b>1</b>       | <b>0</b>       | <b>1</b>       |
| <b>Total closing equity</b>  | <b>10,153</b>  | <b>9,170</b>   | <b>10,332</b>  |

# Report on Group cash flow in summary

| MSEK   | Apr-Jun<br>2018 | Apr-Jun<br>2017 | Jan-Jun<br>2018 | Jan-Jun<br>2017 | Jul-Jun<br>2017/2018 | Jan-Dec<br>2017 |
|--|-----------------|-----------------|-----------------|-----------------|----------------------|-----------------|
| <b>Cash flow from current operations before changes in working capital</b> | <b>695</b>      | <b>700</b>      | <b>799</b>      | <b>990</b>      | <b>2,605</b>         | <b>2,796</b>    |
| Increase (-) / Decrease (+) of project and development properties          | -813            | -804            | -892            | -425            | -1,154               | -687            |
| Increase (-) / Decrease (+) of inventories                                 | 10              | -25             | -49             | -52             | -25                  | -28             |
| Increase (-) / Decrease (+) of current receivables/current liabilities     | -83             | -459            | -295            | 470             | -7                   | 758             |
| <b>Cash flow from changes in working capital</b>                           | <b>-886</b>     | <b>-1,288</b>   | <b>-1,236</b>   | <b>-7</b>       | <b>-1,186</b>        | <b>43</b>       |
| <b>Cash flow from current operations</b>                                   | <b>-191</b>     | <b>-588</b>     | <b>-437</b>     | <b>983</b>      | <b>1,419</b>         | <b>2,839</b>    |
| Acquisition of subsidiaries/businesses, net effect on liquid funds         | —               | —               | -15             | -8              | -167                 | -160            |
| Disposal of subsidiaries/businesses, net effect on liquid funds            | —               | —               | —               | —               | 4                    | 4               |
| Acquisition of fixed assets  | -578            | -589            | -813            | -885            | -1,893               | -1,965          |
| Sales of fixed assets  | 65              | 72              | 171             | 593             | 1,155                | 1,577           |
| <b>Cash flow from investment operations</b>                                | <b>-513</b>     | <b>-517</b>     | <b>-657</b>     | <b>-300</b>     | <b>-901</b>          | <b>-544</b>     |
| <b>Cash flow before financing</b>  | <b>-704</b>     | <b>-1,105</b>   | <b>-1,094</b>   | <b>683</b>      | <b>518</b>           | <b>2,295</b>    |
| Increase (+) / Decrease (-) of interest-bearing liabilities                | 2,117           | 701             | 2,179           | -416            | 907                  | -1,688          |
| Dividend distributed to shareholders in parent company                     | -1,180          | -1,062          | -1,180          | -1,062          | -1,180               | -1,062          |
| <b>Cash flow from financing operations</b>                                 | <b>937</b>      | <b>-361</b>     | <b>999</b>      | <b>-1,478</b>   | <b>-273</b>          | <b>-2,750</b>   |
| <b>Cash flow for the period</b>  | <b>233</b>      | <b>-1,466</b>   | <b>-95</b>      | <b>-795</b>     | <b>245</b>           | <b>-455</b>     |
| Cash at the beginning of the period  | 289             | 1,725           | 595             | 1,062           | 243                  | 1,062           |
| Exchange rate differences in cash  | 13              | -16             | 35              | -24             | 47                   | -12             |
| <b>Cash at the end of the period</b>                                       | <b>535</b>      | <b>243</b>      | <b>535</b>      | <b>243</b>      | <b>535</b>           | <b>595</b>      |

## Parent company

The parent company Peab AB's net sales for the first half-year 2018 amounted to SEK 155 million (129) and mainly consisted of internal Group services. Profit for the period amounted to SEK 1,180 million (-97).

The parent company's assets mainly consist of participations in Group companies amounting to SEK 11,994 million (11,805). In the comparable period holdings of shares in Lemminkäinen Oyj worth SEK 611 million was included. The assets have been financed from equity of SEK 7,404 million (5,496) and long-term liabilities amounting to SEK 3,604 million (6,528).

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

## Report on the parent company income statement in summary

| MSEK   | Apr-Jun<br>2018 | Apr-Jun<br>2017 | Jan-Jun<br>2018 | Jan-Jun<br>2017 | Jul-Jun<br>2017/2018 | Jan-Dec<br>2017 |
|--|-----------------|-----------------|-----------------|-----------------|----------------------|-----------------|
| Net sales                                    | 80              | 71              | 155             | 129             | 288                  | 262             |
| Administrative expenses                      | -126            | -109            | -235            | -207            | -440                 | -412            |
| <b>Operating profit</b>                      | <b>-46</b>      | <b>-38</b>      | <b>-80</b>      | <b>-78</b>      | <b>-152</b>          | <b>-150</b>     |
| <b>Result from financial investments</b>     |                 |                 |                 |                 |                      |                 |
| Profit from participation in Group companies | 1,287           | –               | 1,287           | –               | 1,287                | 0               |
| Other financial items                        | -20             | -17             | -49             | -50             | 51                   | 50              |
| <b>Result after financial items</b>          | <b>1,221</b>    | <b>-55</b>      | <b>1,158</b>    | <b>-128</b>     | <b>1,186</b>         | <b>-100</b>     |
| Appropriations                               | –               | –               | –               | –               | 2,626                | 2,626           |
| <b>Pre-tax profit</b>                        | <b>1,221</b>    | <b>-55</b>      | <b>1,158</b>    | <b>-128</b>     | <b>3,812</b>         | <b>2,526</b>    |
| Tax  | 8               | 16              | 22              | 31              | -518                 | -509            |
| <b>Profit for the period</b>                 | <b>1,229</b>    | <b>-39</b>      | <b>1,180</b>    | <b>-97</b>      | <b>3,294</b>         | <b>2,017</b>    |

## Report on the parent company income statement and other comprehensive income in summary

| MSEK   | Apr-Jun<br>2018 | Apr-Jun<br>2017 | Jan-Jun<br>2018 | Jan-Jun<br>2017 | Jul-Jun<br>2017/2018 | Jan-Dec<br>2017 |
|--|-----------------|-----------------|-----------------|-----------------|----------------------|-----------------|
| <b>Profit for the period</b>   | <b>1,229</b>    | <b>-39</b>      | <b>1,180</b>    | <b>-97</b>      | <b>3,294</b>         | <b>2,017</b>    |
| <b>Other comprehensive income</b>  |                 |                 |                 |                 |                      |                 |
| <b>Items that can be reclassified or have been reclassified to profit for the period</b> |                 |                 |                 |                 |                      |                 |
| Changes for the period in fair value of available-for-sale financial assets              | –               | 179             | –               | 131             | -206                 | -75             |
| <b>Total comprehensive income for the period</b>   | <b>1,229</b>    | <b>140</b>      | <b>1,180</b>    | <b>34</b>       | <b>3,088</b>         | <b>1,942</b>    |

# Report on financial position for the parent company in summary

| MSEK                                  | 30 Jun<br>2018 | 30 Jun<br>2017 | 31 Dec<br>2017 |
|---------------------------------------|----------------|----------------|----------------|
| <b>Assets</b>                         |                |                |                |
| <b>Fixed assets</b>                   |                |                |                |
| Intangible fixed assets               | 48             | –              | 38             |
| Tangible fixed assets                 | 1              | 1              | 1              |
| <b>Financial assets</b>               |                |                |                |
| Participation in Group companies      | 11,994         | 11,805         | 12,116         |
| Other securities held as fixed assets | 0              | 611            | 0              |
| Deferred tax recoverables             | 103            | 98             | 110            |
| <b>Total financial assets</b>         | <b>12,097</b>  | <b>12,514</b>  | <b>12,226</b>  |
| <b>Total fixed assets</b>             | <b>12,146</b>  | <b>12,515</b>  | <b>12,265</b>  |
| <b>Current asset</b>                  |                |                |                |
| <b>Current receivables</b>            |                |                |                |
| Accounts receivable                   | 2              | 0              | 1              |
| Receivables from Group companies      | 53             | 64             | 3,472          |
| Current tax assets                    | 244            | 83             | –              |
| Other receivables                     | 1              | 1              | 4              |
| Prepaid expenses and accrued income   | 14             | 13             | 15             |
| <b>Total current receivables</b>      | <b>314</b>     | <b>161</b>     | <b>3,492</b>   |
| Liquid funds                          | 0              | 0              | 0              |
| <b>Total current assets</b>           | <b>314</b>     | <b>161</b>     | <b>3,492</b>   |
| <b>Total assets</b>                   | <b>12,460</b>  | <b>12,676</b>  | <b>15,757</b>  |
| <b>Equity and liabilities</b>         |                |                |                |
| <b>Equity</b>                         |                |                |                |
| Restricted equity                     | 1,907          | 1,884          | 1,901          |
| Non-restricted equity                 | 5,497          | 3,612          | 5,503          |
| <b>Total equity</b>                   | <b>7,404</b>   | <b>5,496</b>   | <b>7,404</b>   |
| <b>Untaxed reserves</b>               | <b>1,315</b>   | <b>522</b>     | <b>1,315</b>   |
| <b>Provisions</b>                     |                |                |                |
| Other provisions                      | 34             | 31             | 32             |
| <b>Total provisions</b>               | <b>34</b>      | <b>31</b>      | <b>32</b>      |
| <b>Long-term liabilities</b>          |                |                |                |
| Liabilities to Group companies        | 3,604          | 6,528          | 6,326          |
| <b>Total long-term liabilities</b>    | <b>3,604</b>   | <b>6,528</b>   | <b>6,326</b>   |
| <b>Current liabilities</b>            |                |                |                |
| Accounts payable                      | 19             | 18             | 25             |
| Liabilities to Group companies        | 6              | 7              | 347            |
| Current tax liabilities               | –              | –              | 225            |
| Other liabilities                     | 15             | 15             | 7              |
| Accrued expenses and deferred income  | 63             | 59             | 76             |
| <b>Total current liabilities</b>      | <b>103</b>     | <b>99</b>      | <b>680</b>     |
| <b>Total liabilities</b>              | <b>3,707</b>   | <b>6,627</b>   | <b>7,006</b>   |
| <b>Total equity and liabilities</b>   | <b>12,460</b>  | <b>12,676</b>  | <b>15,757</b>  |



# Note 1 – Accounting principles

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

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

In 2018 the Group began to apply IFRS 9 Financial instruments and IFRS 15 Revenue from contracts with customers. The effects of the changeover to IFRS 9 and IFRS 15 are described below.

## EFFECT OF THE CHANGEOVER TO IFRS 9 AND IFRS 15

Peab applies IFRS 9 Financial instruments and IFRS 15 Revenue from contracts with customers as of 1 January 2018. Changes in the accounting principles subsequent to the implementation of IFRS 9 have been applied retroactively and the total effect has been recognized in equity per 1 January 2018. The Group has applied the exemption of not recalculating comparable information for previous periods.

Peab has chosen to apply IFRS 15 retroactively by recalculating the financial reports for 2017.

The effect on Group equity at the changeover to IFRS 9 and IFRS 15 is presented in the table below.

In the Annual Report 2017 Peab communicated that all housing in Norway would be recognized over time. This assessment was made before IFRS IC presented its interpretation in Agenda Paper 2C. Norway and IFRS IC have been holding discussions for a long time which is why there has been a great deal of uncertainty concerning whether or not the criteria for revenue over time (IFRS 15.35c) were considered met. As a consequence of IFRIC update March 2018 income will be recognized, as previously, at one point in time, and therefore the effects presented in the Annual Report 2017 concerning Norway will not occur.

As a result of the changed interpretation of IFRS 15 the effect of the changeover to IFRS 15 as well as the recalculated income statements and balance sheets presented in the Annual Report 2017 have been changed. New recalculated income statements and balance sheets for 2017 can be found on Peab's website, [www.peab.com/ifrs](http://www.peab.com/ifrs). Recalculated figures per quarter and segment are also presented there. The recalculations have not had any material effect on either business area Project Development or the Group as a whole.

| MSEK   | Equity        |
|--|---------------|
| Closing balance 31 December 2016 before changeover to IFRS 15 and IFRS 9     | 9,380         |
| Adjustments at changeover to IFRS 15   | -40           |
| <b>Adjusted opening balance 1 January 2017</b>                               | <b>9,340</b>  |
| Closing balance 31 December 2017 before changeover to IFRS 15 and IFRS 9     | 10,362        |
| Adjustments at changeover to IFRS 15   | -30           |
| <b>Adjusted closing balance 31 December 2017 before changeover to IFRS 9</b> | <b>10,332</b> |
| Adjustments at changeover to IFRS 9  | -7            |
| <b>Adjusted opening balance 1 January 2018</b>                               | <b>10,325</b> |

Effects of the recalculation of the income statement for 2017 at the changeover to IFRS 15 are presented below.

| MSEK                                      | Jan-Jun 2017 |                       |              | Jan-Dec 2017 |                       |              |
|---|--------------|-----------------------|--------------|--------------|-----------------------|--------------|
|   | Reported     | Adjustment<br>IFRS 15 | Recalculated | Reported     | Adjustment<br>IFRS 15 | Recalculated |
| Net sales                                 | 24,004       | -108                  | 23,896       | 50,090       | -109                  | 49,981       |
| Operating profit                          | 957          | -6                    | 951          | 2,405        | 13                    | 2,418        |
| Profit for the period                     | 807          | -5                    | 802          | 2,057        | 10                    | 2,067        |
| Total comprehensive income for the period | 897          | -5                    | 892          | 2,043        | 10                    | 2,053        |

## IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 entails changes foremost regarding classification and valuation of financial assets and financial liabilities, write-downs of financial assets and hedging accounting. The standard replaces IAS 39 Financial instruments: Recognition and measurement.

IFRS 9 requires loss reserves for anticipated credit losses. This differs from IAS 39 that only requires loss reserves if something occurs that leads Peab to believe a customer may not be able to pay the entire balance due.

For further information on IFRS 9 please see Peab's website, [www.peab.com/ifrs](http://www.peab.com/ifrs).

## **IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS**

IFRS 15 Revenue from contracts with customers, replaces IAS 18 Revenue, IAS 11 Construction contracts and IFRIC 15 Agreements for the construction of real estate.

For business area Project Development implementing IFRS 15 means our own home (villas) developments in Sweden are reported according to so-called "income over time". Swedish tenant-owned housing projects will continue to be recognized as previously through "income over time". IFRS 15 has not led to any changes in reporting regarding housing projects in Finland and Norway since income is first recognized when the home is turned over to the buyer.

After implementation of IFRS 15 segment reporting mirrors legal reporting. The differences between operative and legal reporting no longer exist after implementation of IFRS 15. In regards to Peab's construction contract operations in business area Construction and Civil Engineering, IFRS 15 does not entail any material change in when income is recognized or for what amount. The changeover to IFRS 15 does not entail any material change for business area Industry either.

For further information on IFRS 15 please see Peab's website, [www.peab.com/ifrs](http://www.peab.com/ifrs).

## **IFRS 16 LEASES**

IFRS 16 Leases will replace IAS 17 Leases as of 1 January 2019. Peab does not plan to prematurely apply the standard. IFRS 16 will require Peab as a lessee to report all leasing contracts as assets and liabilities on the balance sheet, representing the right to use the leased asset respectively the obligation to pay leasing fees. Regarding leasing contracts, depreciation of the leasing asset and interest costs on the leasing liability are recognized in the income statement. Peab is running a special project to implement, and determine the effect of, IFRS 16 on the Group's profit and position as well as additional disclosures. Peab's balance sheet total is expected to increase through activating contracts that are currently classified as operational, the operating profit is expected to improve while financial costs are expected to grow. Peab estimates that the balance sheet total will increase by around two-five percent but the analysis must be completed before any possible final effects can be quantified. Furthermore, the effects will be influenced by which of the available changeover methods Peab chooses to use for the changeover to IFRS 16, a choice Peab has not yet made.

## **PARENT COMPANY**

IFRS 15 Revenue from contracts with customers will have no effect on parent company revenue accounting. IFRS 9 Financial instruments, entails new rules for writing down receivables based on anticipated credit losses. The parent company's current receivables from Group companies fall within the area of application for impairment rules in IFRS 9. The receivables are overwhelmingly Group contributions that are settled shortly after the balance sheet date. On material grounds no reserve is reported for anticipated credit losses regarding these receivables. Otherwise IFRS 9 had no effect on accounting on 1 January 2018. The new standard IFRS 16 Leasing does not affect the parent company since the standard is exempt from application in legal entities and leasing in the parent company is insignificant.

## Note 2 – Income allocation

| Group Jan-Jun 2018<br>MSEK                       | Construction  | Civil<br>Engineering | Industry     | Project<br>Development | Group<br>functions | Eliminations  | Group         |
|--|---------------|----------------------|--------------|------------------------|--------------------|---------------|---------------|
| <b>Allocation per internal/external customer</b> |               |                      |              |                        |                    |               |               |
| External sales                                   | 11,339        | 5,465                | 4,058        | 4,033                  | 48                 | 0             | 24,943        |
| Internal sales                                   | 2,647         | 790                  | 1,700        | 29                     | 496                | -5,662        | –             |
| <b>Total</b>                                     | <b>13,986</b> | <b>6,255</b>         | <b>5,758</b> | <b>4,062</b>           | <b>544</b>         | <b>-5,662</b> | <b>24,943</b> |

|                               |               |              |              |              |            |               |               |
|-------------------------------|---------------|--------------|--------------|--------------|------------|---------------|---------------|
| <b>Allocation per country</b> |               |              |              |              |            |               |               |
| Sweden                        | 10,738        | 5,447        | 5,143        | 3,120        | 465        | -4,846        | 20,067        |
| Norway                        | 1,633         | 737          | 350          | 20           | 46         | -326          | 2,460         |
| Finland                       | 1,612         | 71           | 259          | 922          | 33         | -487          | 2,410         |
| Other                         | 3             |              | 6            |              |            | -3            | 6             |
| <b>Total</b>                  | <b>13,986</b> | <b>6,255</b> | <b>5,758</b> | <b>4,062</b> | <b>544</b> | <b>-5,662</b> | <b>24,943</b> |

|  |               |              |              |              |            |               |               |
|--|---------------|--------------|--------------|--------------|------------|---------------|---------------|
| <b>Allocation per type of customer</b> |               |              |              |              |            |               |               |
| Public sector                          | 4,955         | 3,580        | 764          | 7            | 26         |               | 9,332         |
| Private customers                      | 6,384         | 1,885        | 3,294        | 4,026        | 22         |               | 15,611        |
| Internal customers                     | 2,647         | 790          | 1,700        | 29           | 496        | -5,662        | –             |
| <b>Total</b>                           | <b>13,986</b> | <b>6,255</b> | <b>5,758</b> | <b>4,062</b> | <b>544</b> | <b>-5,662</b> | <b>24,943</b> |

|                                     |               |              |              |              |            |               |               |
|-------------------------------------|---------------|--------------|--------------|--------------|------------|---------------|---------------|
| <b>Allocation per point in time</b> |               |              |              |              |            |               |               |
| At one point in time                | 29            | 17           | 2,901        | 1,415        | 57         | -990          | 3,429         |
| Over time                           | 13,954        | 6,235        | 1,999        | 2,538        | 437        | -4,115        | 21,048        |
| Income from rent <sup>1)</sup>      | 3             | 3            | 858          | 109          | 50         | -557          | 466           |
| <b>Total</b>                        | <b>13,986</b> | <b>6,255</b> | <b>5,758</b> | <b>4,062</b> | <b>544</b> | <b>-5,662</b> | <b>24,943</b> |

<sup>1)</sup> Income from rent is recognized according to IAS 17

|                                      |               |              |              |              |            |               |               |
|--------------------------------------|---------------|--------------|--------------|--------------|------------|---------------|---------------|
| <b>Allocation per type of income</b> |               |              |              |              |            |               |               |
| Contract work                        | 13,951        | 6,235        | 1,999        | 2,538        |            | -3,675        | 21,048        |
| Sales of products                    | 3             |              | 1,913        |              |            | -638          | 1,278         |
| Sales of property projects           |               |              |              | 1,353        |            | -6            | 1,347         |
| Transportation services etc.         |               | 1            | 842          |              |            | -292          | 551           |
| Administrative services              | 3             |              |              |              | 437        | -440          | –             |
| Income from rent                     | 3             | 3            | 858          | 109          | 50         | -557          | 466           |
| Other                                | 26            | 16           | 146          | 62           | 57         | -54           | 253           |
| <b>Total</b>                         | <b>13,986</b> | <b>6,255</b> | <b>5,758</b> | <b>4,062</b> | <b>544</b> | <b>-5,662</b> | <b>24,943</b> |

| Group Jan-Jun 2017<br>MSEK                                       | Construction  | Civil<br>Engineering | Industry     | Project<br>Development | Group<br>functions | Eliminations  | Group         |
|--|---------------|----------------------|--------------|------------------------|--------------------|---------------|---------------|
| <b>Allocation per internal/external customer</b>                 |               |                      |              |                        |                    |               |               |
| External sales   | 11,173        | 4,488                | 4,002        | 4,184                  | 49                 | 0             | 23,896        |
| Internal sales   | 2,201         | 731                  | 1,655        | 28                     | 440                | -5,055        | –             |
| <b>Total</b>   | <b>13,374</b> | <b>5,219</b>         | <b>5,657</b> | <b>4,212</b>           | <b>489</b>         | <b>-5,055</b> | <b>23,896</b> |
| <b>Allocation per country</b>                                    |               |                      |              |                        |                    |               |               |
| Sweden   | 10,540        | 4,650                | 5,004        | 3,423                  | 436                | -4,462        | 19,591        |
| Norway   | 1,649         | 520                  | 439          | 418                    | 34                 | -142          | 2,918         |
| Finland  | 1,182         | 49                   | 208          | 371                    | 19                 | -449          | 1,380         |
| Other  | 3             |                      | 6            |                        |                    | -2            | 7             |
| <b>Total</b>   | <b>13,374</b> | <b>5,219</b>         | <b>5,657</b> | <b>4,212</b>           | <b>489</b>         | <b>-5,055</b> | <b>23,896</b> |
| <b>Allocation per type of customer</b>                           |               |                      |              |                        |                    |               |               |
| Public sector  | 5,134         | 3,165                | 762          | 8                      | 28                 |               | 9,097         |
| Private customers  | 6,039         | 1,323                | 3,240        | 4,176                  | 21                 |               | 14,799        |
| Internal customers   | 2,201         | 731                  | 1,655        | 28                     | 440                | -5,055        | –             |
| <b>Total</b>   | <b>13,374</b> | <b>5,219</b>         | <b>5,657</b> | <b>4,212</b>           | <b>489</b>         | <b>-5,055</b> | <b>23,896</b> |
| <b>Allocation per point in time</b>                              |               |                      |              |                        |                    |               |               |
| At one point in time   | 39            | 23                   | 2,943        | 1,365                  | 57                 | -965          | 3,462         |
| Over time  | 13,332        | 5,194                | 2,058        | 2,755                  | 412                | -3,669        | 20,082        |
| Income from rent <sup>1)</sup>                                   | 3             | 2                    | 656          | 92                     | 20                 | -421          | 352           |
| <b>Total</b>   | <b>13,374</b> | <b>5,219</b>         | <b>5,657</b> | <b>4,212</b>           | <b>489</b>         | <b>-5,055</b> | <b>23,896</b> |
| <sup>1)</sup> Income from rent is recognized according to IAS 17 |               |                      |              |                        |                    |               |               |
| <b>Allocation per type of income</b>                             |               |                      |              |                        |                    |               |               |
| Contract work  | 13,329        | 5,194                | 2,057        | 2,754                  |                    | -3,254        | 20,080        |
| Sales of products  | 2             |                      | 1,856        |                        |                    | -596          | 1,262         |
| Sales of property projects                                       |               |                      |              | 1,285                  |                    |               | 1,285         |
| Transportation services etc.                                     |               | 1                    | 1,062        |                        |                    | -333          | 730           |
| Administrative services  | 3             |                      | 1            | 1                      | 412                | -415          | 2             |
| Income from rent   | 3             | 2                    | 656          | 92                     | 20                 | -421          | 352           |
| Other  | 37            | 22                   | 25           | 80                     | 57                 | -36           | 185           |
| <b>Total</b>   | <b>13,374</b> | <b>5,219</b>         | <b>5,657</b> | <b>4,212</b>           | <b>489</b>         | <b>-5,055</b> | <b>23,896</b> |

| Group Jan-Dec 2017<br>MSEK                            | Construction  | Civil<br>Engineering | Industry      | Project<br>Development | Group<br>functions | Eliminations   | Group         |
|---|---------------|----------------------|---------------|------------------------|--------------------|----------------|---------------|
| <b>Allocation per external/internal customer</b>      |               |                      |               |                        |                    |                |               |
| External sales  | 22,073        | 10,319               | 9,206         | 8,282                  | 101                |                | 49,981        |
| Internal sales  | 4,653         | 1,506                | 3,555         | 61                     | 892                | -10,667        | –             |
| <b>Total</b>  | <b>26,726</b> | <b>11,825</b>        | <b>12,761</b> | <b>8,343</b>           | <b>993</b>         | <b>-10,667</b> | <b>49,981</b> |
| <b>Allocation per country</b>                         |               |                      |               |                        |                    |                |               |
| Sweden  | 20,694        | 10,470               | 11,226        | 6,969                  | 862                | -9,329         | 40,892        |
| Norway  | 3,304         | 1,237                | 1,075         | 434                    | 84                 | -391           | 5,743         |
| Finland   | 2,722         | 118                  | 446           | 940                    | 47                 | -942           | 3,331         |
| Other   | 6             |                      | 14            |                        |                    | -5             | 15            |
| <b>Total</b>  | <b>26,726</b> | <b>11,825</b>        | <b>12,761</b> | <b>8,343</b>           | <b>993</b>         | <b>-10,667</b> | <b>49,981</b> |
| <b>Allocation per type of customer</b>                |               |                      |               |                        |                    |                |               |
| Public sector   | 8,712         | 7,388                | 2,685         | 19                     | 92                 |                | 18,896        |
| Private customers                                     | 13,361        | 2,931                | 6,521         | 8,263                  | 9                  |                | 31,085        |
| Internal customers                                    | 4,653         | 1,506                | 3,555         | 61                     | 892                | -10,667        | –             |
| <b>Total</b>  | <b>26,726</b> | <b>11,825</b>        | <b>12,761</b> | <b>8,343</b>           | <b>993</b>         | <b>-10,667</b> | <b>49,981</b> |
| <b>Allocation per point in time</b>                   |               |                      |               |                        |                    |                |               |
| At one point in time                                  | 96            | 51                   | 6,251         | 3,015                  | 119                | -2,107         | 7,425         |
| Over time   | 26,625        | 11,771               | 4,914         | 5,161                  | 832                | -7,589         | 41,714        |
| Income from rent <sup>1)</sup>                        | 5             | 3                    | 1,596         | 167                    | 42                 | -971           | 842           |
| <b>Total</b>  | <b>26,726</b> | <b>11,825</b>        | <b>12,761</b> | <b>8,343</b>           | <b>993</b>         | <b>-10,667</b> | <b>49,981</b> |
| 1) Income from rent is recognized according to IAS 17 |               |                      |               |                        |                    |                |               |
| <b>Allocation per type of income</b>                  |               |                      |               |                        |                    |                |               |
| Contract work   | 26,619        | 11,771               | 4,911         | 5,159                  |                    | -6,750         | 41,710        |
| Sales of products                                     | 6             |                      | 3,847         |                        |                    | -1,238         | 2,615         |
| Sales of property projects                            |               |                      |               | 2,802                  |                    | -26            | 2,776         |
| Transportation services etc.                          |               | 2                    | 2,186         |                        |                    | -728           | 1,460         |
| Administrative services                               | 6             |                      | 3             | 2                      | 832                | -839           | 4             |
| Income from rent                                      | 5             | 3                    | 1,596         | 167                    | 42                 | -971           | 842           |
| Other   | 90            | 49                   | 218           | 213                    | 119                | -115           | 574           |
| <b>Total</b>  | <b>26,726</b> | <b>11,825</b>        | <b>12,761</b> | <b>8,343</b>           | <b>993</b>         | <b>-10,667</b> | <b>49,981</b> |



## Note 3 – Operating segment

| Group Jan-Jun 2018<br>MSEK                | Con-<br>struction | Civil<br>Engineering | Industry     | Project<br>Development | Group<br>functions | Eliminations  | Group         |
|---|-------------------|----------------------|--------------|------------------------|--------------------|---------------|---------------|
| External sales                            | 11,339            | 5,465                | 4,058        | 4,033                  | 48                 | 0             | 24,943        |
| Internal sales                            | 2,647             | 790                  | 1,700        | 29                     | 496                | -5,662        | –             |
| <b>Total income</b>                       | <b>13,986</b>     | <b>6,255</b>         | <b>5,758</b> | <b>4,062</b>           | <b>544</b>         | <b>-5,662</b> | <b>24,943</b> |
| <b>Operating profit</b>                   | <b>321</b>        | <b>172</b>           | <b>224</b>   | <b>375</b>             | <b>-110</b>        | <b>-15</b>    | <b>967</b>    |
| <b>Operating margin, %</b>                | <b>2.3</b>        | <b>2.7</b>           | <b>3.9</b>   | <b>9.2</b>             |                    |               | <b>3.9</b>    |
| Net finance                               |                   |                      |              |                        |                    |               | -38           |
| <b>Pre-tax profit</b>                     |                   |                      |              |                        |                    |               | <b>929</b>    |
| Tax                                       |                   |                      |              |                        |                    |               | -139          |
| <b>Profit for the period</b>              |                   |                      |              |                        |                    |               | <b>790</b>    |
| <b>Capital employed (closing balance)</b> |                   |                      | <b>6,279</b> | <b>11,549</b>          |                    |               |               |

| Group Jan-Jun 2017<br>MSEK                | Con-<br>struction | Civil<br>Engineering | Industry     | Project<br>Development | Group<br>functions | Eliminations  | Group         |
|---|-------------------|----------------------|--------------|------------------------|--------------------|---------------|---------------|
| External sales                            | 11,173            | 4,488                | 4,002        | 4,184                  | 49                 | 0             | 23,896        |
| Internal sales                            | 2,201             | 731                  | 1,655        | 28                     | 440                | -5,055        | –             |
| <b>Total income</b>                       | <b>13,374</b>     | <b>5,219</b>         | <b>5,657</b> | <b>4,212</b>           | <b>489</b>         | <b>-5,055</b> | <b>23,896</b> |
| <b>Operating profit</b>                   | <b>301</b>        | <b>149</b>           | <b>223</b>   | <b>384</b>             | <b>-96</b>         | <b>-10</b>    | <b>951</b>    |
| <b>Operating margin, %</b>                | <b>2.3</b>        | <b>2.9</b>           | <b>3.9</b>   | <b>9.1</b>             |                    |               | <b>4.0</b>    |
| Net finance                               |                   |                      |              |                        |                    |               | -23           |
| <b>Pre-tax profit</b>                     |                   |                      |              |                        |                    |               | <b>928</b>    |
| Tax                                       |                   |                      |              |                        |                    |               | -126          |
| <b>Profit for the period</b>              |                   |                      |              |                        |                    |               | <b>802</b>    |
| <b>Capital employed (closing balance)</b> |                   |                      | <b>5,519</b> | <b>9,738</b>           |                    |               |               |

| Group Jan-Dec 2017<br>MSEK                | Con-<br>struction | Civil<br>Engineering | Industry      | Project<br>Development | Group<br>functions | Eliminations   | Group         |
|---|-------------------|----------------------|---------------|------------------------|--------------------|----------------|---------------|
| External sales                            | 22,073            | 10,319               | 9,206         | 8,282                  | 101                | 0              | 49,981        |
| Internal sales                            | 4,653             | 1,506                | 3,555         | 61                     | 892                | -10,667        | –             |
| <b>Total income</b>                       | <b>26,726</b>     | <b>11,825</b>        | <b>12,761</b> | <b>8,343</b>           | <b>993</b>         | <b>-10,667</b> | <b>49,981</b> |
| <b>Operating profit</b>                   | <b>602</b>        | <b>374</b>           | <b>867</b>    | <b>804</b>             | <b>-228</b>        | <b>-1</b>      | <b>2,418</b>  |
| <b>Operating margin, %</b>                | <b>2.3</b>        | <b>3.2</b>           | <b>6.8</b>    | <b>9.6</b>             |                    |                | <b>4.8</b>    |
| Net finance                               |                   |                      |               |                        |                    |                | 40            |
| <b>Pre-tax profit</b>                     |                   |                      |               |                        |                    |                | <b>2,458</b>  |
| Tax                                       |                   |                      |               |                        |                    |                | -391          |
| <b>Profit for the year</b>                |                   |                      |               |                        |                    |                | <b>2,067</b>  |
| <b>Capital employed (closing balance)</b> |                   |                      | <b>5,781</b>  | <b>9,986</b>           |                    |                |               |

## Note 4 – Financial assets and liabilities valued at fair value

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

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

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

Level 3: based on inputs unobservable to the market.

For a description of how fair value has been calculated see the Annual Report 2017, note 35. The fair value of financial assets and liabilities is estimated to be, in principle, the same as their recognized values.

| Group   | 30 Jun 2018 |           |           |           | 30 Jun 2017 |           |           |            | 31 Dec 2017 |           |           |           |
|---|-------------|-----------|-----------|-----------|-------------|-----------|-----------|------------|-------------|-----------|-----------|-----------|
| MSEK  | Level 1     | Level 2   | Level 3   | Total     | Level 1     | Level 2   | Level 3   | Total      | Level 1     | Level 2   | Level 3   | Total     |
| <b>Assets</b>                                 |             |           |           |           |             |           |           |            |             |           |           |           |
| Other securities held as fixed assets         |             |           | 71        | 71        | 611         |           | 58        | 669        |             |           | 59        | 59        |
| <i>Whereof shareholding in listed company</i> |             |           |           | –         | 611         |           |           | 611        |             |           |           | –         |
| <i>Whereof investment in unlisted funds</i>   |             |           | 71        | 71        |             |           | 58        | 58         |             |           | 59        | 59        |
| Other long-term receivables                   |             | 6         |           | 6         |             |           |           | –          |             | 2         |           | 2         |
| <i>Whereof commodity hedging with futures</i> |             | 6         |           | 6         |             |           |           | –          |             | 2         |           | 2         |
| Other current receivables                     |             | 1         |           | 1         |             | 7         |           | 7          |             | 4         |           | 4         |
| <i>Whereof currency swaps</i>                 |             | 1         |           | 1         |             | 7         |           | 7          |             | 4         |           | 4         |
| <b>Total assets</b>                           | <b>–</b>    | <b>7</b>  | <b>71</b> | <b>78</b> | <b>611</b>  | <b>7</b>  | <b>58</b> | <b>676</b> | <b>–</b>    | <b>6</b>  | <b>59</b> | <b>65</b> |
| <b>Liabilities</b>                            |             |           |           |           |             |           |           |            |             |           |           |           |
| Other long-term liabilities                   |             | 29        | 23        | 52        |             | 66        | 26        | 92         |             | 44        | 23        | 67        |
| <i>Whereof interest rate swaps</i>            |             | 29        |           | 29        |             | 66        |           | 66         |             | 44        |           | 44        |
| <i>Whereof contingent consideration</i>       |             |           | 23        | 23        |             |           | 26        | 26         |             |           | 23        | 23        |
| Other current liabilities                     |             | 2         | 11        | 13        |             | 0         |           | 0          |             | 2         | 11        | 13        |
| <i>Whereof currency swaps</i>                 |             | 2         |           | 2         |             | 0         |           | 0          |             | 2         |           | 2         |
| <i>Whereof contingent consideration</i>       |             |           | 11        | 11        |             |           |           | –          |             |           | 11        | 11        |
| <b>Total liabilities</b>                      | <b>–</b>    | <b>31</b> | <b>34</b> | <b>65</b> | <b>–</b>    | <b>66</b> | <b>26</b> | <b>92</b>  | <b>–</b>    | <b>46</b> | <b>34</b> | <b>80</b> |

| Parent company                                | 30 Jun 2018 |          |          |          | 30 Jun 2017 |          |          |            | 31 Dec 2017 |          |          |          |
|---|-------------|----------|----------|----------|-------------|----------|----------|------------|-------------|----------|----------|----------|
| MSEK  | Level 1     | Level 2  | Level 3  | Total    | Level 1     | Level 2  | Level 3  | Total      | Level 1     | Level 2  | Level 3  | Total    |
| <b>Assets</b>                                 |             |          |          |          |             |          |          |            |             |          |          |          |
| Other long-term securities held               |             |          |          | –        | 611         |          |          | 611        |             |          |          | –        |
| <i>Whereof shareholding in listed company</i> |             |          |          | –        | 611         |          |          | 611        |             |          |          | –        |
| <b>Total assets</b>                           | <b>–</b>    | <b>–</b> | <b>–</b> | <b>–</b> | <b>611</b>  | <b>–</b> | <b>–</b> | <b>611</b> | <b>–</b>    | <b>–</b> | <b>–</b> | <b>–</b> |

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

| Group                                  | Other securities held as fixed asset |             |             |
|--|--------------------------------------|-------------|-------------|
| MSEK                                   | 30 Jun 2018                          | 30 Jun 2017 | 31 dec 2017 |
| <b>Opening balance</b>                 | <b>59</b>                            | <b>54</b>   | <b>54</b>   |
| Investments during the period          | 8                                    | 4           | 17          |
| Repayments during the period           | –                                    | –           | -14         |
| Dividends received                     | -3                                   | 0           | -1          |
| Reported in profit for the period *    | 7                                    | 0           | -2          |
| Reported in other comprehensive income | –                                    | 0           | 5           |
| <b>Closing balance</b>                 | <b>71</b>                            | <b>58</b>   | <b>59</b>   |

\* Reported in net financial items

| Group                             | Contingent consideration |             |             |
|-----------------------------------|--------------------------|-------------|-------------|
| MSEK                              | 30 Jun 2018              | 30 Jun 2017 | 31 dec 2017 |
| <b>Opening balance</b>            | <b>34</b>                | <b>23</b>   | <b>23</b>   |
| Acquisitions for the profit       | –                        | 3           | 11          |
| Reported in profit for the profit |                          |             |             |
| Interest expense (discount) *     | 0                        | 0           | 0           |
| <b>Closing balance</b>            | <b>34</b>                | <b>26</b>   | <b>34</b>   |

The contingent consideration will amount to at least SEK 3 million and at most SEK 39 million.

\* Reported in net financial items

# Future financial information

- Quarterly report January-September 2018 9 November 2018
  - Year-end Report 2018 8 February 2019
  - Annual and Sustainability Report 2018 April 2019
- 

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

Förlöv, 17 August 2018

Göran Grosskopf  
Chairman

Mats Paulsson  
Vice chairman

Karl-Axel Granlund  
Board member

Fredrik Paulsson  
Board member

Lars Sköld  
Board member

Liselott Kilaas  
Board member

Kerstin Lindell  
Board member

Malin Persson  
Board member

Kim Thomsen  
Board member

Patrik Svensson  
Board member

Egon Waldemarsson  
Board member

Jesper Göransson  
CEO and President

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

# Quarterly data

## Group

| MSEK   | Apr-Jun<br>2018 | Jan-Mar<br>2018 | Oct-Dec<br>2017 | Jul-Sep<br>2017 | Apr-Jun<br>2017 | Jan-Mar<br>2017 | Oct-Dec<br>2016 | Jul-Sep<br>2016 | Apr-Jun<br>2016 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Net sales                                      | 13,453          | 11,490          | 14,490          | 11,595          | 12,791          | 11,105          | 13,673          | 11,197          | 12,600          |
| Production costs                               | -12,038         | -10,482         | -13,103         | -10,431         | -11,461         | -10,234         | -12,409         | -10,107         | -11,323         |
| <b>Gross profit</b>                            | <b>1,415</b>    | <b>1,008</b>    | <b>1,387</b>    | <b>1,164</b>    | <b>1,330</b>    | <b>871</b>      | <b>1,264</b>    | <b>1,090</b>    | <b>1,277</b>    |
| Sales and administrative expenses              | -761            | -737            | -695            | -528            | -735            | -656            | -700            | -478            | -697            |
| Other operating income                         | 27              | 25              | 71              | 78              | 38              | 118             | 59              | 30              | 37              |
| Other operating costs                          | -4              | -6              | -10             | 0               | -2              | -13             | -4              | -3              | 0               |
| <b>Operating profit</b>                        | <b>677</b>      | <b>290</b>      | <b>753</b>      | <b>714</b>      | <b>631</b>      | <b>320</b>      | <b>619</b>      | <b>639</b>      | <b>617</b>      |
| Financial income                               | 19              | 27              | 118             | 17              | 36              | 20              | 66              | 24              | 40              |
| Financial expenses                             | -23             | -61             | -46             | -26             | -50             | -29             | -71             | -37             | -59             |
| <b>Net finance</b>                             | <b>-4</b>       | <b>-34</b>      | <b>72</b>       | <b>-9</b>       | <b>-14</b>      | <b>-9</b>       | <b>-5</b>       | <b>-13</b>      | <b>-19</b>      |
| <b>Pre-tax profit</b>                          | <b>673</b>      | <b>256</b>      | <b>825</b>      | <b>705</b>      | <b>617</b>      | <b>311</b>      | <b>614</b>      | <b>626</b>      | <b>598</b>      |
| Tax  | -101            | -38             | -145            | -120            | -92             | -34             | -96             | -96             | -94             |
| <b>Profit for the period</b>                   | <b>572</b>      | <b>218</b>      | <b>680</b>      | <b>585</b>      | <b>525</b>      | <b>277</b>      | <b>518</b>      | <b>530</b>      | <b>504</b>      |
| <b>Profit for the period, attributable to:</b> |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Shareholders in parent company                 | 572             | 218             | 680             | 585             | 525             | 277             | 518             | 530             | 504             |
| Non-controlling interests                      | 0               | 0               | 0               | –               | –               | –               | 0               | 0               | 0               |
| <b>Profit for the period</b>                   | <b>572</b>      | <b>218</b>      | <b>680</b>      | <b>585</b>      | <b>525</b>      | <b>277</b>      | <b>518</b>      | <b>530</b>      | <b>504</b>      |
| <b>Key ratios</b>                              |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Earnings per share, SEK                        | 1.94            | 0.74            | 2.31            | 1.98            | 1.78            | 0.94            | 1.76            | 1.80            | 1.71            |
| Average number of outstanding shares, million  | 295.0           | 295.0           | 295.0           | 295.0           | 295.0           | 295.0           | 295.0           | 295.0           | 295.0           |
| Capital employed (closing balance)             | 16,322          | 14,631          | 14,074          | 14,438          | 13,874          | 13,501          | 14,362          | 15,005          | 13,702          |
| Equity (closing balance)                       | 10,153          | 10,688          | 10,332          | 9,757           | 9,170           | 9,559           | 9,340           | 8,698           | 8,023           |

## Business areas

| MSEK                                   | Apr-Jun<br>2018 | Jan-Mar<br>2018 | Oct-Dec<br>2017 | Jul-Sep<br>2017 | Apr-Jun<br>2017 | Jan-Mar<br>2017 | Oct-Dec<br>2016 | Jul-Sep<br>2016 | Apr-Jun<br>2016 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Net sales</b>                       |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Construction                           | 7,423           | 6,563           | 7,631           | 5,721           | 6,988           | 6,386           | 6,992           | 5,510           | 6,420           |
| Civil Engineering                      | 3,439           | 2,816           | 3,787           | 2,819           | 2,831           | 2,388           | 3,292           | 2,654           | 2,765           |
| Industry                               | 3,580           | 2,178           | 3,684           | 3,420           | 3,420           | 2,237           | 3,462           | 3,449           | 3,356           |
| Project Development                    | 1,775           | 2,287           | 2,205           | 1,926           | 2,000           | 2,212           | 2,263           | 1,486           | 2,187           |
| – of which Property Development        | 171             | 156             | 117             | 131             | 106             | 659             | 148             | 130             | 1,031           |
| – of which Housing Development         | 1,604           | 2,131           | 2,088           | 1,795           | 1,894           | 1,553           | 2,115           | 1,356           | 1,156           |
| Group functions                        | 285             | 259             | 262             | 242             | 254             | 235             | 242             | 226             | 225             |
| Eliminations                           | -3,049          | -2,613          | -3,079          | -2,533          | -2,702          | -2,353          | -2,578          | -2,128          | -2,353          |
| <b>Group</b>                           | <b>13,453</b>   | <b>11,490</b>   | <b>14,490</b>   | <b>11,595</b>   | <b>12,791</b>   | <b>11,105</b>   | <b>13,673</b>   | <b>11,197</b>   | <b>12,600</b>   |
| <b>Operating profit</b>                |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Construction                           | 178             | 143             | 180             | 121             | 162             | 139             | 147             | 127             | 152             |
| Civil Engineering                      | 130             | 42              | 136             | 89              | 110             | 39              | 120             | 93              | 105             |
| Industry                               | 262             | -38             | 302             | 342             | 246             | -23             | 227             | 336             | 202             |
| Project Development                    | 174             | 201             | 246             | 174             | 162             | 222             | 235             | 110             | 187             |
| – of which Property Development        | 13              | 50              | 6               | -3              | 5               | 90              | 20              | -37             | 102             |
| – of which Housing Development         | 161             | 151             | 240             | 177             | 157             | 132             | 215             | 147             | 85              |
| Group functions                        | -55             | -55             | -128            | -4              | -49             | -47             | -60             | -6              | -29             |
| Eliminations                           | -12             | -3              | 17              | -8              | 0               | -10             | -50             | -21             | 0               |
| <b>Group</b>                           | <b>677</b>      | <b>290</b>      | <b>753</b>      | <b>714</b>      | <b>631</b>      | <b>320</b>      | <b>619</b>      | <b>639</b>      | <b>617</b>      |
| <b>Operating margin, %</b>             |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Construction                           | 2.4             | 2.2             | 2.4             | 2.1             | 2.3             | 2.2             | 2.1             | 2.3             | 2.4             |
| Civil Engineering                      | 3.8             | 1.5             | 3.6             | 3.2             | 3.9             | 1.6             | 3.6             | 3.5             | 3.8             |
| Industry                               | 7.3             | -1.7            | 8.2             | 10.0            | 7.2             | -1.0            | 6.6             | 9.7             | 6.0             |
| Project Development                    | 9.8             | 8.8             | 11.2            | 9.0             | 8.1             | 10.0            | 10.4            | 7.4             | 8.6             |
| – of which Property Development        | 7.6             | 32.1            | 5.1             | -2.3            | 4.7             | 13.7            | 13.5            | -28.5           | 9.9             |
| – of which Housing Development         | 10.0            | 7.1             | 11.5            | 9.9             | 8.3             | 8.5             | 10.2            | 10.8            | 7.4             |
| Group functions                        |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Eliminations                           |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| <b>Group</b>                           | <b>5.0</b>      | <b>2.5</b>      | <b>5.2</b>      | <b>6.2</b>      | <b>4.9</b>      | <b>2.9</b>      | <b>4.5</b>      | <b>5.7</b>      | <b>4.9</b>      |
| <b>Order situation, MSEK</b>           |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Orders received                        | 16,257          | 12,906          | 13,039          | 10,651          | 12,880          | 12,429          |                 |                 |                 |
| Order backlog at the end of the period | 47,453          | 43,055          | 40,205          | 40,211          | 39,470          | 38,149          |                 |                 |                 |



# Alternative performance measures and financial definitions

Alternative performance measures are used to describe the development of operations and to enhance comparability between periods. These are not defined under IFRS but correspond to the methods applied by executive management and Board of Directors to measure the company's financial performance. Alternative performance measures should not be viewed as a substitute for financial information presented in accordance with IFRS but rather as a complement. For more information see [www.peab.com/alternative-performance-measures](http://www.peab.com/alternative-performance-measures).

## **Available liquidity**

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

## **Capital employed for the business areas**

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

## **Capital employed for the Group**

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

## **Earnings per share**

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

## **Equity/assets ratio**

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

## **Equity per share**

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

## **Net debt**

Interest-bearing liabilities less liquid funds and interest-bearing assets.

## **Net debt/equity ratio**

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

## **Net investments**

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

## **Operating margin**

Operating profit as a percentage of net sales.

## **Order backlog**

The value at the end of the period of the remaining income in ongoing production plus orders received yet to be produced.

## **Orders received**

The sum of orders received during the period. Measures how new orders replace produced work.

## **Return on capital employed**

The pre-tax profit of the rolling 12 month period with the addition of financial expenses in percent of the average (last four quarters) capital employed. The measurement is used to measure capital efficiency and to allocate capital for new investments.

## **Return on equity**

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



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

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

Peab participates in developing a more sustainable society. This means that Peab strives to meet the demands and expectations from our surroundings and at the same time create new business opportunities.

Peab's business contributes to society by developing and building new homes and offices, public functions like schools, libraries, hospitals and infrastructure in the form of bridges and roads. In other words we make a difference in daily life in both small and large places.

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

Net sales, appr.

**SEK 51 billion**

Employees, appr.

**15 000**

## Business model

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



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



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



**Business area Industry** delivers, among other things, ballast, concrete, asphalt, temporary electricity and prefabricated concrete elements to external customers and the other business areas in Peab. The business area also provides cranes, machines and transportation as well as handling production waste.



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



Four collaborating business areas create added value