

Quarterly report

JANUARY – SEPTEMBER 2023



Apartment building
Vanda, Finland



PEAB
THE NORDIC COMMUNITY BUILDER

The market continues to be divided

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

Summary according to segment reporting

July – September 2023

- Net sales SEK 14,736 million (16,685)
- Operating profit SEK 786 million (993)
- Operating margin 5.3 percent (6.0)
- Pre-tax profit SEK 654 million (963)
- Earnings per share SEK 1.85 (2.69)
- Orders received SEK 11,034 million (13,095)
- Cash flow before financing SEK 450 million (805)

January – September 2023

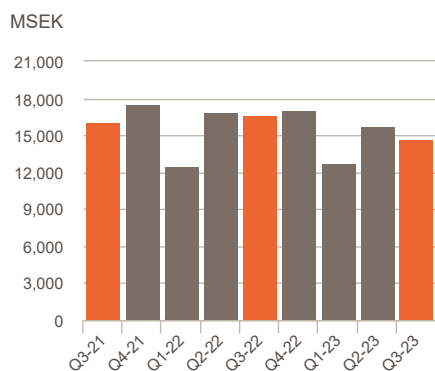
- Arbitration decision handed down in the case of Mall of Scandinavia (MoS)
- Net sales SEK 43,182 million (46,087)
- Operating profit SEK 1,720 million (1,888). Operating profit excl. MoS SEK 1,320 million
- Operating margin 4.0 percent (4.1). Operating margin excl. MoS 3.1 percent
- Pre-tax profit SEK 1,864 million (1,852). Pre-tax profit excl. MoS SEK 1,074 million
- Earnings per share SEK 5.17 (5.09). Earnings per share excl. MoS SEK 2.99
- Orders received SEK 34,581 million (42,804)
- Order backlog SEK 41,669 million (48,762)
- Cash flow before financing SEK -2,779 million (-1,058)
- Net debt SEK 10,173 million (5,886)
- Net debt/equity ratio 0.7 (0.4)

Group

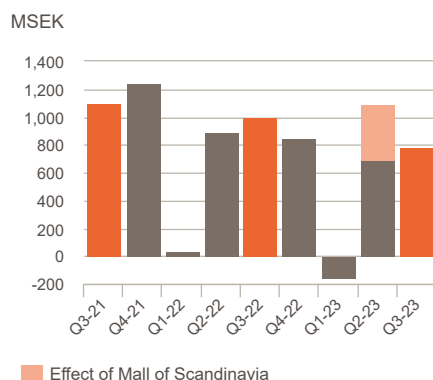
MSEK	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022	Oct-Sep 2022/2023	Jan-Dec 2022
Segment reporting						
Net sales	14,736	16,685	43,182	46,087	60,230	63,135
Operating profit	786	993	1,720	1,888	2,573	2,741
Operating margin, %	5.3	6.0	4.0	4.1	4.3	4.3
Pre-tax profit	654	963	1,864	1,852	2,682	2,670
Profit for the period	530	788	1,486	1,495	2,028	2,037
Earnings per share, SEK	1.85	2.69	5.17	5.09	7.06	6.98
Return on equity, % ¹⁾	13.6	17.7	13.6	17.7	13.6	14.0
Return on capital employed, % ¹⁾	11.5	14.3	11.5	14.3	11.5	12.2
Net debt	10,173	5,886	10,173	5,886	10,173	6,899
Net debt/equity ratio, multiple	0.7	0.4	0.7	0.4	0.7	0.5
Equity/assets ratio, %	32.5	33.5	32.5	33.5	32.5	34.7
Cash flow before financing	450	805	-2,779	-1,058	-3,676	-1,955
Average number of employees	14,363	15,211	13,821	14,053	14,037	14,211
Reporting according to IFRS						
Net sales, IFRS	15,159	16,197	44,235	44,792	61,376	61,933
Operating profit, IFRS	911	916	2,115	1,671	3,001	2,557
Pre-tax profit, IFRS	769	874	2,227	1,600	3,067	2,440
Profit for the period, IFRS	624	711	1,777	1,273	2,335	1,831
Earnings per share, IFRS, SEK	2.17	2.43	6.18	4.34	8.11	6.27
Net debt, IFRS	17,740	15,789	17,740	15,789	17,740	16,681
Equity/assets ratio, IFRS, %	27.2	25.9	27.2	25.9	27.2	27.0
Cash flow before financing, IFRS	1,052	520	-500	-2,655	-1,004	-3,159

¹⁾ Calculated on rolling 12 months

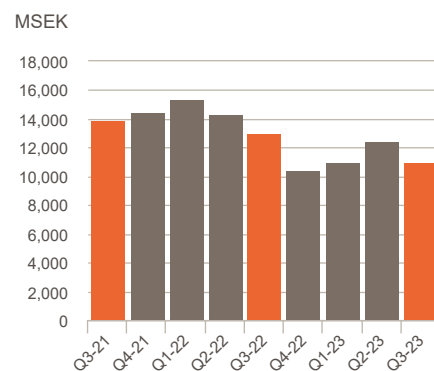
Net sales



Operating profit



Orders received



Comments from the CEO

The trend of a divided market continues. We continue to see a stalled housing market which has a negative effect on housing construction while the public construction market is developing well. Peab has very diverse operations and during the period development has been good in areas such as Civil Engineering and Paving.

Group development

Group net sales contracted by six percent during the first nine months of the year and amounted to SEK 43,182 million (46,087). Operating profit amounted to SEK 1,720 million (1,888) and the operating margin was 4,0 percent (4,1). Excluding the effect of Mall of Scandinavia (MoS) the operating profit amounted to SEK 1,320 million and the operating margin was 3,1 percent. The lower demand for new production of housing in all the countries Peab operates in primarily affected business areas Project Development and Construction. Civil Engineering, Paving and public construction in Construction have developed well but not enough to fully compensate the effect of the severely diminished housing construction market. This affects both our ability to generate profits and our indebtedness and we are continually adapting to the market situation.

Business area development

Net sales in business area Construction remained unchanged but increased in Civil Engineering by one percent during the first nine months. The operating margin in Construction excl. MoS was 1.9 percent (2.2) and 3.0 percent (3.0) in Civil Engineering. Business area Construction is in the process of adjusting to the lower demand in housing developments. In total, the operating margin for the construction contract businesses amounted to 2.3 percent (2.5).

Net sales in business area Industry contracted by six percent during the first nine months. The operating margin was 3.3 percent (2.9). The improved operating margin is mainly due to better earnings in Paving. Operations in Industry have continued to handle the high energy and fuel prices through prices to customers as well as adapting and streamlining operations.

In business area Project Development net sales contracted by 36 percent as a result of the low level of activity on the housing market throughout the entire Nordic region. Few sold homes and very few production-starts of our own housing developments contributed to the continued decline of operating profit in Housing Development, which had an operating margin of 5.8 percent (10.5). No major transactions occurred in Property Development during the period.

The total number of our own housing development start-ups was 648 (2,022) during the period January to September, of which 121 (1,680) were tenant-owner apartments/condominiums and 527 (342) were homes in rental apartment projects on our own balance sheet. The number of sold homes was 604 (1,502), of which 341 (1,502) were tenant-owner apartments/condominiums and 263 (-) were homes in rental apartment projects. The portion of sold tenant-owner apartments/condominiums in ongoing production amounted to 67 percent (72) as of September 30, 2023.

Order situation

The level of orders received contracted during January to September to SEK 34.6 billion (42.8). The decrease is mainly due to the weak demand for housing projects, which affects business areas Project Development and Construction. We have also been more selective about the tenders submitted by Paving in Norway. There has been a good level of orders received from the public sector in the period. Order backlog yet to be produced at the end of the period was SEK 41.7 billion (48.8).

Arbitration decision in Peab's favor

A decision in the case between Peab and Unibail Rodamco Westfield regarding the contract for Mall of Scandinavia in Solna was handed down in Peab's favor on June 30, 2023. Since then Unibail Rodamco Westfield has petitioned the Swedish Court of Appeal to set aside the judgment in its entirety in a so-called protest action and the judgement was suspended. This means the judgement is not enforceable until further notice, deferring the time of payment. Peab's assessment of the previously communicated estimated effects on profit has not changed and we cannot see any ground whatsoever for a protest action.

Target outcome

We are reporting the outcome for three of our nine external targets this quarter: serious accidents, operating margin and net debt/equity ratio. The number of serious accidents, calculated on rolling 12 months, amounted to 40 (48 per September 30, 2022) of which 26 referred to our own employees and 14 referred to subcontractors.



Our focus on these issues continues to generate positive results and the trend is headed in the right direction. Our preventive work concerning the work environment and measures to prevent accidents from reoccurring as well as continuous information are key to reducing the number of workplace accidents.

Our financial targets are based over time and in a normal business cycle. One of them is to have an operating margin that surpasses six percent. Operating margin calculated on rolling 12 months at the end of the third quarter was 3.6 percent. The operating margin is clearly affected by the deteriorated situation on the housing market. Our second financial target, the net debt/equity ratio, was 0.7 at the end of the third quarter, which is inside the target interval 0.3-0.7. Net debt has increased due to more tied up capital, mostly in business areas Project Development and Industry.

Market and prospects for the future

According to external analysts market prospects for the Nordic region in housing are trending downward in 2023 while developments in other building construction and civil engineering are expected to be considerably positive. Above all they foresee a stronger demand for public building construction, civil engineering and investments connected to green transition. Regarding housing, hardly any new projects are starting up on the market. Higher interest rates and high inflation make it harder to make calculations come out ahead. The lower investment level is expected to continue in 2024 in the Nordic markets.

Considering that there is still an underlying need for housing in the Nordic region, the drastic reduction in housing construction is not a good development. It is vital to find a solution to the long-term management of supplying housing, particularly in Sweden. As far as Peab is concerned, we have a well-dimensioned development rights portfolio in attractive locations and in anticipation of market recovery we are further developing and preparing projects for the future.

While waiting for the housing market and other private construction to scale up again we continue to adapt our business through intense focus on costs and caution regarding investments.

Our broad offer to the market with widely diverse operations is a source of strength for us. Our four collaborating business areas, extensive Nordic local presence and our skilled employees make Peab less vulnerable in the current market situation. In the long run the conditions for growth in the segments and markets where we are active are good.

Jesper Göransson
President and CEO

Net sales and profit

July – September 2023

Group net sales during the third quarter 2023 decreased by twelve percent and amounted to SEK 14,736 million (16,685).

Net sales in business area Construction decreased by eight percent compared to the third quarter last year. The reduction is primarily due to a lower demand in new production of homes in all countries, which Peab has not been able to compensate for with other kinds of projects. Net sales in business area Civil Engineering decreased by three percent due to less activity in Infrastructure. Net sales in business area Industry decreased by four percent in the third quarter. The reduction is mainly related to Paving and Concrete. In business area Project Development net sales decreased by 62 percent, which is largely related to Housing Development and the weak demand for homes in the entire Nordic region.

Operating profit for the third quarter 2023 amounted to SEK 786 million (993) and the operating margin was 5.3 percent (6.0).

In business area Construction the operating margin was 1.7 percent compared to 2.0 percent for the same quarter the last year. Business area Construction is in the process of adjusting to the lower demand in housing developments. In business area Civil Engineering the operating margin was 3.2 percent (3.3). All in all the operating margin for the construction contract businesses amounted to 2.2 percent (2.5). We continue to experience some dilution of the operating margin as a result of the high cost of material and energy in contracts received before the war broke out in Ukraine. Operating profit in business area Industry amounted to SEK 588 (519) million and the operating margin improved to 8.7 percent (7.3). The improvement is due to better earnings in Paving. Operating profit in business area Project Development was lower, which is related to both Housing Development and Property Development. The continued weak demand for housing has led to fewer sold homes and few production start ups of tenant-owner/condominium housing projects during the quarter, which has affected operating profit negatively in Housing Development. The operating margin in Housing Development was 2.9 percent (9.0). In Property Development, profit contributions from partially owned companies were somewhat lower compared to the same quarter last year. No real estate transactions have occurred during the quarter. In the comparable period capital gains from real estate transactions affected Property Development positively by SEK 61 million.

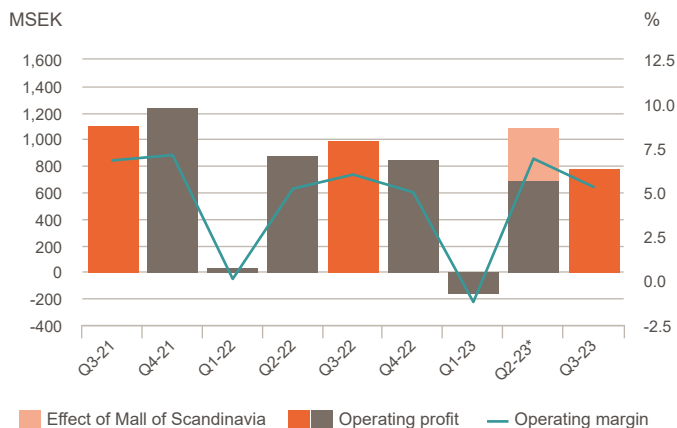
Depreciation and write-downs for the third quarter were SEK -358 million (-336).

Elimination and reversal of internal profit in our own projects have affected operating profit during the quarter net by SEK -21 million (-8). Eliminations have been affected by building more rental apartments and offices on our own.

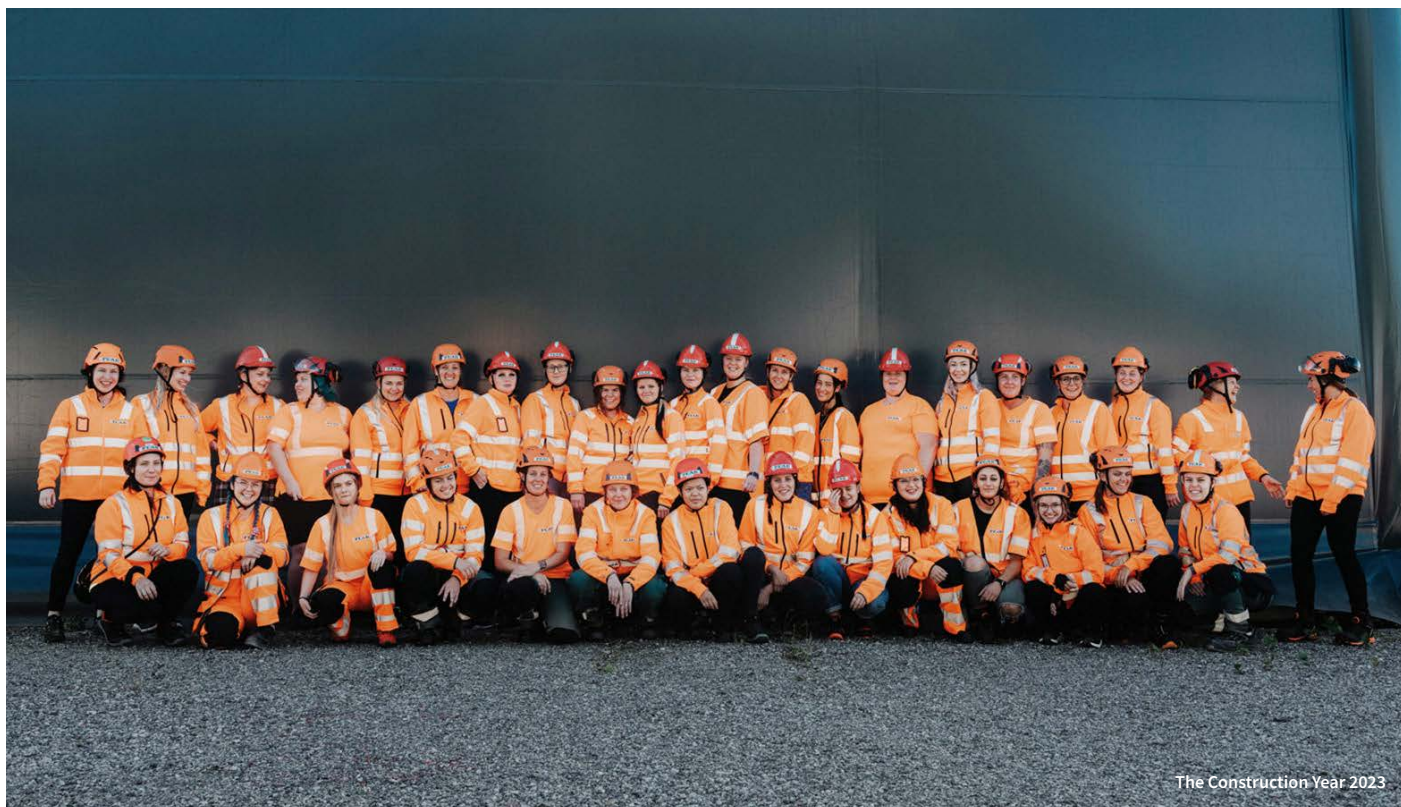
Net financial items amounted to SEK -132 million (-30) of which net interest was SEK -129 million (-33).

Pre-tax profit was SEK 654 million (963). Profit for the period was SEK 530 million (788).

Operating profit and operating margin, per quarter



* Operating margin excluding effect of MoS was 4.4%



The Construction Year 2023

January – September 2023

Group net sales for the period January-September 2023 contracted by six percent and amounted to SEK 43,182 million (46,087). After adjustments for acquired and divested units and exchange rate effects net sales decreased by eight percent. Of the period's net sales SEK 12,963 million (13,959) were attributable to sales and production outside Sweden. Net sales during the latest rolling 12 month period were SEK 60,230 million compared to SEK 63,135 million for the full year 2022. The proportion of public sector customers increased in total net sales calculated on a rolling 12 month period and was 47 percent (41) while private customers represented 53 percent (59).

Net sales in business area Construction was on par with the corresponding period last year. The portion of housing in net sales has contracted due to the weak demand in housing projects which is noticeable in all countries where Peab operates. Net sales in business area Civil Engineering were slightly higher compared to the corresponding period last year. Net sales in business area Industry decreased by six percent mainly due to lower net sales in Paving and Concrete. In business area Project Development net sales decreased by 36 percent and is primarily due to a lower demand for housing throughout the Nordic region which has affected net sales in Housing Development.

A decision in the case between Peab and Unibail Rodamco Westfield regarding the contract for Mall of Scandinavia (MoS) in Solna was handed down on June 30, 2023. The judgement had a positive effect on the operating profit of SEK 400 million in the second quarter 2023. Operating profit for the period January-September 2023 excl. MoS amounted to SEK 1,320 million (1,888) and the operating margin excl. MoS was 3.1 percent (4.1). Operating profit amounted to SEK 1,720 million and the operating margin was 4.0 percent. In the latest rolling 12 month period the operating margin amounted to 4.3 percent, which was the same as for the entire year of 2022.

In business area Construction the operating margin excl. MoS was 1.9 percent (2.2). Peab has not been able to fully compensate for the lower demand in new production of homes with other kinds of projects. Business area Construction is in the process of adjusting to the lower demand in housing developments. In business area Civil Engineering the operating margin was unchanged at 3.0 percent (3.0). All in all the operating margin for the construction contract businesses amounted to 2.3 percent (2.5). We continue to experience some dilution of the operating margin as a result of the high cost of material and energy in contracts received before the war broke out in Ukraine. Operating margin in business area Industry was higher during the period compared to same period last year, which is mostly explained by increased earnings in Paving. The operating margin in Industry improved to 3.3 percent (2.9). Operating profit in business area Project Development was lower, which is related to both Housing Development and Property Development. The weak demand for housing throughout the Nordic region has led to fewer sold homes and production-started housing projects, which has affected operating profit negatively in Housing Development.

The operating margin in Housing Development was 5.8 percent (10.5). In Property Development, profit contributions from partly owned companies were somewhat lower compared to the same period last year. The drop is mainly due to higher interest costs in the partly owned companies. Capital gains from real estate transactions were SEK 8 million (83).

Depreciation and write-downs for the period were SEK -1,050 million (-984).

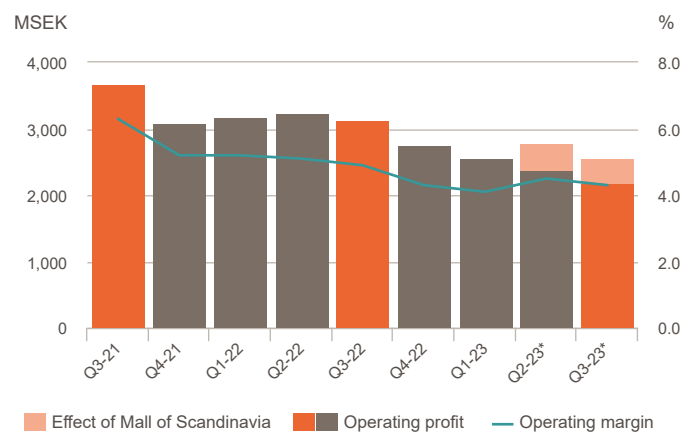
Elimination and reversal of internal profit in our own projects have affected operating profit during the period net by SEK -33 million (-31).

Net financial items excl. MoS amounted to SEK -246 million (-36) of which net interest was SEK -300 million (-66). Net financial items include a positive effect of SEK 390 million as a result of the arbitration decision in Mall of Scandinavia. Net financial items amounted to SEK 144 million.

Pre-tax profit excl. MoS was SEK 1,074 million (1,852). Pre-tax profit was SEK 1,864 million.

Profit for the period excl. MoS was SEK 859 million (1,495). Profit for the period was SEK 1,486 million.

Operating profit and operating margin, rolling 12 months



* Operating margin rolling 12 months excluding effect of MoS was 3.8% as of June 30, 2023 and 3.6% as of 30 September, 2023.

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.



Community Center Hiukkavaara
Oulu, Finland

Financial position and cash flow

Financial position

Total assets according to segment reporting per September 30, 2023 were SEK 46,911 million (43,191). Equity amounted to SEK 15,239 million (14,469), which means the equity/assets ratio was 32.5 percent (33.5).

Interest-bearing net debt amounted to SEK 10,173 million (5,886) on September 30, 2023. The increase in net debt refers to more tied up working capital mainly in business areas Project Development and Industry, and higher investments in machines and production facilities. Net debt includes project financing of the unsold part of our own housing developments as long as they are in production. The unsold part was SEK 2,918 million (1,768) and the increase is due to more capital tied up in unsold homes in ongoing production compared to the same period last year. Interest-bearing receivables amounted to SEK 2,655 million (1,407). The increase is primarily due to a capital claim of SEK 1,067 million on Unibail Rodamco Westfield according to the arbitration decision announced on June 30, 2023. For details regarding the arbitration decision, see Other information. The average interest rate in the loan portfolio, including derivatives, was 5.5 percent (2.4) on September 30, 2023.

Group liquid funds according to IFRS, including unutilized credit facilities but excluding project financing, were SEK 5,325 million at the end of the period compared to SEK 7,640 million on December 31, 2022.

As a consequence of Peab consolidating Swedish tenant-owner associations per January 1, 2020 according to IFRS, surety for tenant-owner associations under production is not reported. When homebuyers take possession of their apartments and the tenant-owner association is no longer consolidated in Peab's accounts, Peab then reports the part of surety that covers unsold homes. Peab has a guarantee obligation to acquire unsold homes six months after completion. Group contingent liabilities, excluding joint and several liabilities in trading and limited partnerships, amounted to SEK 2,634 million at the end of the period compared to SEK 2,801 million on December 31, 2022. Surety for credit lines in tenant-owner associations regarding the unsold part after deconsolidation made up SEK 128 million of contingent liabilities compared to SEK 97 million on December 31, 2022.

Investments and divestments

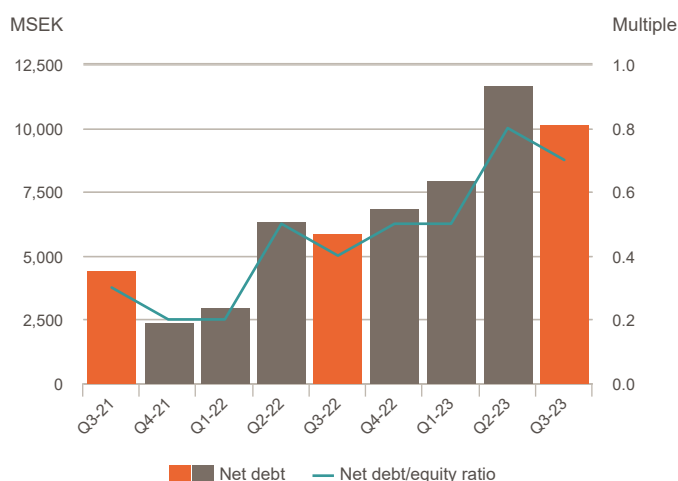
During the quarter tangible and intangible fixed assets were net invested for SEK 310 million (505). The investments mainly refer to investments in machines as well as construction of production facilities for concrete elements in business area Industry. During January-September 2023 tangible and intangible fixed assets were net invested for SEK 1,323 million (1,322).

Net investments in project and development properties, which are recognized as inventory items, totaled SEK 545 million (156) during the quarter. The investments mainly refer to development rights, construction of rental apartment projects as well as a more capital tied-up in unsold apartments in our own housing developments. Net investments in project and development properties, which are recognized as inventory items, totaled SEK 2,028 million (845) during January-September 2023.

Net debt

MSEK	Sep 30 2023	Sep 30 2022	Dec 31 2022
Bank loans	6,385	3,498	4,075
Commercial papers	611	284	167
Bonds	3,064	2,747	2,747
Financial leasing liabilities	808	713	762
Project financing, unsold part of housing projects	2,918	1,768	2,209
Other interest-bearing liabilities	47	67	62
Interest-bearing receivables	-2,655	-1,407	-1,617
Liquid funds	-1,005	-1,784	-1,506
Net debt, segment reporting	10,173	5,886	6,899
Additional leasing liabilities according to IFRS 16	1,517	1,591	1,749
Project financing, sold part of housing projects	6,050	8,312	8,033
Net debt, IFRS	17,740	15,789	16,681

Net debt and net debt/equity ratio



Cash flow

July – September 2023

Cash flow from current operations was SEK 678 million (1,188). Cash flow has been charged by higher interest costs. Cash flow from changes in working capital was SEK -88 million (140). Cash flow from changes in working capital includes positive effects from business areas Construction and Civil Engineering and a negative effect from business area Project Development related to increased investments in rental apartment projects and an increase in capital tied up in unsold homes in our own housing developments.

Cash flow from investment activities was SEK -228 million (-383). Investments during the quarter consisted of machine investments and investments in production facilities in Construction System in business area Industry.

Cash flow before financing was SEK 450 million (805).

Cash flow from financing operations amounted to SEK -809 million (-338). During third quarter 2022 repurchases of own shares were made by SEK -293 million.

January – September 2023

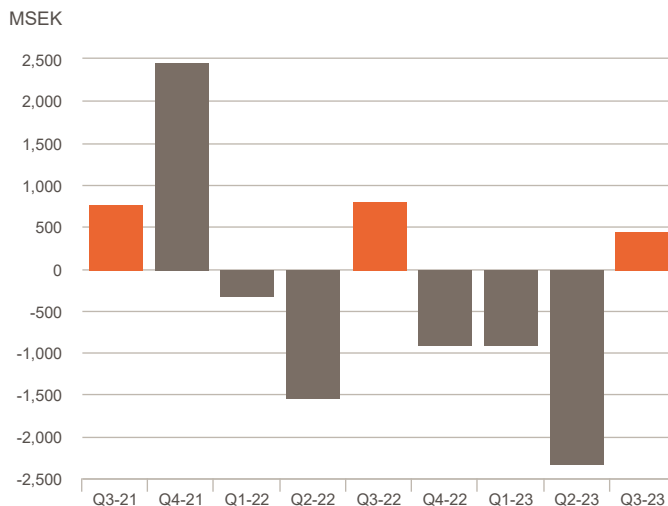
Cash flow from current operations amounted to SEK -1,909 million (-331). Cash flow has been charged by higher interest costs. Cash flow from changes in working capital was SEK -3,093 million (-2,295). The negative cash flow from changes in working capital mainly refers to business area Project Development where greater investments in rental apartment projects and an increase in capital tied up in unsold homes in our own housing developments tie up a lot of capital. In addition, more working capital is tied up in business area Industry due to the seasonal pattern, which has affected cash flow negatively.

Cash flow from investment activities was SEK -870 million (-727). Investments during the period consisted of machine investments and investments in production facilities in Construction System in business area Industry.

Cash flow before financing was SEK -2,779 million (-1,058).

Cash flow from financing operations amounted to SEK 2,276 million (-120), of which paid dividends were SEK -1,150 million (-1,475). During January-September 2022 repurchases of own shares were made by SEK -418 million.

Cash flow before financing



Order situation

July – September 2023

The level of orders received in the third quarter 2023 amounted to SEK 11,034 million (13,095). The reduction is primarily attributable to business areas Construction and Project Development. The comparable period included the renovation and rebuilding of the southern section of city borough Sperlings Backe at Stureplan in central Stockholm for about SEK 2 billion in business area Construction. The weak demand for housing has led to fewer production starts of tenant-owner apartments/condominiums, which has had a negative effect on orders received in business areas Project Development and Construction. The level of orders received in business areas Civil Engineering and Industry rose during the quarter. The level of orders received from public customers continued to be good in the quarter.

January – September 2023

The level of orders received in January-September 2023 contracted and amounted to SEK 34,581 million (42,804).

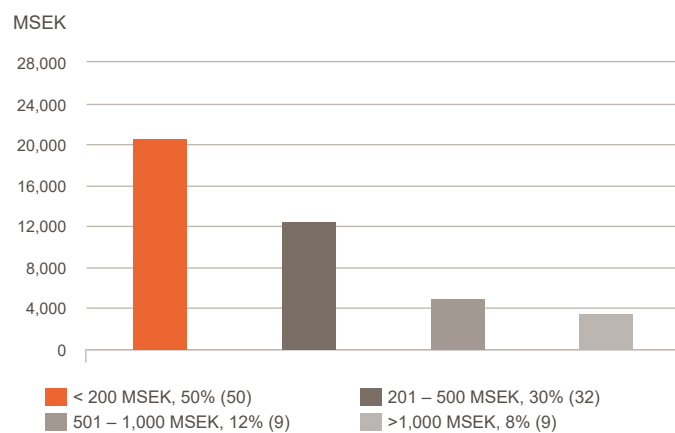
Orders received

MSEK	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022	Oct-Sep 2022/2023	Jan-Dec 2022
Construction	5,577	8,490	16,944	21,411	23,265	27,732
Civil Engineering	3,483	2,618	11,816	11,973	14,720	14,877
Industry	2,914	2,212	8,762	9,661	11,889	12,788
Project Development	84	1,541	287	5,566	740	6,019
Eliminations	-1,024	-1,766	-3,228	-5,807	-5,578	-8,157
Group	11,034	13,095	34,581	42,804	45,036	53,259

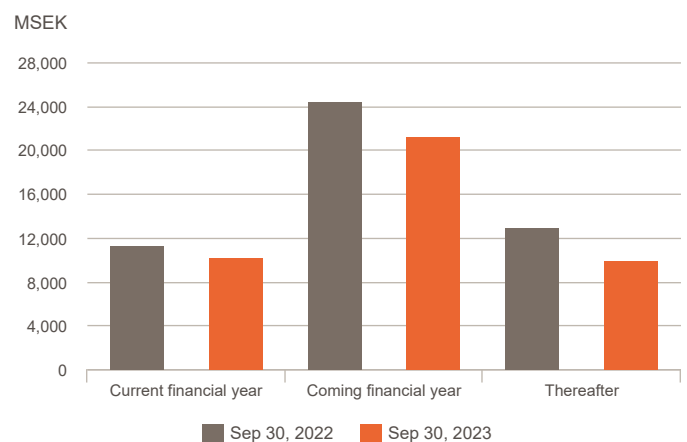
Order backlog

MSEK	Sep 30 2023	Sep 30 2022	Dec 31 2022
Construction	25,702	31,052	29,064
Civil Engineering	15,118	15,485	13,939
Industry	4,327	4,325	4,273
Project Development	2,362	6,505	5,447
Eliminations	-5,840	-8,605	-8,334
Group	41,669	48,762	44,389

Project size of order backlog, September 30, 2023



Order backlog allocated over time



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

- Construction of 176 apartments, a health care center and other premises in Linköping. The customer is AB Stångåstaden. The contract is worth SEK 346 million.
- Construction of new police station in the Gothenburg area. The customer is Specialfastigheter. The contract is worth SEK 207 million.
- Rebuilding and extension of the Administrative Court building in central Gothenburg. The property owner and customer is Skandia Fastigheter and the Swedish National Courts Administration is the tenant. The contract is worth SEK 110 million.
- Construction of an extended stay hotel in Inre hamnen in Norrköping. The customer is Mannersons Fastighets AB. The contract is worth SEK 101 million.
- Construction of a new elementary school in Höllviken in Vellinge Municipality. The customer is Vellinge Municipality. The contract is worth SEK 281 million.
- Construction of a new bus terminal at Tromsø Airport in Tromsø. The customer is Statens Vegvesen. The contract is worth NOK 130 million.
- Commission to build the frames in the construction of rental apartments on Södermalm in Stockholm. The customer is Stockholmshem. The contract is worth SEK 143 million.
- Commission to reinforce Road 953 between Östgranvåg and Forsmo in Sollefteå Municipality. The customer is the Swedish Transport Administration. The contract is worth SEK 115 million.
- Construction of a forensic psychiatric hospital with 48 care units in Vaasa. The customer is Senatfastigheter. The contract is worth EUR 26 million.
- Commission to rebuild streets and expand water pipelines in Kirseberg in Malmö. The customer is VA Syd and the City of Malmö. The contract is worth SEK 110 million.
- Commission to build a dock in the Port of Orrskär in Söderhamn Municipality. The customer is Söderhamn Municipality. The contract is worth SEK 170 million.
- Construction of a new swimming pool facility in Hässleholm. The customer is Hässleholm Municipality. The contract is worth SEK 376 million.
- Construction of a new greenhouse and visitors' center in the Gothenburg Botanical Garden. The customer is Västra Götaland Region and Västfastigheter construction and management. The contract is worth SEK 346 million.
- Construction of a new assisted living facility comprising 108 apartments. The customer is Orsa Municipality. The contract is worth SEK 337 million.
- Construction of two apartment buildings and a parking garage in Verkkosaari in Helsinki. The customer is Helsingin kaupungin asunnot Oy. The contract is worth EUR 15 million.
- Extension of an elementary school in Lempäälä. The customer is Lempäälä Municipality. The contract is worth EUR 15 million.

The following own housing developments were production-started in the third quarter:

- Nursing home in Karlskoga with 80 apartments. The completed building will be certified according to Miljöbyggnad Bronze. The base floor and load-bearing structure will be made from green concrete and the outer walls will be wood. Parking spaces will have charging stations for electric cars. The project is expected to be completed by the fourth quarter 2025. The project is not included in orders received since it will be built on our own balance sheet as a rental project.
- Mariehöjd phase 8 in Umeå comprising 40 homes. The project will be built in joint venture company Stadsliden, owned by Peab and HSB in Umeå. The building will be certified according to Miljöbyggnad Silver and have solar panels on the roof. The project is expected to be completed during the third quarter 2025. The project is not included in orders received since it will be built in a joint venture company.

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

- One-year municipal contract in Helsinki worth EUR 1.7 million.
- One-year federal contract in Central Finland worth EUR 1.8 million.
- One-year federal contract in Southwest Finland worth EUR 1.2 million.
- One-year federal contract in Ostrobothnia worth EUR 1.2 million.
- One-year municipal contract in Drammen worth NOK 19 million.
- One-year federal contract in Arnøya worth NOK 24 million.
- One-year federal contract in Vestfold worth NOK 12 million.
- Two-year municipal contract in Vejle Municipality worth DKK 6.5 million.

Overview business areas

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

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

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

Net sales and operating profit per business area

MSEK	Net sales						Operating profit					
	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022	Oct-Sep 2022/2023	Jan-Dec 2022	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022	Oct-Sep 2022/2023	Jan-Dec 2022
Construction	5,789	6,306	20,751	20,669	29,081	28,999	96	126	399	463	565	629
Civil Engineering	3,491	3,584	10,710	10,560	15,115	14,965	110	118	321	319	496	494
Industry	6,780	7,096	14,906	15,775	20,564	21,433	588	519	486	464	769	747
Project Development	856	2,234	4,266	6,675	6,252	8,661	46	265	287	818	596	1,127
– of which Property Development	7	304	81	483	92	494	21	91	44	168	63	187
– of which Housing Development	849	1,930	4,185	6,192	6,160	8,167	25	174	243	650	533	940
Group functions	343	380	1,110	1,123	1,519	1,532	-33	-27	-140	-145	-193	-198
Eliminations	-2,523	-2,915	-8,561	-8,715	-12,301	-12,455	-21	-8	-33	-31	-60	-58
Group, segment reporting excl. MoS	14,736	16,685	43,182	46,087	60,230	63,135	786	993	1,320	1,888	2,173	2,741
Construction – effect Mall of Scandinavia (MoS)									400		400	
Group, segment reporting	14,736	16,685	43,182	46,087	60,230	63,135	786	993	1,720	1,888	2,573	2,741
Adjustment housing to IFRS	423	-488	1,053	-1,295	1,146	-1,202	115	-86	366	-244	391	-219
IFRS 16, additional leases	–	–	–	–	–	–	10	9	29	27	37	35
Group, IFRS	15,159	16,197	44,235	44,792	61,376	61,933	911	916	2,115	1,671	3,001	2,557
<i>Of which construction contract businesses according to segment reporting excl. MoS (Construction and Civil Engineering)</i>	9,280	9,890	31,461	31,229	44,196	43,964	206	244	720	782	1,061	1,123

Percent	Operating margin					
	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022	Oct-Sep 2022/2023	Jan-Dec 2022
Construction	1.7	2.0	1.9	2.2	1.9	2.2
Civil Engineering	3.2	3.3	3.0	3.0	3.3	3.3
Industry	8.7	7.3	3.3	2.9	3.7	3.5
Project Development	5.4	11.9	6.7	12.3	9.5	13.0
– of which Property Development	300.0	29.9	54.3	34.8	68.5	37.9
– of which Housing Development	2.9	9.0	5.8	10.5	8.7	11.5
Group functions						
Eliminations						
Group, segment reporting excl. MoS	5.3	6.0	3.1	4.1	3.6	4.3
Group, segment reporting	5.3	6.0	4.0	4.1	4.3	4.3
Adjustment housing to IFRS						
IFRS 16, additional leases						
Group, IFRS	6.0	5.7	4.8	3.7	4.9	4.1
<i>Of which construction contract businesses according to segment reporting excl. MoS (Construction and Civil Engineering)</i>	2.2	2.5	2.3	2.5	2.4	2.6

Business area Construction

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

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

Net sales and profit

July – September 2023

Net sales for the third quarter 2023 decreased by eight percent and amounted to SEK 5,789 million (6,306). The reduction is primarily due to a lower demand in new production of homes in all countries, which Peab has not been able to compensate for with other kinds of projects. Operating profit amounted to SEK 96 million (126) and the operating margin was 1.7 percent (2.0).

January – September 2023

Net sales for the period January-September 2023 amounted to SEK 20,751 million (20,669). Housing generated the largest portion of net sales with 42 percent (42) calculated on a rolling 12 months.

A decision in the case between Peab and Unibail Rodamco Westfield regarding the contract for Mall of Scandinavia in Solna (MoS) was handed down on June 30, 2023. The judgement had a positive effect on operating profit of SEK 400 million in the second quarter. For details see Other information. Operating profit excl. MoS amounted to SEK 399 million (463) and the operating margin was 1.9 percent (2.2). Work is in the process of adjusting to the lower demand in housing developments. The operating margin for the latest rolling 12 month period was 1.9 percent compared to 2.2 percent for the entire year 2022. The high costs of material and energy in contracts received before the war broke out in Ukraine has resulted in dilution of the operating margin in all our countries. Operating profit amounted to SEK 799 million and the operating margin was 3.9 percent.

Orders received and order backlog

July – September 2023

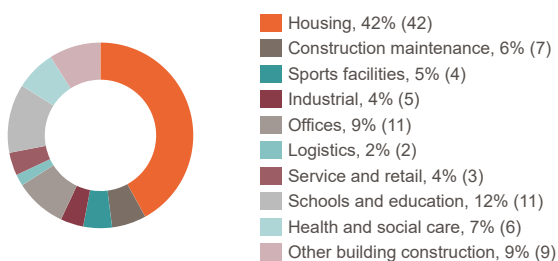
The level of orders received contracted during the third quarter and amounted to SEK 5,577 million (8,490). The comparable period included the renovation and rebuilding of the southern section of city borough Sperlingens Backe at Stureplan in central Stockholm for about SEK 2 billion. The portion of housing projects in orders received has decreased. The level of orders received from public customers continued to be good during the quarter.

January – September 2023

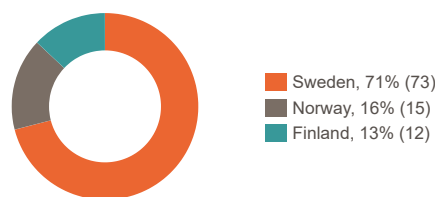
Orders received during January-September were SEK 16,944 million (21,411). There is a greater portion of other building construction and a lower portion of housing projects in orders received. Order backlog on September 30, 2023 amounted to SEK 25,702 million (31,052). The portion of housing projects in order backlog has contracted and represented 34 percent (46).

Net sales

per product area, rolling 12 months

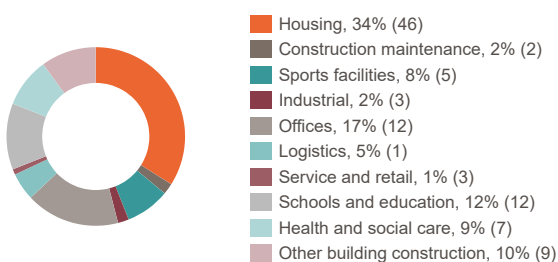


per geographic market, rolling 12 months

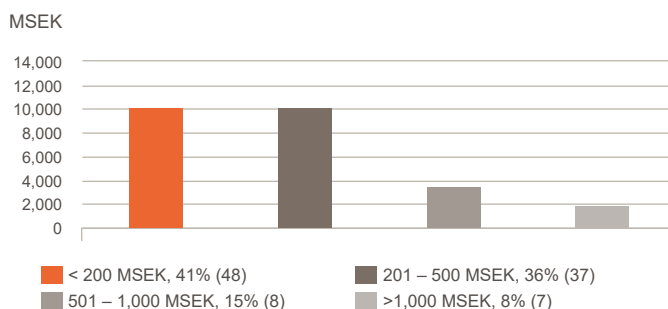


Order backlog, September 30, 2023

per product area



per project size



Key ratios

	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022	Oct-Sep 2022/2023	Jan-Dec 2022
Net sales, MSEK	5,789	6,306	20,751	20,669	29,081	28,999
Operating profit excl. MoS, MSEK	96	126	399	463	565	629
Operating margin excl. MoS, %	1.7	2.0	1.9	2.2	1.9	2.2
Operating profit, MSEK	96	126	799	463	965	629
Operating margin, %	1.7	2.0	3.9	2.2	3.3	2.2
Orders received, MSEK	5,577	8,490	16,944	21,411	23,265	27,732
Order backlog, MSEK	25,702	31,052	25,702	31,052	25,702	29,064
Operating cash flow, MSEK	296	102	60	-65	46	-79
Average number of employees	5,066	5,359	5,121	5,192	5,174	5,227

Business area Civil Engineering

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

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

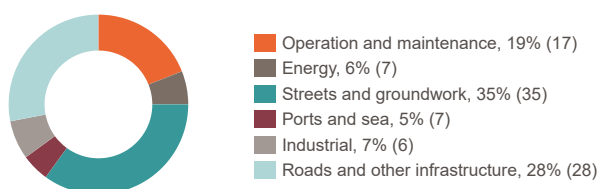
Net sales and profit

July – September 2023

Net sales for the third quarter 2023 decreased by three percent and amounted to SEK 3,491 million (3,584). The reduction is related to lower activity within Infrastructure. Operating profit was SEK 110 million (118) and the operating margin was 3.2 percent (3.3).

Net sales

per product, rolling 12 months



January – September 2023

Net sales were slightly higher compared to the corresponding period last year and amounted to SEK 10,710 million (10,560). Adjusted for acquired operations and exchange rate effects net sales decreased by one percent.

Operating profit amounted to SEK 321 million (319) and the operating margin was 3.0 percent (3.0). The operating margin for the latest 12 month period was 3.3 percent which was unchanged compared to full year of 2022.

Orders received and order backlog

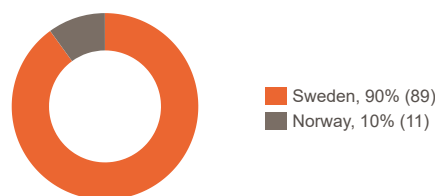
July – September 2023

The level of orders received during the quarter increased by 33 percent and amounted to SEK 3,483 million (2,618).

January – September 2023

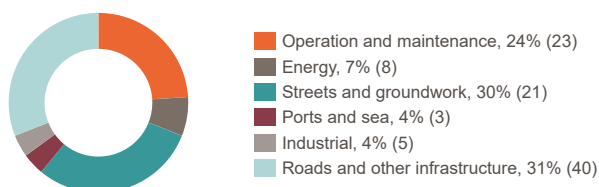
Orders received during the period amounted to SEK 11,816 million compared to SEK 11,973 for the same period last year. Order backlog on September 30, 2023 amounted to SEK 15,118 million (15,485). Roads and other infrastructure make up 31 percent (40) and Streets and groundwork make up 30 percent (21) of order backlog.

per geographic market, rolling 12 months

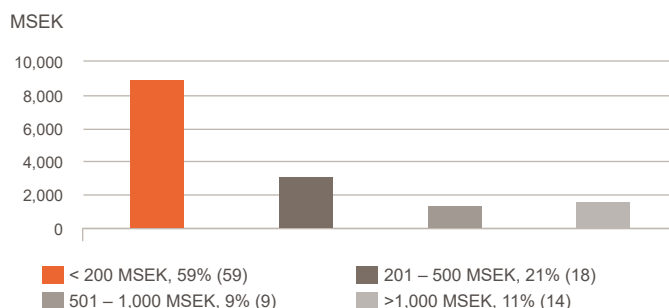


Order backlog, September 30, 2023

per product



per project size



Key ratios

	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022	Oct-Sep 2022/2023	Jan-Dec 2022
Net sales, MSEK	3,491	3,584	10,710	10,560	15,115	14,965
Operating profit, MSEK	110	118	321	319	496	494
Operating margin, %	3.2	3.3	3.0	3.0	3.3	3.3
Orders received, MSEK	3,483	2,618	11,816	11,973	14,720	14,877
Order backlog, MSEK	15,118	15,485	15,118	15,485	15,118	13,939
Operating cash flow, MSEK	302	241	359	97	148	-114
Average number of employees	3,424	3,383	3,348	3,286	3,342	3,296

Business area Industry

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

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

Net sales and profit

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

July – September 2023

Net sales for the third quarter 2023 decreased by four percent and amounted to SEK 6,780 million (7,096). The reduction is mainly related to Paving and Concrete. Operating profit was SEK 588 million (519) and the operating margin improved to 8.7 percent (7.3). The improvement is due to better earnings in Paving.

January – September 2023

Net sales for the period decreased by six percent and amounted to SEK 14,906 million (15,775). The reduction is related to the product areas Paving and Concrete. Adjusted for acquired operations and exchange rate effects net sales contracted by eight percent.

Operating profit was SEK 486 million (464) and the operating margin was 3.3 percent (2.9). The improved operating margin is mainly due to better earnings in Paving. The continued high energy and fuel prices have been handled through higher prices to customers as well as adapting and streamlining operations. The operating margin in the latest rolling 12 month period was 3.7 percent compared to 3.5 percent for the entire year 2022.

Capital employed at the end of the period was SEK 11,805 million compared to SEK 10,957 million at the end of the same period last year. The increase is due to investments in machines and production facilities in Construction System as well as more working capital.

Orders received and order backlog

July – September 2023

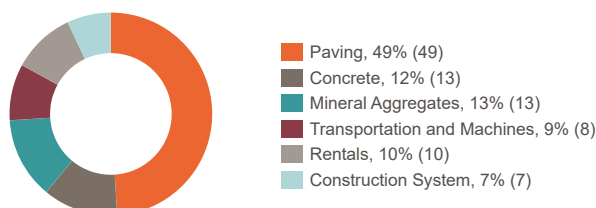
The level of orders received during the third quarter increased and amounted to SEK 2,914 million (2,212).

January – September 2023

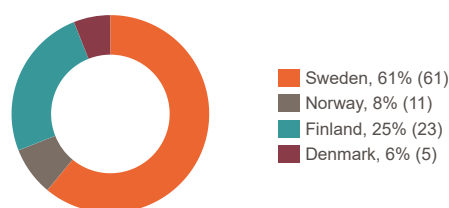
The level of orders contracted during the period and amounted to SEK 8,762 million (9,661). The reduction is primarily due to Peab being more selective about the tenders Paving in Norway submits. Order backlog on September 30, 2023 was SEK 4,327 million (4,325).

Net sales

per product area, rolling 12 months



per geographic market, rolling 12 months



Key ratios

	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022	Oct-Sep 2022/2023	Jan-Dec 2022
Net sales, MSEK	6,780	7,096	14,906	15,775	20,564	21,433
Operating profit, MSEK	588	519	486	464	769	747
Operating margin, %	8.7	7.3	3.3	2.9	3.7	3.5
Orders received, MSEK	2,914	2,212	8,762	9,661	11,889	12,788
Order backlog, MSEK	4,327	4,325	4,327	4,325	4,327	4,273
Capital employed at the end of the period, MSEK	11,805	10,957	11,805	10,957	11,805	10,807
Operating cash flow, MSEK	557	452	-436	-1,016	62	-518
Average number of employees	4,991	5,535	4,438	4,663	4,595	4,761
Concrete, thousands of m ³ ¹⁾	272	385	849	1,008	1,190	1,349
Paving, thousands of tons ¹⁾	2,636	3,283	4,362	5,598	5,949	7,185
Mineral Aggregates, thousands of tons ¹⁾	7,463	7,416	18,212	21,452	25,707	28,947

¹⁾ Refers to sold volume

Business area Project Development

Business area Project Development, which comprises Housing Development and Property Development, creates sustainable and vibrant urban environments with residential, commercial and public property.

The business area is responsible for the Group's property acquisitions and divestitures as well as project development which generates contract work for the other business areas. Project Development works through wholly owned companies or in collaboration with other partners in joint ventures. Peab's primary ambition is to work with development projects on our own balance sheet. Collaboration with other partners via joint ventures may take place from time to time during a project. The goal is to create capital efficient developments with partners that boost the business and thereby profitability.

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

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

Net sales and profit

July – September 2023

Net sales in Project Development contracted in the quarter and amounted to SEK 856 million (2,234). The decrease is mostly attributable to Housing Development. Operating profit amounted to SEK 46 million (265) with an operating margin of 5.4 percent (11.9).

January – September 2023

Net sales in Project Development contracted during the period by 36 percent and were SEK 4,266 million (6,675). The decrease is attributable to both Housing Development and Property Development. Operating profit amounted to SEK 287 million (818) and operating margin amounted to 6.7 percent (12.3).

Capital employed in Project Development at the end of the period amounted to SEK 18,017 million (14,173). The increase primarily refers to higher investments in development rights, in rental apartment projects as well as an increase in capital tied up in unsold homes in our own housing developments.

Key ratios

	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022	Oct-Sep 2022/2023	Jan-Dec 2022
Net sales, MSEK	856	2,234	4,266	6,675	6,252	8,661
<i>of which Property Development</i>	7	304	81	483	92	494
<i>of which Housing Development</i>	849	1,930	4,185	6,192	6,160	8,167
Operating profit, MSEK	46	265	287	818	596	1,127
<i>of which Property Development</i>	21	91	44	168	63	187
<i>of which Housing Development</i>	25	174	243	650	533	940
Operating margin, %	5.4	11.9	6.7	12.3	9.5	13.0
<i>of which Property Development</i>	300.0	29.9	54.3	34.8	68.5	37.9
<i>of which Housing Development</i>	2.9	9.0	5.8	10.5	8.7	11.5
Capital employed at the end of the period, MSEK	18,017	14,173	18,017	14,173	18,017	15,632
Orders received, MSEK	84	1,541	287	5,566	740	6,019
Order backlog, MSEK	2,362	6,505	2,362	6,505	2,362	5,447
Operating cash flow, MSEK	-672	55	-2,041	397	-3,128	-690
Average number of employees	211	246	230	241	235	243

Capital employed

MSEK	Sep 30 2023	Sep 30 2022	Dec 31 2022
Operations property	149	55	83
Investment property	36	36	36
Project and development property	15,068	11,545	12,943
<i>of which housing development rights</i>	7,767	6,669	7,246
<i>of which commercial development rights</i>	902	710	739
<i>of which unsold part of ongoing housing projects</i>	2,755	1,971	2,493
<i>of which ongoing rental projects</i>	1,752	1,246	1,422
<i>of which ongoing commercial projects</i>	393	447	462
<i>of which completed property</i>	409	129	173
<i>of which other</i>	1,090	373	408
Participation in joint ventures	2,700	2,581	2,573
Loans to joint ventures	1,519	1,285	1,494
Working capital and other	-1,455	-1,329	-1,497
Total	18,017	14,173	15,632
<i>of which Property Development</i>	5,188	4,415	4,585
<i>of which Housing Development</i>	12,829	9,758	11,047

Housing Development

July – September 2023

The continued weak demand for homes contributed to fewer sold homes and production starts of our own housing developments during the third quarter 2023. Net sales contracted and amounted to SEK 849 million (1,930). Operating profit amounted to SEK 25 million (174) and the operating margin was 2.9 percent (9.0).

The market continues to be cautious regarding all kinds of housing as a result of rising interest rates, inflation and uncertain economies, which negatively affects the conditions for production starts. In total, the number of start-ups of our own developed homes amounted to 165 (470) during the third quarter. The production start-ups consisted of 40 (428) tenant-owner apartments/condominiums of which 40 (56) have been converted from rentals, and 125 (42) homes in rental apartments projects on our own balance sheet. The total number of sold homes were 153 (257), where all were tenant-owner apartments/condominiums. No homes in rental apartment projects were sold during the quarter and none were sold in the comparable quarter.

January – September 2023

The weak demand for homes in the entire Nordic region contributed to fewer sold homes and production starts of our own housing developments during the period. Net sales contracted and amounted to SEK 4,185 million (6,192) during the period. The decline stemmed from all our countries. Operating profit amounted to SEK 243 million (650) and the operating margin was 5.8 percent (10.5).

The market continues to be cautious regarding all kinds of housing as a result of rising interest rates, inflation and uncertain economies, which negatively affects the conditions for production starts. We noted a definite decline in Finland during the period. In total, the number of start-ups of our own developed homes amounted to 648 (2,022) during the period. Of the start-ups, 121 (1,680) were tenant-owner apartments/condominiums, where 36 (1,477) were new production and 85 (203) were conversions from previously started-up rental apartments, and 527 (342) were homes in rental apartment projects on our own balance sheet. The number of sold homes was 604 (1,502), of which 341 (1,502) were tenant-owner apartments/condominiums and 263 (-) were homes in rental apartments projects. Included in the homes sold in rental apartment projects was a project with 60 homes in Malmö that was divested to Annehem Fastigheter.

The total number of own developed homes in production at the end of the period was 4,237 (6,107), of which 2,879 (5,046) were tenant-owner apartments/condominiums and 1,358 (1,061) were homes in rental apartment projects. The portion of sold tenant-owner apartments/condominiums in ongoing production amounted to 67 percent (72). The number of repurchased homes per September 30, 2023 was 301 (103) and they were mainly in Finland.

Own housing development construction

	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022	Oct-Sep 2022/2023	Jan-Dec 2022
Tenant-owner associations, ownership and residential limited companies						
Number of production-started homes during the period	40 ¹⁾	428 ¹⁾	121 ²⁾	1,680 ²⁾	251	1,810
Number of sold homes during the period	153	257	341	1,502	482	1,643
Total number of homes under production, at the end of the period	2,879	5,046	2,879	5,046	2,879	4,539
Portion of sold homes under production, at the end of the period	67%	72%	67%	72%	67%	69%
Number of repurchased homes on our balance sheet, at the end of the period	301	103	301	103	301	105
Rentals						
Number of production-started homes during the period	125	42	527	342	711	526
Number of sold homes during the period	-	-	263	-	329	66
Number converted to tenant-owner associations during the period	40	56	85	203	85	203
Total number of homes under production, at the end of the period	1,358	1,061	1,358 ³⁾	1,061 ³⁾	1,358	1,179

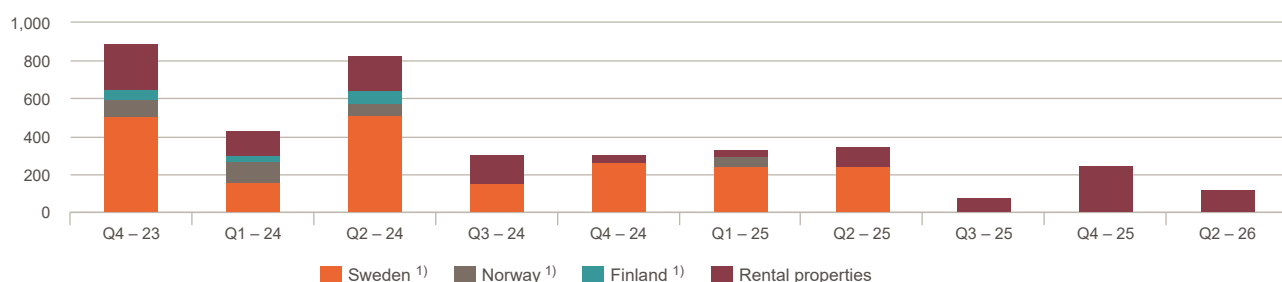
¹⁾ Includes 40 (56) homes that have been converted from rentals

²⁾ Includes 85 (203) homes that have been converted from rentals

³⁾ Of which 603 (932), respectively 44 percent (88), are under contract to be sold upon completion

Time of completion of our own ongoing housing development projects

Number of homes



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

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

Capital employed increased at the end of the period compared to the same time in 2022 and amounted to SEK 12,829 million (9,758). The increase primarily refers to higher investments in development rights, construction of more rental apartment projects as well as an increase in capital tied up in unsold homes in our own housing developments.

Net sales

per geographic market, rolling 12 months



Development rights for housing

	Sep 30 2023	Sep 30 2022	Dec 31 2022
Number, approx.			
Development rights on our own balance sheet	21,700	21,400	21,800
Development rights via joint ventures	4,600	4,500	4,700
Development rights via options etc.	8,200	9,000	8,900
Total	34,500	34,900	35,400



Brf Varvsporten
Malmö

Property development

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

July – September 2023

During the third quarter net sales were SEK 7 million (304) and operating profit was SEK 21 million (91). There were no property divestitures during the quarter. During the third quarter of the previous year, capital gains from property divestitures amounted to SEK 61 million. Profit contributions from partly owned companies amounted to SEK 27 million during the quarter compared to SEK 38 million in the same quarter last year. The reduction is mainly due to higher interest costs in the partly owned companies.

January – September 2023

During the period January-September net sales were SEK 81 million (483) and operating profit was SEK 44 million (168). Capital gains from property divestitures amounted to SEK 8 million (83). The comparable period included, among others, divestment of a logistic facility in Södertälje to Annehem Fastigheter. Profit contributions from partly owned companies contracted and amounted to SEK 70 million compared to SEK 109 million in the same period last year. The reduction is mainly due to higher interest costs in the partly owned companies.

Capital employed in Property Development was SEK 5,188 million (4,415) at the end of the third quarter 2023. A large part of the capital employed is shares in partly owned companies and loans to partly owned companies.

The table below presents the ongoing property projects per September 30, 2023. We started production during the third quarter on a 23,900 m² logistics facility in Södertälje. The property has been divested to an external party and will be turned over in the fourth quarter 2024. An office building in Malmö was completed during the second quarter 2023 with 7,400 m² rentable space.

Ongoing property projects

Type of project	Location	Rentable area in m ²	Degree rented, %	Recognized value, MSEK	Total investment at completion, MSEK	Timepoint of completion	Level of completion, %
Office building	Malmö	7,400	76	288	341	Completed	84
Office building	Jönköping	3,200	100	88	103	Q4-2023	86
Office building	Gothenburg	13,100	11	360	555	Q3-2024	65
Logistic facility	Södertälje	23,900	0	33	360	Q4-2024	9
Total				769			

Significant joint ventures

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

Fastighets AB Centur

Own, manage and develop commercial property and housing.

Peab's share: 50 percent

Partner: Balder

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

Recognized value on properties September 30, 2023 ¹⁾: SEK 7,991 million (7,866)

Peab's portion of unrecognized fair value exclusive tax ¹⁾: SEK 613 million (656)

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

Fastighets AB ML4

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

Peab's share: 50 percent

Partner: Wihlborgs

Location: Lund

Recognized value on properties September 30, 2023: SEK 1,904 million (1,952)

Major ongoing projects: No major ongoing projects

Point Hyllie Holding AB

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

Peab's share: 50 percent

Partner: Volito

Location: Hyllie, Malmö

Recognized value on properties September 30, 2023: SEK 1,388 million (1,397)

Major ongoing projects: No major ongoing projects

Skiab Invest AB

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

Peab's share: 50 percent

Partner: SkiStar

Location: Scandinavian mountains

Recognized value on properties September 30, 2023 ¹⁾: SEK 2,204 million (2,494)

Peab's portion of unrecognized fair value exclusive tax ¹⁾: SEK 34 million (50)

Major ongoing projects: No major ongoing projects

Tornet Bostadsproduktion AB

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

Peab's share: 33 percent

Partner: Folksam and Balder

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

Recognized value on properties September 30, 2023 ¹⁾: SEK 6,248 million (6,142)

Peab's portion of unrecognized fair value exclusive tax ¹⁾: SEK 421 million (432)

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

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

Construction market

Sweden

Although inflation is falling in Sweden and is considerably lower than at the beginning of the year, it is still high in relation to the inflation target. Sweden's central bank has recently raised the repo rate to 4.0 percent and another raise of 25 more points is expected. The high level of prices has a negative effect on both consumption and investments, which is expected to result in Sweden's GNP contracting by 0.7 percent in 2023. A severe decline in housing construction is expected in 2023 due to high costs, rising interest rates and falling sales prices for homes, which diminishes investment appetites and households' ability to get financing. High prices and the deteriorating economy will also likely have a negative impact on other building construction in both the private and public sectors. Overall a broad decline in total building construction investment is expected in 2023 and the negative trend is expected to continue in 2024, albeit to a lesser degree. Civil engineering construction is showing a tendency to contract slightly this year but then have stable growth over the next two-year period. In a longer perspective, green investments and an expanded national plan for transportation infrastructure will create a good platform for development.

Norway

The Norwegian GNP is expected to grow just over one percent in 2023. After several interest rate hikes inflation is on its way down and the interest rate is reaching its peak. Unemployment is low but growth in new jobs has stagnated. Housing construction is contracting and the most negative development on the construction market this year is expected in new production of apartment buildings. While private premises are developing very well in other building construction there is a negative trend in public investments. In total, building construction investments appear to contract slightly in 2023 and 2024. Civil engineering construction is expected to grow in both 2023 and 2024.

Finland

The Finnish GNP is expected to decrease by about a half percent in 2023. The Finnish economy is challenged by diminishing external demand, rising interest rates and higher prices which strike broadly at business and household consumption and investments. In addition, many homeowners have seen their wealth shrink with the falling price of homes. Although the labor market is holding up pretty well unemployment is historically high. On the construction market, housing construction, with single homes in particular, is developing negatively while other building construction with private and public premises seems to be growing after last year's decline. A decline is expected in total building construction investments in both 2023 and 2024. Next year the decline in the building construction market will be broader and mostly include both homes and premises. Civil engineering is expected to develop sideways in 2023 followed by a slight upswing in 2024.

Housing

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

Forecast for production-started housing investments, new production and renovations
Source: Navet

Other building construction

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

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

Civil engineering

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

Forecast for civil engineering investments
Source: Navet

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



Peab Asphalt
Kungshamn

Non-financial targets and sustainability

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

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

Most satisfied customers

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

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

Best workplace

Peab's employees work locally, close to our customers throughout the Nordic region. The total number of employees per September 30, 2023 was 14,932 (15,891). The average number of employees per rolling 12 months was 14,037 compared to 14,211 for the full year 2022. The calculation of average number of employees has changed as of January 1, 2023 and is based on the sum of hours worked.*

Serious accidents

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

Our zero vision of workplace accidents and target of a contracting trend in serious accidents* comprises everyone at our workplaces. During the third quarter there were 9 serious accidents, of which 6 referred to our own employees and 3 referred to subcontractors. Calculated for a rolling twelve month period the number was 40 per September 30, 2023 (48 per September 30, 2022). Of these, 26 referred to our own employees and 14 referred to subcontractors.

Our focus on these issues continues to generate positive results and the trend is headed in the right direction. Our preventive work concerning the work environment and measures to prevent accidents from reoccurring as well as continuous information are key to reducing the number of workplace accidents.

We also monitor the number of workplace accidents with more than four days absence, excluding the day of injury (LT14), and workplace accidents according to the same definition per one million hours worked (LTIF4) for our own employees. In the third quarter this year there were 30 (26 second quarter 2023) and the LTIF4 frequency rate for a rolling twelve month period was 5.5 (5.3 after the second quarter 2023), which is a slight downturn in the positive trend we have seen over a long period time, due to an increase in workplace accidents with more than four days absence in September.

Every remedied risk is one less potential accident, which is why we are highly focused on working preventively and monitoring remedies for reported incidents. During the first nine months of 2023 the organization reported more than 45,000 risk observations*. The number of risk observations over a rolling twelve month period is about 60,000, which is a stable high figure, and that is positive.

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

Attractive employers (eNPS)

We should be best workplace in the industry and thereby the obvious choice of employer. Everyone should feel they are in safe and inclusive workplaces with good work conditions and opportunities to develop at Peab. Twice a year we hold

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

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

Leader in social responsibility

Climate target for carbon dioxide intensity

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

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

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

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

Equal opportunity

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

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

Activities during the third quarter

- Peab held its annual work environment week where employees paid particular attention to matters concerning preparation and planning at the start of the workday, which is vital to eliminating risks and preventing workplace accidents. A number of activities were carried out during the week such as training in risk assessments, introduction of new co-workers to the workplace, PPE and how to integrate Peab's core values into day-to-day work.
- After months of preparation the first group in the national apprentice program for women "The Construction Year" got started. Around 40 apprentices, from Kiruna in the north to Helsingborg in the south, will spend a year working as skilled workers while also receiving theoretical education.
- Peab's one year trainee program started when 19 Bachelors of Engineering from all over Sweden began their journey in business area Civil Engineering. This year's trainees included 13 women and 6 men who will during the program period receive basic knowledge about the industry focused on leadership and planning production. They will take a course in leadership, try out different workplaces, projects and work teams as well as receive different kinds of extension courses and development opportunities.
- Peab Asphalt was the first company in Sweden to only use electric machines to pave asphalt with. The totally electric project was carried out in Järfälla north of Stockholm with an electric asphalt paver, an electric roller and an electric vibratory plate compactor in combination with electric trucks. In addition to lower CO2 emissions this improves the work environment and reduces maintenance costs.
- Byggelement continued to develop climate improved prefab elements by launching a sandwich wall in ECO 50. The product is a further development of the previous ECO 30, replacing 50 percent of cement with the alternative binder Merit for a further reduction in CO2 emissions. Sandwich walls are one of Byggelement's most popular products and are used as load-bearing walls in homes primarily.
- Peab participated in celebrating Gothenburg's 400 year jubilee as a partner to the city. Peab displayed the broad diversity of our operations, including construction material, and spread knowledge about sustainable construction and city development through a number of different activities.
- A milestone was reached when the casting of half of the 23 bridges in the expansion of E22 between Lösen and Jämjö in Blekinge was completed. The extensive infrastructure project is vital to the region and enables passability while improving living conditions by moving through traffic from towns. Swerock has delivered 9,000 m³ ECO-Betong (ECO-Concrete) to the construction site, which has lowered the climate impact of the project by around 10 percent compared to traditional concrete. The concrete is used in base plates, frame legs and superstructure of the 23 bridges.
- Peab's Norwegian operations have been a driving force in launching K-REG, a digital national competence certificate that registers co-workers' certificates, safety courses and education. Workplaces can easily check that co-workers have the right competence for the work they are doing. The system is now standard for the industry in Norway.




Main street Skårersletta
Oslo, Norway

Summary external targets


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

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



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

>75
CSI always over 75



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

eNPS
always over benchmark

ZERO VISION
serious accidents
Through a contracting trend




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

>6%
Operating margin

0.3–0.7
Net debt/equity ratio

>50 % of profit for the year
Dividend



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

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

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

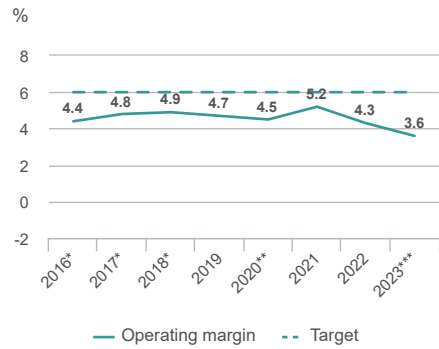
EQUAL OPPORTUNITY RECRUITMENT
Share of women recruited always over the education market

Target and target fulfilment

Most profitable company

Operating margin

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

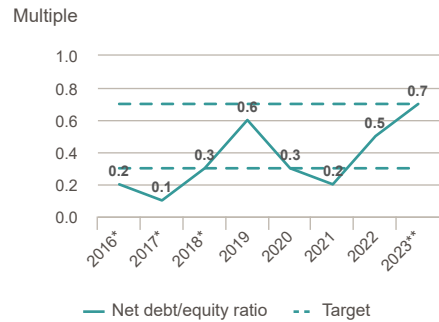


* Years 2016-2018 not translated according to changed accounting principles for own housing development projects. ** Operating margin excl. the effect of the distribution of Annehem Fastigheter (SEK 952 million). *** Calculated on a rolling 12 months per September 30, 2023. Operating margin excl. Mall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

Most profitable company

Net debt/equity ratio

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

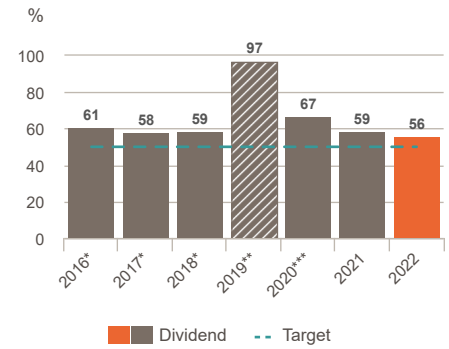


* Years 2016-2018 not translated according to changed accounting principles for own housing development projects. ** Per September 30, 2023.

Most profitable company

Dividend

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

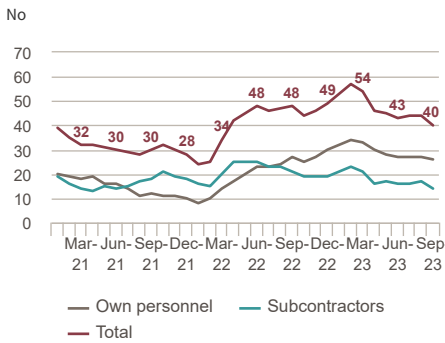


* Years 2016-2018 not translated according to changed accounting principles. ** For 2019, no cash dividend has been paid. The value of the distribution of Annehem Fastigheter at the time of the distribution in December 2020 amounted to 97 percent of the profit for the year 2019. *** The proportion is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

Best workplace

Serious accidents

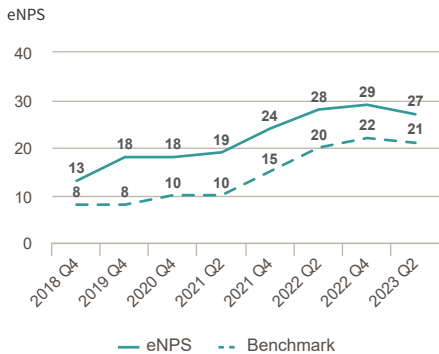
Target: Zero fatal accidents and contracting trend, rolling 12 months, serious accidents classification 4 (reported quarterly)



Best workplace

eNPS

Target: > over benchmark (reported semiannually)



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

Most satisfied customers

Customer Satisfaction Index (CSI)

Target: > 75 (reported annually)

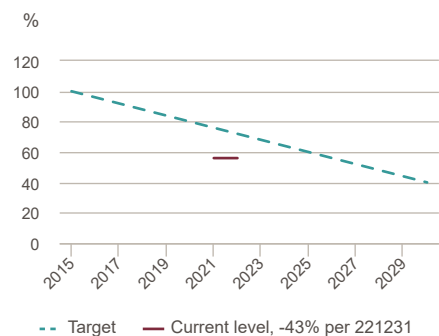


CSI stands for Customer Satisfaction Index and measures how satisfied Peab's customers are. CSI is a weighted measurement between 0 and 100.

Leader in social responsibility

Carbon dioxide intensity: Climate targets for our own production

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

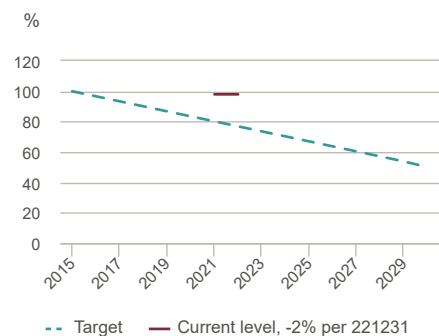


* Direct and indirect emissions as a result of using fuel and energy in our own production.

Leader in social responsibility

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

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

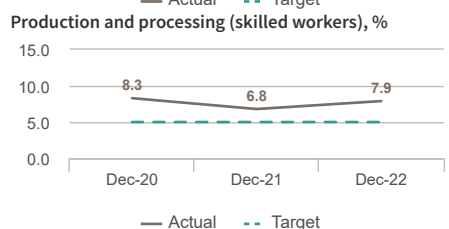
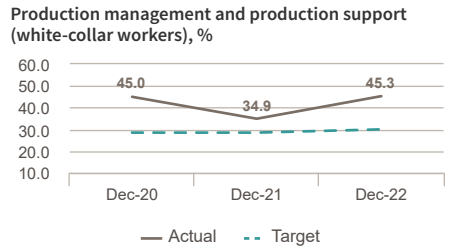


* Includes concrete/cement, asphalt/bitumen, transportation and machine services, steel, waste and business trips.

Leader in social responsibility

Equal opportunity recruitment

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



Risks and uncertainty factors

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

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

A decision in the case between Peab and Unibail Rodamco Westfield regarding the contract for Mall of Scandinavia in Solna was handed down in Peab's favor on June 30, 2023. In August Unibail Rodamco Westfield petitioned the Swedish Court of Appeal to set aside the judgment in its entirety in a so-called protest action. In conjunction with this a request for a suspension was made and also granted. This means that for the time being the judgement cannot be enforced and therefore Peab has not received a payment in the third quarter. After a thorough legal trial through arbitration lasting nearly seven years Peab cannot see any grounds whatsoever for a protest action. Peab will counter the protest action and request that

the Swedish Court of Appeal reconsiders its decision to suspend the judgement. As long as the arbitration judgement is suspended it is not enforceable, which defers the time of payment. For details see Other information.

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

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

Interest rates have continued to rise and central banks have raised policy interest rates several times during the last year. Higher interest rates are expected to stymie investment appetite and diminish demand.

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



Concrete pump truck
Helsinki, Finland

Other information

Significant events during the period

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

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

Arbitration decision in the case of Mall of Scandinavia

A decision in the case between Peab and Unibail Rodamco Westfield regarding the contract for Mall of Scandinavia in Solna was handed down on June 30, 2023. The judgement entailed a positive effect on Peab's operating profit by SEK 400 million in the second quarter. The effect on pre-tax profit was SEK 790 million in the second quarter. Cash flow would have been positively affected by approximately SEK 1,400 million in the third quarter, which did not occur.

In August Unibail Rodamco Westfield petitioned the Swedish Court of Appeal to set aside the judgment in its entirety in a so-called protest action. In conjunction with this a request for a suspension was made and also granted. This means that for the time being the judgement cannot be enforced and therefore Peab has not received payment in the third quarter. Therefore Peab continues to have an outstanding receivable of about SEK 1,400 million on Unibail Rodamco Westfield.

Peab's assessment of the estimated effects on profit has not changed. After a thorough legal trial through arbitration lasting nearly seven years Peab cannot see any grounds whatsoever for a protest action. Peab will counter the protest action and request that the Swedish Court of Appeal reconsiders its decision to suspend the judgement. As long as the arbitration judgement is suspended it is not enforceable, which defers the time of payment.

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

Significant events after the period

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

Holdings of own shares

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

Related parties

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



Anläggning Marin
Bålsta

Report on the Group income statement, IFRS

Group net sales according to IFRS decreased by one percent and amounted during January-September 2023 to SEK 44,235 million (44,792). After adjustments for acquired and divested units and exchange rate effects net sales increased by three percent. The adjustment of our own housing development projects to the completion method affected net sales by SEK 1,053 million (-1,295).

Operating profit according to IFRS for January-September 2023 amounted to SEK 2,115 million (1,671) and the operating margin was 4.8 percent (3.7). The adjustment of our own housing development projects to the completion method affected operating profit by SEK 366 million (-244). A decision in the case between Peab and Unibail Rodamco Westfield regarding the contract for Mall of Scandinavia in Solna was handed down on June 30, 2023. The judgement entails a positive effect on pre-tax profit of SEK 790 million in the second quarter, of which SEK 400 million in operating profit and SEK 390 million in financial income.

MSEK	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022	Oct-Sep 2022/2023	Jan-Dec 2022
Net sales	15,159	16,197	44,235	44,792	61,376	61,933
Production costs	-13,765	-14,730	-40,044	-40,879	-55,510	-56,345
Gross profit	1,394	1,467	4,191	3,913	5,866	5,588
Sales and administrative expenses	-600	-640	-2,321	-2,435	-3,172	-3,286
Other operating income	100	81	266	207	338	279
Other operating costs	17	8	-21	-14	-31	-24
Operating profit	911	916	2,115	1,671	3,001	2,557
Financial income	56	18	523	64	562	103
Financial expenses	-198	-60	-411	-135	-496	-220
Net finance	-142	-42	112	-71	66	-117
Pre-tax profit	769	874	2,227	1,600	3,067	2,440
Tax	-145	-163	-450	-327	-732	-609
Profit for the period	624	711	1,777	1,273	2,335	1,831
Profit for the period, attributable to:						
Shareholders in parent company	623	711	1,777	1,273	2,336	1,832
Non-controlling interests	1	0	0	0	-1	-1
Profit for the period	624	711	1,777	1,273	2,335	1,831
Key ratios, IFRS						
Earnings per share before and after dilution, SEK	2.17	2.43	6.18	4.34	8.11	6.27
Average number of outstanding shares, million	287.5	291.3	287.5	293.5	287.6	292.2
Return on capital employed, % ¹⁾	10.2	10.1	10.2	10.1	10.2	8.4
Return on equity, % ¹⁾	16.8	17.9	16.8	17.9	16.8	13.7

¹⁾ Calculated on rolling 12 months

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

MSEK	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022	Oct-Sep 2022/2023	Jan-Dec 2022
Profit for the period	624	711	1,777	1,273	2,335	1,831
Other comprehensive income						
Items that can be reclassified or have been reclassified to profit for the period						
Translation differences for the period from translation of foreign operations	-6	69	-22	160	28	210
Changes in fair value of cash flow hedges for the period	22	-	28	2	28	2
Shares in joint ventures' other comprehensive income	4	18	3	18	4	19
Tax referring to items that can be reclassified or have been reclassified to profit for the period	-5	-	-6	-1	-6	-1
Other comprehensive income for the period	15	87	3	179	54	230
Total comprehensive income for the period	639	798	1,780	1,452	2,389	2,061
Total comprehensive income for the period, attributable to:						
Shareholders in parent company	638	798	1,780	1,452	2,390	2,062
Non-controlling interests	1	0	0	0	-1	-1
Total comprehensive income for the period	639	798	1,780	1,452	2,389	2,061

Report on financial position for the Group in summary, IFRS

Total assets on September 30, 2023 were SEK 52,916 million (51,186). Equity amounted to SEK 14,405 million (13,250), which generated an equity/assets ratio of 27.2 per cent (25.9). During 2023, a dividend of SEK 1,150 million (1,475) was paid to shareholders. During period January-September 2022 repurchases of own shares have been made by SEK 418 million.

MSEK	Sep 30 2023	Sep 30 2022	Dec 31 2022
Assets			
Intangible assets	3,998	3,863	3,976
Tangible assets	8,460	7,788	8,310
Investment property	62	56	57
Interest-bearing long-term receivables	1,286	1,268	1,233
Other financial fixed assets	2,735	2,646	2,599
Deferred tax recoverables	136	243	180
Total fixed assets	16,677	15,864	16,355
Project and development properties	19,521	18,240	19,178
Inventories	1,925	1,591	1,541
Interest-bearing current receivables	1,369	139	384
Other current receivables	12,419	13,568	12,047
Liquid funds	1,005	1,784	1,506
Total current assets	36,239	35,322	34,656
Total assets	52,916	51,186	51,011
Equity and liabilities			
Equity	14,405	13,250	13,786
Liabilities			
Interest-bearing long-term liabilities	7,298	6,754	7,665
Interest-bearing long-term liabilities, project financing	126	537	440
Deferred tax liabilities	740	317	487
Other long-term liabilities	1,335	1,553	1,503
Total long-term liabilities	9,499	9,161	10,095
Interest-bearing current liabilities	5,134	2,146	1,897
Interest-bearing current liabilities, project financing	8,842	9,543	9,802
Other current liabilities	15,036	17,086	15,431
Total current liabilities	29,012	28,775	27,130
Total liabilities	38,511	37,936	37,225
Total equity and liabilities	52,916	51,186	51,011
Key ratios, IFRS			
Capital employed	35,805	32,230	33,590
Equity/assets ratio, %	27.2	25.9	27.0
Net debt	17,740	15,789	16,681
Equity per share, SEK	50.05	45.84	47.90
Number of outstanding shares at the end of the period, million	287.5	288.8	287.5

Report on changes in Group equity in summary, IFRS

MSEK	Sep 30 2023	Sep 30 2022	Dec 31 2022
Equity attributable to shareholders in parent company			
Opening equity on January 1	13,768	13,681	13,681
Profit for the period	1,777	1,273	1,832
Other comprehensive income for the period	3	179	230
Total comprehensive income for the period	1,780	1,452	2,062
Cash flow hedge transferred to cost of inventory	-13	-	-
Tax on cash flow hedge	2	-	-
Cash dividend	-1,150	-1,475	-1,475
Repurchase of own shares	-	-418	-500
Closing equity	14,387	13,240	13,768
Non-controlling interests			
Opening equity on January 1	18	1	1
Comprehensive income for the period	0	0	-1
Acquisition of partially owned companies, non-controlling interests as previously	-	9	18
Closing equity	18	10	18
Total closing equity	14,405	13,250	13,786

Report on Group cash flow in summary, IFRS

MSEK	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022	Oct-Sep 2022/2023	Jan-Dec 2022
Cash flow from current operations before changes in working capital	961	1,065	1,782	2,035	3,111	3,364
Increase (-) / Decrease (+) of project and development properties	-187	-374	-417	-1,717	-1,284	-2,584
Increase (-) / Decrease (+) of inventories	129	188	-341	-226	-278	-163
Increase (-) / Decrease (+) of current receivables / current liabilities	377	24	-654	-2,020	-807	-2,173
Cash flow from changes in working capital	319	-162	-1,412	-3,963	-2,369	-4,920
Cash flow from current operations	1,280	903	370	-1,928	742	-1,556
Acquisition of subsidiaries / businesses, net effect on liquid funds	-	-30	-	-30	-102	-132
Sale of subsidiaries / businesses, net effect on liquid funds	50	-	50	43	53	46
Acquisition of fixed assets	-333	-441	-1,227	-1,214	-2,083	-2,070
Sale of fixed assets	55	88	307	474	386	553
Cash flow from investment operations	-228	-383	-870	-727	-1,746	-1,603
Cash flow before financing	1,052	520	-500	-2,655	-1,004	-3,159
Increase (+) / Decrease (-) of interest-bearing liabilities	-986	-178	2,453	740	2,628	915
Increase (+) / Decrease (-) of interest-bearing liabilities, project financing	-424	418	-1,306	2,630	-1,189	2,747
Cash dividend	-	-	-1,150	-1,475	-1,150	-1,475
Repurchase of own shares	-	-293	-	-418	-82	-500
Cash flow from financing operations	-1,410	-53	-3	1,477	207	1,687
Cash flow for the period	-358	467	-503	-1,178	-797	-1,472
Cash at the beginning of the period	1,367	1,319	1,506	2,951	1,784	2,951
Exchange rate differences in cash	-4	-2	2	11	18	27
Cash at the end of the period	1,005	1,784	1,005	1,784	1,005	1,506

Parent company

The parent company Peab AB's net sales for the period January-September 2023 amounted to SEK 203 million (227) and mainly consisted of internal Group services. Profit for the period amounted to SEK 3,028 million (890). Profit for the period included dividends from subsidiaries for SEK 3,165 million (1,024).

The parent company's assets mainly consist of participations in Group companies amounting to SEK 11,749 million (11,728). The assets have been financed from equity of SEK 10,630 million (7,251). In the previous year there were long-term liabilities to Group companies amounting to SEK 1,500 million. During 2023, a dividend of SEK 1,150 million (1,475) was paid to shareholders. During the period January-September 2022 repurchases of own shares have been made by SEK 418 million.

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

Report on the parent company income statement in summary

MSEK	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022	Oct-Sep 2022/2023	Jan-Dec 2022
Net sales	59	75	203	227	280	304
Administrative expenses	-107	-104	-366	-371	-515	-520
Other operating income	0	0	1	1	1	1
Operating profit	-48	-29	-162	-143	-234	-215
Result from financial investments						
Profit from participation in Group companies	-	-	3,165	1,024	3,165	1,024
Other financial items	16	-9	-10	-25	-25	-40
Result after financial items	-32	-38	2,993	856	2,906	769
Appropriations	-	-	-	-	2,138	2,138
Pre-tax profit	-32	-38	2,993	856	5,044	2,907
Tax	7	8	35	34	-433	-434
Profit for the period ¹⁾	-25	-30	3,028	890	4,611	2,473

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

Report on financial position for the parent company in summary

MSEK	Sep 30 2023	Sep 30 2022	Dec 31 2022
Assets			
Fixed assets			
Intangible assets	3	4	3
Tangible assets	2	1	2
Financial assets			
Participation in Group companies	11,749	11,728	11,749
Receivables from Group companies	1,800	-	-
Deferred tax recoverables	96	134	94
Total financial assets	13,645	11,862	11,843
Total fixed assets	13,650	11,867	11,848
Current assets			
Current receivables			
Accounts receivables	0	0	1
Receivables from Group companies	137	0	2,274
Current tax assets	204	288	-
Other receivables	56	1	3
Prepaid expenses and accrued income	7	8	11
Total current receivables	404	297	2,289
Cash and bank	0	0	0
Total current assets	404	297	2,289
Total assets	14,054	12,164	14,137
Equity and liabilities			
Equity			
Restricted equity	1,884	1,884	1,884
Non-restricted equity	8,746	5,367	6,868
Total equity	10,630	7,251	8,752
Untaxed reserves	3,292	3,190	3,292
Provisions			
Other provisions	44	55	43
Total provisions	44	55	43
Long-term liabilities			
Liabilities to Group companies	-	1,500	1,500
Total long-term liabilities	-	1,500	1,500
Current liabilities			
Accounts payable	10	15	20
Liabilities to Group companies	5	66	375
Current tax liabilities	-	-	81
Other liabilities	10	18	8
Accrued expenses and deferred income	63	69	66
Total current liabilities	88	168	550
Total liabilities	88	1,668	2,050
Total equity and liabilities	14,054	12,164	14,137

Note 1 – Accounting principles

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

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

Differences in segment reporting and reporting according to IFRS

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

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

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

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

Reporting on internal projects between business areas Construction and Project Development

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

Reporting on property projects on our own balance sheet

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

Financial key ratios in segment reporting

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

Note 2 – Revenue allocation

Group Jan-Sep 2023 MSEK	Construction	Civil Engineering	Industry	Project Development	Group functions	Eliminations	Group Segment	Differences in accounting principles ¹⁾	Group IFRS
Allocation per external/internal									
External sales	17,114	9,741	12,035	4,248	44		43,182	1,053	44,235
Internal sales	3,637	969	2,871	18	1,066	-8,561	-		-
Total	20,751	10,710	14,906	4,266	1,110	-8,561	43,182	1,053	44,235
Allocation per country									
Sweden	14,793	9,678	8,914	3,161	865	-7,192	30,219	288	30,507
Norway	3,318	1,031	1,178	464	120	-586	5,525	-221	5,304
Finland	2,640	1	3,964	641	124	-781	6,589	986	7,575
Denmark			836		1	-2	835		835
Other			14				14		14
Total	20,751	10,710	14,906	4,266	1,110	-8,561	43,182	1,053	44,235
Allocation per type of customer									
Public sector	8,625	7,688	4,052	36	33		20,434	-27	20,407
Private customers	8,489	2,053	7,983	4,212	11		22,748	1,080	23,828
Internal customers	3,637	969	2,871	18	1,066	-8,561	-		-
Total	20,751	10,710	14,906	4,266	1,110	-8,561	43,182	1,053	44,235
Allocation per point in time									
At one point in time	33	10	4,730	822	59	-830	4,824	4,509	9,333
Over time	20,709	10,690	8,575	3,356	894	-6,509	37,715	-3,456	34,259
Rent revenue ²⁾	9	10	1,601	88	157	-1,222	643		643
Total	20,751	10,710	14,906	4,266	1,110	-8,561	43,182	1,053	44,235
Allocation per type of revenue									
Construction contracts	20,709	10,690	8,575	3,356	59	-5,677	37,712	-3,456	34,256
Sales of goods			3,741			-591	3,150		3,150
Sales of property projects				817			817	4,509	5,326
Transportation services			877			-191	686		686
Administrative services					835	-832	3		3
Rent revenue ²⁾	9	10	1,601	88	157	-1,222	643		643
Other	33	10	112	5	59	-48	171		171
Total	20,751	10,710	14,906	4,266	1,110	-8,561	43,182	1,053	44,235

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

²⁾ Rent revenue is recognized according to IFRS 16.

Group Jan-Sep 2022 MSEK	Construction	Civil Engineering	Industry	Project Development	Group functions	Eliminations	Group Segment	Differences in accounting principles ¹⁾	Group IFRS
Allocation per external/internal									
External sales	16,784	9,578	13,020	6,658	47		46,087	-1,295	44,792
Internal sales	3,885	982	2,755	17	1,076	-8,715	-		-
Total	20,669	10,560	15,775	6,675	1,123	-8,715	46,087	-1,295	44,792
Allocation per country									
Sweden	14,936	9,371	9,412	4,493	883	-6,967	32,128	-1,595	30,533
Norway	3,238	1,189	1,737	562	123	-592	6,257	491	6,748
Finland	2,495		3,881	1,620	116	-1,155	6,957	-191	6,766
Denmark			732		1	-1	732		732
Other			13				13		13
Total	20,669	10,560	15,775	6,675	1,123	-8,715	46,087	-1,295	44,792
Allocation per type of customer									
Public sector	7,140	7,243	4,564	4	33		18,984		18,984
Private customers	9,644	2,335	8,456	6,654	14		27,103	-1,295	25,808
Internal customers	3,885	982	2,755	17	1,076	-8,715	-		-
Total	20,669	10,560	15,775	6,675	1,123	-8,715	46,087	-1,295	44,792
Allocation per point in time									
At one point in time	17	8	4,989	985	49	-847	5,201	4,126	9,327
Over time	20,640	10,546	9,230	5,622	936	-6,695	40,279	-5,421	34,858
Rent revenue ²⁾	12	6	1,556	68	138	-1,173	607		607
Total	20,669	10,560	15,775	6,675	1,123	-8,715	46,087	-1,295	44,792
Allocation per type of revenue									
Construction contracts	20,640	10,546	9,230	5,622	66	-5,825	40,279	-5,421	34,858
Sales of goods			3,873			-596	3,277		3,277
Sales of property projects	5			969			974	4,126	5,100
Transportation services			967			-204	763		763
Administrative services					870	-870	-		-
Rent revenue ²⁾	12	6	1,556	68	138	-1,173	607		607
Other	12	8	149	16	49	-47	187		187
Total	20,669	10,560	15,775	6,675	1,123	-8,715	46,087	-1,295	44,792

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

²⁾ Rent revenue is recognized according to IFRS 16.

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

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

²⁾ Rent revenue is recognized according to IFRS 16.

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

Group Jan-Sep 2023 MSEK	Construction	Civil Engineering	Industry	Project Development	Group functions	Eliminations	Group Segment	Differences in accounting principles ¹⁾	Group IFRS
External sales	17,114	9,741	12,035	4,248	44		43,182	1,053	44,235
Internal sales	3,637	969	2,871	18	1,066	-8,561	-		-
Total revenue	20,751	10,710	14,906	4,266	1,110	-8,561	43,182	1,053	44,235
Operating profit	799	321	486	287	-140	-33	1,720	395	2,115
Operating margin, %	3.9	3.0	3.3	6.7			4.0		4.8
Financial income							523		523
Financial expenses							-379	-32 ²⁾	-411
Net finance							144	-32	112
Pre-tax profit							1,864	363	2,227
Tax							-378	-72	-450
Profit for the period							1,486	291	1,777
Capital employed (closing balance)	-586	-7	11,805	18,017	-157 ³⁾		29,072	6,733	35,805
Total assets							46,911	6,005 ⁴⁾	52,916
Equity							15,239	-834	14,405
Equity/assets ratio, %							32.5		27.2
Net debt							10,173	7,567	17,740
Cashflow before financing	60 ⁵⁾	359 ⁵⁾	-436 ⁵⁾	-2,041 ⁵⁾		-721 ⁶⁾	-2,779	2,279	-500

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

²⁾ Refers to IFRS 16, additional leases SEK -32 million.

³⁾ Unallocated capital employed.

⁴⁾ Divided between IFRS 16, additional leases SEK 1,484 million and housing projects SEK 4,521 million.

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

⁶⁾ Unallocated cash flow.

Group Jan-Sep 2022 MSEK	Construction	Civil Engineering	Industry	Project Development	Group functions	Eliminations	Group Segment	Differences in accounting principles ¹⁾	Group IFRS
External sales	16,784	9,578	13,020	6,658	47		46,087	-1,295	44,792
Internal sales	3,885	982	2,755	17	1,076	-8,715	-		-
Total revenue	20,669	10,560	15,775	6,675	1,123	-8,715	46,087	-1,295	44,792
Operating profit	463	319	464	818	-145	-31	1,888	-217	1,671
Operating margin, %	2.2	3.0	2.9	12.3			4.1		3.7
Financial income							64		64
Financial expenses							-100	-35 ²⁾	-135
Net finance							-36	-35	-71
Pre-tax profit							1,852	-252	1,600
Tax							-357	30	-327
Profit for the period							1,495	-222	1,273
Capital employed (closing balance)	-1,891	-420	10,957	14,173		727 ³⁾	23,546	8,684	32,230
Total assets							43,191	7,995 ⁴⁾	51,186
Equity							14,469	-1,219	13,250
Equity/assets ratio, %							33.5		25.9
Net debt							5,886	9,903	15,789
Cashflow before financing	-65 ⁵⁾	97 ⁵⁾	-1,016 ⁵⁾	397 ⁵⁾		-471 ⁶⁾	-1,058	-1,597	-2,655

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

²⁾ Refers to IFRS 16, additional leases SEK -35 million.

³⁾ Unallocated capital employed.

⁴⁾ Divided between IFRS 16, additional leases SEK 1,563 million and housing projects SEK 6,432 million.

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

⁶⁾ Unallocated cash flow.

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

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

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

³⁾ Unallocated capital employed.

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

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

⁶⁾ Unallocated cash flow.

Note 4 – Financial assets and liabilities valued at fair value

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

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

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

Level 3: based on inputs unobservable to the market.

For a description of how fair value has been calculated see the Annual and Sustainability Report 2022, note 35. The fair value of financial assets and liabilities recognized as their amortized cost is estimated to be, in principle, the same as their recognized values.

Group	Sep 30, 2023			Sep 30, 2022			Dec 31, 2022		
	Level 2	Level 3	Total	Level 2	Level 3	Total	Level 2	Level 3	Total
MSEK									
Financial assets									
Securities held as fixed assets		54	54		76	76		67	67
<i>Of which unlisted funds</i>		13	13		35	35		26	26
<i>Of which unlisted shareholdings and participations</i>		41	41		41	41		41	41
Other long-term receivables			-	1		1	1		1
<i>Of which commodity hedging with futures</i>			-	1		1	1		1
Other current receivables	30		30	12		12	13		13
<i>Of which commodity hedging with futures</i>	26		26	7		7	4		4
<i>Of which currency derivatives</i>	4		4	5		5	9		9
Total financial assets	30	54	84	13	76	89	14	67	81
Financial liabilities									
Other long-term liabilities		18	18			-		19	19
<i>Of which contingent consideration</i>		18	18			-		19	19
Other current liabilities	7		7	15	1	16	6	1	7
<i>Of which currency derivatives</i>	1		1	1		1			-
<i>Of which commodity hedging with futures</i>	6		6	14		14	6		6
<i>Of which contingent consideration</i>			-		1	1		1	1
Total financial liabilities	7	18	25	15	1	16	6	20	26

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

Group	Securities held as fixed asset					
	Unlisted funds			Unlisted shares and participations		
	Sep 30, 2023	Sep 30, 2022	Dec 31, 2022	Sep 30, 2023	Sep 30, 2022	Dec 31, 2022
MSEK						
Opening balance	26	32	32	41	23	23
Investments	5	2	2		18	18
Sales				-1		
Dividends received			-10			
Reported in profit/loss for the period						
Other operating costs (+)/other operating income (-)				1		
Net finance	-18	1	2			
Closing balance	13	35	26	41	41	41

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

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

Future financial information

- | | |
|--|------------------|
| • Year-end report January – December 2023 | February 2, 2024 |
| • Annual and Sustainability report 2023 | April, 2024 |
| • Quarterly report January – March 2024 and Annual General Meeting | May 6, 2024 |
| • Quarterly report January – June 2024 | July 16, 2024 |
| • Quarterly report January – September 2024 | October 25, 2024 |

Förslöv, October 27, 2023

Jesper Göransson
CEO and President

Presentation of the quarterly report

This quarterly report will be presented digitally and on a phone conference Friday October 27, 2023 at 09:00 a.m. by the President and CEO Jesper Göransson and CFO Niclas Winkvist. The presentation will be held in Swedish and is available via <https://www.peab.com/financial-info/>.

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

Participate in the web broadcast:

<https://ir.financialhearings.com/peab-q3-2023>

Participate via telephone conference:

<https://conference.financialhearings.com/teleconference/?id=5006452>

For further information, please contact:

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

This information is information that Peab AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at October 27, 2023, 08:00 a.m. CET.

Review report

We have reviewed the condensed interim financial information (interim report) for Peab AB (publ) as of September 30, 2023 and for the nine month period which ended on this date. The Board of Directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 *Review of Interim Financial Statements Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden.

The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

Förslöv, October 27, 2023

Ernst & Young AB

Jonas Svensson
Authorized Public Accountant

Quarterly data

Group, IFRS

MSEK	Jul-Sep 2023	Apr-Jun 2023	Jan-Mar 2023	Oct-Dec 2022	Jul-Sep 2022	Apr-Jun 2022	Jan-Mar 2022	Oct-Dec 2021	Jul-Sep 2021
Net sales	15,159	16,098	12,978	17,141	16,197	16,458	12,137	17,504	15,488
Production costs	-13,765	-14,141	-12,138	-15,466	-14,730	-14,845	-11,304	-15,495	-13,868
Gross profit	1,394	1,957	840	1,675	1,467	1,613	833	2,009	1,620
Sales and administrative expenses	-600	-867	-854	-851	-640	-929	-866	-923	-673
Other operating income	100	124	42	72	81	94	32	235	67
Other operating costs	17	-17	-21	-10	8	-3	-19	-12	11
Operating profit	911	1,197	7	886	916	775	-20	1,309	1,025
Financial income	56	431	36	39	18	22	24	20	29
Financial expenses	-198	-125	-88	-85	-60	-36	-39	-38	-48
Net finance	-142	306	-52	-46	-42	-14	-15	-18	-19
Pre-tax profit	769	1,503	-45	840	874	761	-35	1,291	1,006
Tax	-145	-315	10	-282	-163	-171	7	-170	-226
Profit for the period	624	1,188	-35	558	711	590	-28	1,121	780
Profit for the period, attributable to:									
Shareholders in parent company	623	1,189	-35	559	711	590	-28	1,121	780
Non-controlling interests	1	-1	0	-1	0	0	0	0	0
Profit for the period	624	1,188	-35	558	711	590	-28	1,121	780
Key ratios, IFRS									
Earnings per share, SEK	2.17	4.13	-0.12	1.93	2.43	2.01	-0.10	3.80	2.65
Average number of outstanding shares, million	287.5	287.5	287.5	288.0	291.3	294.4	295.0	295.0	295.0
Capital employed (closing balance)	35,805	36,442	33,831	33,590	32,230	31,232	29,765	28,698	26,840
Equity (closing balance)	14,405	13,780	13,652	13,786	13,250	12,736	13,792	13,682	12,500

Business areas

	Jul-Sep 2023	Apr-Jun 2023	Jan-Mar 2023	Oct-Dec 2022	Jul-Sep 2022	Apr-Jun 2022	Jan-Mar 2022	Oct-Dec 2021	Jul-Sep 2021
MSEK									
Net sales									
Construction	5,789	7,540	7,422	8,330	6,306	7,628	6,735	8,147	5,989
Civil Engineering	3,491	3,891	3,328	4,405	3,584	3,893	3,083	4,062	3,285
Industry	6,780	5,347	2,779	5,658	7,096	6,108	2,571	5,138	6,198
Project Development	856	1,569	1,841	1,986	2,234	1,977	2,464	3,117	2,741
– of which Property Development	7	65	9	11	304	120	59	425	33
– of which Housing Development	849	1,504	1,832	1,975	1,930	1,857	2,405	2,692	2,708
Group functions	343	390	377	409	380	385	358	368	318
Eliminations	-2,523	-2,981	-3,057	-3,740	-2,915	-3,133	-2,667	-3,312	-2,410
Group, segment reporting	14,736	15,756	12,690	17,048	16,685	16,858	12,544	17,520	16,121
Adjustment of housing to IFRS	423	342	288	93	-488	-400	-407	-16	-633
IFRS 16, additional leases									
Group, IFRS	15,159	16,098	12,978	17,141	16,197	16,458	12,137	17,504	15,488
Operating profit									
Construction	96	141	162	166	126	177	160	209	164
Civil Engineering	110	152	59	175	118	148	53	164	109
Industry	588	333	-435	283	519	341	-396	420	576
Project Development	46	114	127	309	265	264	289	446	326
– of which Property Development	21	29	-6	19	91	43	34	122	70
– of which Housing Development	25	85	133	290	174	221	255	324	256
Group functions	-33	-34	-73	-53	-27	-47	-71	13	-64
Eliminations	-21	-16	4	-27	-8	2	-25	-6	-10
Group, segment reporting excl. MoS	786	690	-156	853	993	885	10	1,246	1,101
Construction – effect MoS		400							
Group, segment reporting	786	1,090	-156	853	993	885	10	1,246	1,101
Adjustment of housing to IFRS	115	98	153	25	-86	-119	-39	52	-86
IFRS 16, additional leases	10	9	10	8	9	9	9	11	10
Group, IFRS	911	1,197	7	886	916	775	-20	1,309	1,025
Operating margin, %									
Construction	1.7	1.9	2.2	2.0	2.0	2.3	2.4	2.6	2.7
Civil Engineering	3.2	3.9	1.8	4.0	3.3	3.8	1.7	4.0	3.3
Industry	8.7	6.2	-15.7	5.0	7.3	5.6	-15.4	8.2	9.3
Project Development	5.4	7.3	6.9	15.6	11.9	13.4	11.7	14.3	11.9
– of which Property Development	300.0	44.6	-66.7	172.7	29.9	35.8	57.6	28.7	212.1
– of which Housing Development	2.9	5.7	7.3	14.7	9.0	11.9	10.6	12.0	9.5
Group functions									
Eliminations									
Group, segment reporting excl. MoS	5.3	4.4	-1.2	5.0	6.0	5.2	0.1	7.1	6.8
Group, segment reporting	5.3	6.9	-1.2	5.0	6.0	5.2	0.1	7.1	6.8
Adjustment of housing to IFRS									
IFRS 16, additional leases									
Group, IFRS	6.0	7.4	0.1	5.2	5.7	4.7	-0.2	7.5	6.6
Key ratios, segment reporting, MSEK									
Earnings per share excl. MoS, SEK	1.85	1.68	-0.54	1.89	2.69	2.36	0.04	3.62	2.89
Earnings per share, SEK	1.85	3.86	-0.54	1.89	2.69	2.36	0.04	3.62	2.89
Capital employed (closing balance)	29,072	29,406	25,910	25,000	23,546	22,828	22,117	21,561	20,691
Equity (closing balance)	15,239	14,770	14,687	14,978	14,469	13,868	14,812	14,656	13,556
Orders received	11,034	12,505	11,042	10,455	13,095	14,334	15,375	14,443	13,865
Order backlog at the end of the period	41,669	43,638	44,595	44,389	48,762	49,899	49,968	45,318	46,280

Alternative performance measures and definitions

Alternative performance measures are used to describe the development of operations and to enhance comparability between periods. These are not defined under IFRS but correspond to the methods applied by executive management and Board of Directors to measure the company's financial performance. Alternative performance measures should not be viewed as a substitute for financial information presented in accordance with IFRS but rather as a complement.

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

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

www.peab.com/alternative-keyratios.

Financial definitions

Available liquidity

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

Capital employed for the business areas

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

Capital employed for the Group

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

Earnings per share/Earnings per share excl. MoS

Profit for the period attributable to shareholders in parent company divided by the average number of outstanding shares during the period. Shows earnings per share. Earnings per share excl. MoS are calculated excluding the effect of arbitration decision concerning Mall of Scandinavia. For details, see Other information.

Equity/assets ratio

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

Equity per share

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

Net debt

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

Net debt, segment reporting

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

Non-financial definitions

Average number of employees

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

CSI

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

eNPS

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

LT14 and LTIF4

LT14 refers to the number of workplace accidents with more than four days absence, excluding the day of injury, and LTIF4 refers to the frequency rate per one million hours worked according to the same definition. LTI stands for Lost Time Injury.

Net debt/equity ratio

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

Net investments

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

Operating margin/Operating margin excl. MoS

Operating profit as a percentage of net sales. Shows profitability in the business. Operating margin excl. MoS is calculated excluding the effect of arbitration decision concerning Mall of Scandinavia. For details, see Other information.

Operative cash flow

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

Order backlog

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

Orders received

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

Return on capital employed

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

Return on equity

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

Project and development property

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

Risk observations

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

Serious accidents

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



The Nordic Community Builder

About Peab

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

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

Net sales, appr.

SEK 60 billion

Employees, appr.

15,000



Business model

Value through collaborating business areas

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

Peab's four strategic targets



Most satisfied customers



Best workplace



Most profitable company



Leader in social responsibility



Local and close to our customers

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

