

# Year-end report

JANUARY – DECEMBER 2019



PEAB CENTER STOCKHOLM  
Solna

## Stable business and proposal for extra distribution of real estate company

### October – December 2019

- Net sales SEK 15,312 million (14,845)
- Operating profit SEK 755 million (863). Charged with SEK 47 million for acquisition of remaining shares in Smidmek
- Operating margin 4.9 percent (5.8)
- Pre-tax profit SEK 724 million (839)
- Earnings per share SEK 2.00 (2.39)
- Orders received SEK 12,096 million (10,451)
- Cash flow before financing SEK 552 million (949)

### January – December 2019

- Net sales SEK 54,008 million (52,233)
- Operating profit SEK 2,568 million (2,573)
- Operating margin 4.8 percent (4.9)
- Pre-tax profit SEK 2,510 million (2,518)
- Earnings per share SEK 7.09 (7.12)
- Orders received SEK 44,130 million (51,087) and order backlog SEK 42,494 million (45,819)
- Cash flow before financing SEK -551 million (-1,021)
- Net debt SEK 7,507 million (3,551). Excluding additional IFRS 16, Leases net debt was SEK 6,743 million
- Equity/assets ratio 31.7 percent (30.4). Excluding additional IFRS 16, Leases the equity/assets ratio was 32.3 percent
- The Board proposes a dividend of SEK 4.20 (4.20) per share
- The Board proposes an extra distribution of a real estate company according to Lex Asea



**PEAB**  
THE NORDIC COMMUNITY BUILDER

# Comments from the CEO

Net sales in Peab grew by over three percent in 2019 to SEK 54 billion and adjusted for costs for acquisitions as well as eliminations, profitability has been strengthened. The proposed extra distribution demonstrates Peab's capacity to, through our four collaborating business areas, generate substantial results for our shareholders. At the same time it creates the foundation for even more value creation in two separate companies in the future. Based on stable market prospects we are moving ahead in 2020 by finalizing the YIT operations acquisition, which is expected to be completed during the first half-year.

## GROUP DEVELOPMENT

Net sales in 2019 amounted to SEK 54,008 million (52,233), which was an increase of three percent. Operating profit was SEK 2,568 million (2,573) which entailed an operating margin of 4.8 percent (4.9). Cash flow before financing was SEK -551 million (-1,021). Net debt was SEK 7,507 million (3,551). Excluding IFRS 16, Leases net debt was SEK 6,743 million. More construction on property on our own balance sheet and via joint ventures has entailed an increase in eliminations of internal profit and affected cash flow and net debt. Business area Industry has also invested in machines and equipments. In addition, more working capital has been tied up due to in part to a greater number of ongoing housing projects in Finland and Norway. We have continued to underpin our strategic investments with a high equity/assets ratio amounting to 31.7 percent, well over our goal of 25 percent.

## BUSINESS AREA DEVELOPMENT

In 2019 net sales in business area Construction rose by four percent with a higher operating profit and unchanged operating margin. Net sales in business area Civil Engineering dropped by three percent with a lower operating profit and operating margin. Net sales in business area Industry were unchanged with a slightly lower operating profit and operating margin. Acquisition costs for the mineral aggregates and paving operations in YIT during the third quarter along with purchasing the remaining shares in Smidmek in the fourth quarter charged the business area with SEK 40 million respectively SEK 47 million. Net sales in Project Development were unchanged with an improved operating profit. Net sales in Housing Development were slightly lower but operating profit improved for the year on the whole. The property divestitures in the partially owned company Acturum had a positive effect of SEK 170 million on operating profit in Property Development.

## ORDER SITUATION

The level of orders received in 2019 amounted to SEK 44.1 billion (51.1). The reduction in orders received stems from business areas Construction, Civil Engineering and Project Development while the order level in Industry went up. Considering the high level of orders at the end of 2018 that contained several major projects, orders received during the year have been more along the lines of mid-sized or smaller projects. Order backlog at the end of the year amounted to SEK 42.5 billion (45.8) and is well spread in place and product.

## MARKET AND OUTLOOK FOR THE FUTURE

In general, economic development in the Nordic region has slowed down during the year but nonetheless continued low interest rates and a significant underlying need provide a good platform for the construction market over time. In Sweden forecasts indicate that housing construction will continue to decrease in 2020 and then level out in 2021. Investments in private premises will most likely be affected negatively while greater investments in public premises are expected. In Finland housing construction is expected to decline in 2020 and 2021. Other building construction should remain on the same level while the market for home renovations looks better. In Norway housing construction declined in 2019. It is expected to level out in 2020 and then grow again in 2021. The market conditions in the civil engineering market in Sweden and Norway are considered good and growth is forecast for the year.



Peab has a unique position through our four complementary business areas and all our employees who are firmly welded together by a strong company culture. Our business model creates opportunities throughout the entire value chain in a construction project and provides us with a good platform to deliver comprehensive solutions to our customers. Peab's business model is founded on our four collaborating business areas and local presence.

On July 4th 2019 Peab announced that we had signed an agreement with YIT to acquire their paving and mineral aggregates business. The acquisition means that Peab will develop and strengthen business area Industry in Sweden, Norway and Finland and establish the company in Denmark. The acquisition also means our offer will be more complete on our markets outside of Sweden and we can further build on our business model. The acquired business had net sales of around SEK 6 billion in 2018 and 1,700 employees. The deal requires approval from competition authorities and we expect to implement the takeover during the first or second quarter of 2020.

We continue to develop Peab in order to achieve our strategic goals to have the most satisfied customers, be the best workplace and the most profitable company in the industry.

Peab started in 1959 which means Peab turned 60 years old in 2019. Guided by our core values we continue our journey of contributing to positive community development on the markets where we are active.

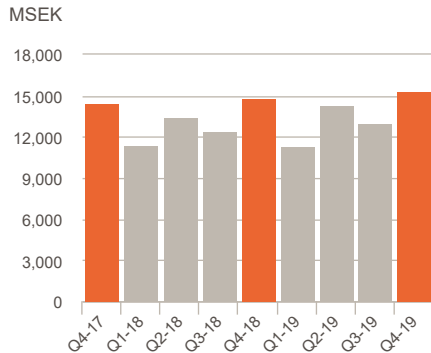
## PROPOSED DIVIDEND

Based on the Group's stable profitability and financial situation as well as our order level and investment needs, the Board proposes a dividend of SEK 4.20 (4.20) per share. In addition, Peab's Board has today decided to present the Annual General Meeting with a proposal to execute an extra distribution of a real estate company holding a portfolio of fully developed investment property and operations property through a so-called Lex Asea dividend. The distribution creates the basis for a focused listed company that can continue to develop properties in the Nordic growth regions while Peab as a Group can continuously develop through its well-established and successful business model.

*Jesper Göransson*  
CEO and President

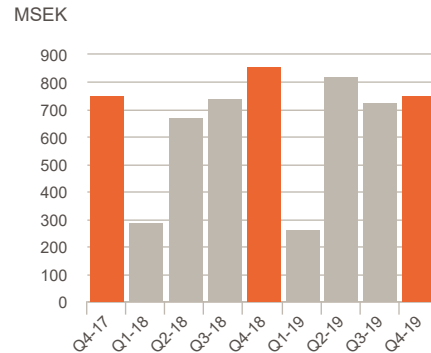
# Year-end report January – December 2019

## Net sales



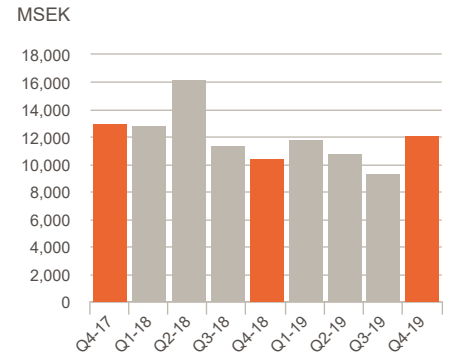
Group net sales for 2019 amounted to SEK 54,008 million (52,233), which was an increase of three percent. Even after adjustments for acquired and divested units net sales increased by three percent compared to the last year.

## Operating profit



Operating profit for 2019 amounted to SEK 2,568 million compared to SEK 2,573 million for the last year.

## Orders received



Orders received for 2019 amounted to SEK 44,130 million compared to SEK 51,087 million for the last year. Order backlog amounted to SEK 42,494 million compared to SEK 45,819 million at the end of 2018.

## Group

MSEK	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Net sales	15,312	14,845	54,008	52,233
Operating profit	755	863	2,568	2,573
Operating margin, %	4.9	5.8	4.8	4.9
Pre-tax profit	724	839	2,510	2,518
Profit for the period	591	706	2,092	2,100
Earnings per share, SEK	2.00	2.39	7.09	7.12
Return on equity, %	17.9 <sup>1)</sup>	19.6 <sup>1)</sup>	17.9	19.6
Net debt <sup>2)</sup>	7,507	3,551	7,507	3,551
Equity/assets ratio, % <sup>3)</sup>	31.7	30.4	31.7	30.4
Cash flow before financing	552	949	-551	-1,021
Number of employees at the end of the period	14,258	14,614	14,258	14,614

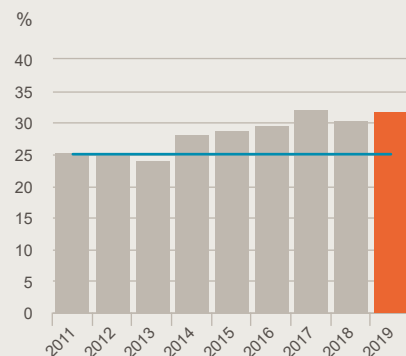
<sup>1)</sup> Calculated on rolling 12 months.

<sup>2)</sup> Excluding additional IFRS 16, Leases net debt was SEK 6,743 million per December 31, 2019.

<sup>3)</sup> Excluding additional IFRS 16, Leases the equity/assets ratio was 32.3 percent per December 31, 2019.

## Financial goals <sup>1)</sup>

### Equity/assets ratio

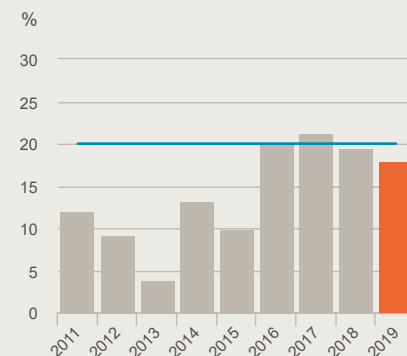


Goal > 25%

The goal for the equity/assets ratio is at least 25 percent. On December 31, 2019 the equity/assets ratio was 31.7 percent compared to 30.4 percent at the end of last year. Excluding additional IFRS 16, Leases the equity/assets ratio was 32.3 percent per December 31, 2019.

<sup>1)</sup> Years 2011-2015 have not been recalculated taking IFRS 15 into account.

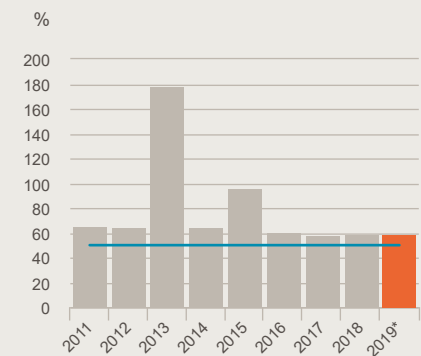
### Return on equity



Goal > 20%

The goal for return on equity is a yield of at least 20 percent. The return on equity was 17.9 percent (19.6).

### Dividends



\* Board of Directors' proposal for 2019 to the AGM

Goal > 50%

The goal for dividends is at least 50 percent of profit for the year. The Board's proposal for a dividend for 2019 of SEK 4.20 (4.20) per share corresponds to 59 percent (59) of profit for the year. In addition, the Board has proposed an extra distribution of a real estate company. For more information see page 18.



# Net sales and profit

## NET SALES AND PROFIT

### October – December 2019

Group net sales for fourth quarter 2019 increased by three percent and amounted to SEK 15,312 million (14,845).

Net sales in business area Construction increased by two percent. Net sales in business area Civil Engineering and Industry showed lower net sales of nine and six percent, respectively. Lower net sales in business area Civil Engineering are due to a decline in Operation and maintenance and Infrastructure. In business area Industry the reduction is largely due to lower net sales in Asphalt, where there was an extremely high level of activity in the fourth quarter 2018. Net sales in business area Project Development increased by twelve percent compared to the fourth quarter last year. The increase primarily stems from Housing Development in Sweden.

Of the quarter's net sales SEK 2,875 million (2,836) were attributable to sales and production outside Sweden.

Operating profit for the fourth quarter 2019 amounted to SEK 755 million (863) and the operating margin was 4.9 percent (5.8). In business area Construction the operating margin was unchanged at 2.5 percent. Even in business area Civil Engineering the operating margin was unchanged at 3.5 percent. Business area Industry had a slightly lower operating margin of 10.1 percent (10.5). During the fourth quarter business area Industry acquired the remaining 40 percent of the shares in AB Smidmek Eslöv. Since Peab has chosen the anticipated acquisition accounting method the effect of the acquisition has been recognized in the income statement, which affected business area Industry by SEK -47 million. In business area Project Development the operating margin in Housing Development rose to 10.5 percent (10.3) while Property Development showed a slightly lower operating profit.

Depreciation and write-downs for the fourth quarter were SEK -336 million (-281). Depreciation was affected by SEK -44 million through additional IFRS 16, Leases.

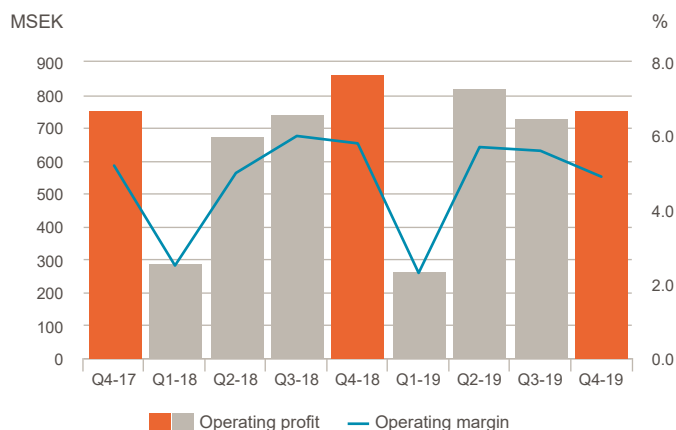
Eliminations and reversal of internal profit in our own projects have affected operating profit during the quarter net by SEK -53 million (20). Eliminations of internal profits have increased due to more construction on property on our own balance sheet as well as a greater number of ongoing housing projects in Norway and Finland.

Net financial items amounted to SEK -31 million (-24) of which net interest was SEK -30 million (-13). Net interest was affected by SEK -6 million through additional IFRS 16, Leases in the fourth quarter 2019.

Pre-tax profit was SEK 724 million (839).

Profit for the fourth quarter was SEK 591 million (706).

## Operating profit and operating margin, per quarter



## January – December 2019

Group net sales for 2019 amounted to SEK 54,008 million (52,233), which was an increase of three percent. Even after adjustments for acquired and divested units net sales increased by three percent.

Net sales in business area Construction grew by four percent and the increase was related to all three countries. Net sales includes a greater portion of other building construction. In business area Civil Engineering net sales decreased with three percent. Net sales grew in Local market but fell in Operation and maintenance and Infrastructure, which had several major projects in full production during 2018. Net sales in business area Industry were relatively unchanged. Net sales grew in all the product areas except Construction System where net sales were lower. In business area Project Development net sales decreased slightly which is attributable to Housing Development.

Of the year's net sales SEK 9,888 million (10,297) were attributable to sales and production outside Sweden.

Operating profit for 2019 was SEK 2,568 million (2,573) and the operating margin was 4.8 percent (4.9). The operating profit was affected positively by SEK 23 million through additional IFRS 16, Leases during the year.

The operating margin in business area Construction was 2.4 percent which was unchanged compared to 2018. Business area Civil Engineering reported lower earnings in 2019 and the operating margin was 2.8 percent (3.0). The level of profitability in Operation and maintenance was lower than in previous years. The operating margin in business area Industry was 7.0 percent (7.4). The lower operating margin in part stems from higher costs in Rentals as a result of supplementary establishments to increase local presence that do not yet generate their full potential income. In addition, the business area has been charged by acquisition costs of SEK 40 million for YIT's paving and mineral aggregates operations in the third quarter and the acquisition of the remaining 40 percent of shares in AB Smidmek Eslöv for SEK 47 million in the fourth quarter. The operating margin in business area Project Development improved to 12.4 percent compared to 10.0 percent last year. There was a slight increase in operating profit in Housing Development during the year where the somewhat lower operating profit in Sweden was countered by several projects that were turned over in Norway and Finland. The operating margin in Housing Development was 9.4 percent (8.7). In Property Development Peab's partially owned company Acturum divested a number of properties in the second quarter. The divestitures had a positive effect of SEK 170 million in profit contributions from partially owned companies. Apart from this no major property transactions have taken place during the year.

Eliminations and reversal of internal profit in our own projects have affected operating profit net by SEK -142 million (0). As a result of more construction on property on our own balance sheet including housing projects in Norway and Finland, apartments for rent in Sweden, Peab's own offices as well as other commercial property, a higher level of profit has been eliminated than in previous years. Elimination is reversed in connection with the external divestment of a project.

Depreciation and write-downs for the year were SEK -1,260 million (-1,024). Depreciation was affected by SEK -166 million through additional IFRS 16, Leases during the year.

Net financial items amounted to SEK -58 million (-55), of which net interest amounted to SEK -99 million (-48). Net interest was affected by SEK -27 million through additional IFRS 16, Leases during the year. Net financial items included positive effects from, among other things, dividends and activated interest rates.

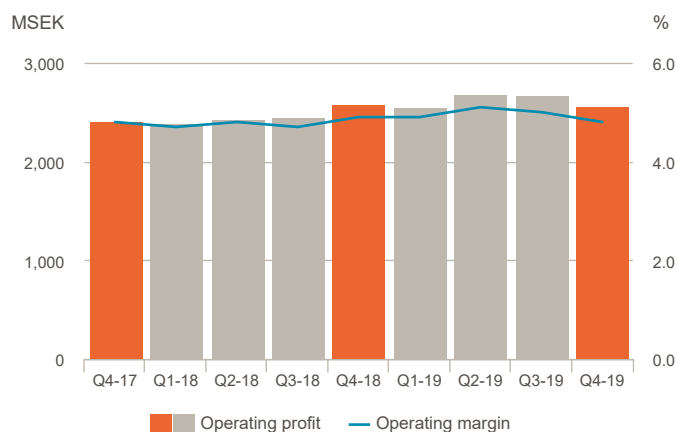
Pre-tax profit was SEK 2,510 million (2,518). Tax for the year amounted to SEK -418 million (-418), which corresponds to 17 percent (17) in tax.

Profit for the year was SEK 2,092 million (2,100).

## SEASONAL VARIATIONS

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

## Operating profit and operating margin, rolling 12 months



# Financial position and cash flow

## IFRS 16 LEASES

IFRS 16, Leases replaced IAS 17, Leases as of January 1, 2019. When changing over Peab chose the changeover method in which comparable periods are not recalculated. Additional leases primarily comprise office and premise rents, leaseholds, land rentals and vehicles. Total assets and net debt were affected at changeover on January 1, 2019 by SEK 850 million. IFRS 16, Leases is also applied in segment reporting. For further information see note 1.

## FINANCIAL POSITION

The equity/assets ratio on December 31, 2019 was 31.7 percent compared to 30.4 percent at previous year-end. Excluding additional IFRS 16, Leases the equity/asset ratio on December 31, 2019 was 32.3 percent. Interest-bearing net debt amounted to SEK 7,507 million compared to SEK 3,551 million at the end of 2018. Excluding additional IFRS 16, Leases net debt on December 31, 2019 was SEK 6,743 million. The increase in net debt is explained by more construction on property on our own balance sheet and joint ventures, our own developed housing projects in Norway and Finland and investments in Industry. The average interest rate in the loan portfolio, including derivatives but excluding additional IFRS 16, Leases was 1.5 percent (1.4) on December 31, 2019.

Group liquid funds, including unutilized credit facilities, were SEK 5,013 million at the end of the year compared to SEK 5,846 million on December 31, 2018.

At the end of the period Group contingent liabilities, excluding joint and several liabilities in trading and limited partnerships, amounted to SEK 9,121 million compared to SEK 10,302 million on December 31, 2018. Of contingent liabilities surety given for credit lines for tenant-owned apartments under production was SEK 6,207 million compared to SEK 7,580 million on December 31, 2018.

## INVESTMENTS AND DIVESTMENTS

During the fourth quarter SEK 357 million (net divested with SEK 279 million) was net invested in tangible and intangible fixed assets and investment property. During the fourth quarter 2018 the property Ångkraftverket 2 in Västerås, containing a hotel and Kokpunkten Actionbad, was divested for around SEK 800 million. During 2019 SEK 1,676 million (1,021) was net invested in tangible and intangible fixed assets and investment property and consisted primarily of office building construction and investments in machinery.

Net investments in project and development properties, which are recognized as inventory items, totaled SEK 320 million (730) during the fourth quarter. Net investments in project and investment properties totaled SEK 1,549 million (2,103) during 2019. Most of the investments refer to ongoing housing projects in Finland and Norway and our own developed rental projects in Project Development in Sweden.

## CASH FLOW

### October – December 2019

Cash flow from current operations was SEK 721 million (664), of which cash flow from changes in working capital was SEK -480 million (-474). The change in working capital refers to investments in project and development property as well as construction of our own housing projects in Finland and Norway.

Cash flow from investment activities was SEK -169 million (285). During the fourth quarter 2018 the property Ångkraftverket 2 in Västerås, containing a hotel and Kokpunkten Actionbad, was divested which had a positive effect on cash flow by around SEK 800 million.

Cash flow before financing was SEK 552 million (949).

### January – December 2019

Cash flow from current operations was SEK 52 million (-250), of which cash flow from changes in working capital was SEK -3,100 million (-2,944). The change in working capital included, among other things, construction of own housing projects in Finland and Norway and our own rental projects in Sweden as well as lower operating debt.

Cash flow from investment activities was SEK -603 million (-771).

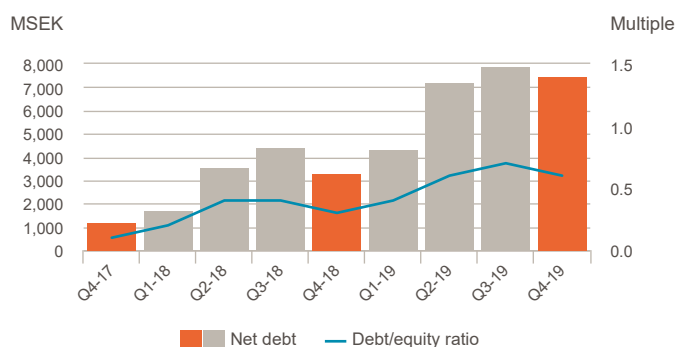
Cash flow before financing amounted to SEK -551 million (-1,021).

Cash flow from financing operations amounted to SEK -462 million (1,770), of which SEK -1,239 million (-1,180) consisted of paid dividends and changes in loans was SEK 776 million (2,950).

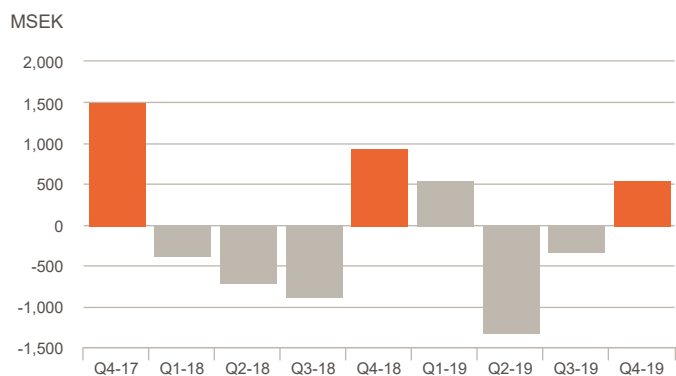
## Net debt

MSEK	Dec 31 2019	Dec 31 2018
Bank loans	4,160	3,383
Commercial papers	1,359	730
Bonds	2,248	2,248
Financial leasing liabilities	579	593
Additional leasing liabilities according to IFRS 16	764	-
Other interest-bearing liabilities	0	58
Interest-bearing receivables	-1,230	-2,085
Liquid funds	-373	-1,376
<b>Net debt</b>	<b>7,507</b>	<b>3,551</b>

## Net debt and debt/equity ratio



## Cash flow before financing





# Order situation

## October – December 2019

Orders received in the fourth quarter 2019 amounted to SEK 12,096 million compared to SEK 10,451 million for the same quarter last year. The level of orders received in business areas Construction, Civil Engineering and Industry increased during the fourth quarter. The level of orders received in business area Project Development contracted as a result of fewer production-started homes.

## January – December 2019

Orders received for 2019 amounted to SEK 44,130 million compared to SEK 51,087 million for the last year. The level of orders received in business areas Construction, Civil Engineering and Project Development contracted. Orders received in the comparable year included the office project Platinan in Gothenburg for Vasakronan worth SEK 2,100 million in business area Construction and in business area Civil Engineering the extension of the West Sweden railroad system Olskroken in Gothenburg for the Swedish Transport Administration worth SEK 2,900 million, both with long production times.

Considering the high level of orders at the end of 2018 that contained several major projects, orders received during the year have been more along the lines of mid-sized or smaller projects. The level increased in business area Industry, primarily due to Asphalt. Orders received for the Group in the year are well spread geographically and there is good product diversity.

Order backlog yet to be produced at the end of the year was SEK 42,494 million compared to SEK 45,819 million at the end of the last year. Swedish operations accounted for 80 percent (84) of the order backlog.

## Orders received

MSEK	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Construction	7,789	6,202	26,155	31,007
Civil Engineering	3,679	2,751	13,108	16,349
Industry	1,803	1,549	6,174	5,111
Project Development	1,480	2,102	6,164	6,681
Eliminations	-2,655	-2,153	-7,471	-8,061
<b>Group</b>	<b>12,096</b>	<b>10,451</b>	<b>44,130</b>	<b>51,087</b>

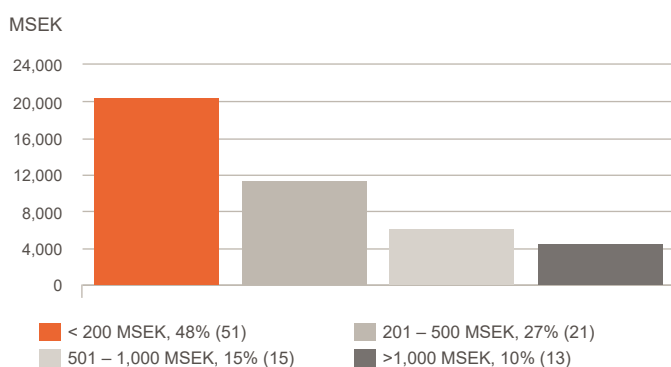
## Order backlog

MSEK	Dec 31 2019	Dec 31 2018
Construction	26,928	29,776
Civil Engineering	13,446	13,620
Industry	2,548	2,246
Project Development	5,027	7,134
Eliminations	-5,455	-6,957
<b>Group</b>	<b>42,494</b>	<b>45,819</b>

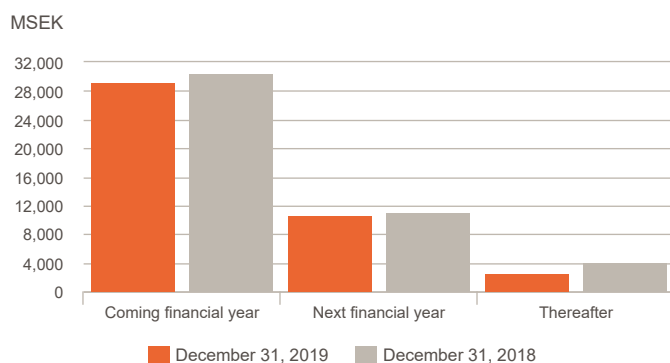
## We received several major contracts and agreements during the fourth quarter, including:

- Construction of a school for Jyväskylä Tilapalvelu in Jyväskylä in Finland. The contract is worth EUR 16 million.
- Construction of a pool facility in Näsby in Kristianstad. The customer is Kristianstad Municipality and the contract is worth SEK 468 million.
- Construction of a new high school and middle school in Tuve on North Hisingen in Gothenburg. The customer is the Gothenburg City Premises Administration and the contract is worth SEK 273 million.
- SCA is investing in a new paper machine for its paper mill in Obbola in Umeå Municipality. Peab will build the extension of the plant. The contract is worth SEK 700 million.
- Construction of Halvors länk, a new 1.3 kilometer cross-connection between road 155 and Hisingleden in Gothenburg. The customer is the Swedish Transport Administration and the contract is worth SEK 279 million.
- Commission to renovate and extend Eikeli High School in Bærum, Norway. The customer is AFK eiendom FKF and the contract is worth NOK 193 million.
- Construction of 286 apartments in Umeå. The customer is AB Bostaden and the contract is worth SEK 266 million.
- Construction of 256 small-sized apartments in central Malmö. The customer is Trianon and the contract is worth SEK 257 million.
- Construction of, in partnership with SCA, an extension of the Bollsta saw mill in Bollstabruk, Kramfors Municipality. The contract is worth SEK 276 million.
- Construction of Malmö's new courthouse in Nyhamnen, Malmö. The customer is Castellum and the contract is worth SEK 921 million.
- Construction of two fire stations for property investment company Hemsö in Oulu, Finland. The contract is worth EUR 21 million.
- Construction of 47 apartments in Alesund in northwest Norway. The customer is Fri Sikt Voldsalsberga AS and the contract is worth NOK 153 million.
- Construction of the Grand Quarter in Larvik in Vestfold, Norway. The customer is Grandkvartalet Eiendom AS and the contract is worth NOK 240 million.

## Project allocation of order backlog, Dec 31, 2019



## Order backlog allocated over time



# Overview business areas

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

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

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

## RECOGNITION OF PROPERTY PROJECTS ON OUR OWN BALANCE SHEET

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

## GROUP FUNCTIONS

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

## Net sales and operating profit per business area

MSEK	Net sales				Operating profit			
	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Construction	8,371	8,182	29,416	28,340	208	207	713	670
Civil Engineering	3,792	4,189	13,339	13,745	132	145	368	415
Industry	3,592	3,803	13,339	13,284	363	401	938	977
Project Development	2,138	1,904	7,784	7,844	234	245	966	785
– of which Property Development	179	194	786	738	29	69	305	170
– of which Housing Development	1,959	1,710	6,998	7,106	205	176	661	615
Group functions	325	223	1,176	1,043	-129	-155	-275	-274
Eliminations	-2,906	-3,456	-11,046	-12,023	-53	20	-142	0
<b>Group</b>	<b>15,312</b>	<b>14,845</b>	<b>54,008</b>	<b>52,233</b>	<b>755</b>	<b>863</b>	<b>2,568</b>	<b>2,573</b>

MSEK	Operating margin			
	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Construction	2.5%	2.5%	2.4%	2.4%
Civil Engineering	3.5%	3.5%	2.8%	3.0%
Industry	10.1%	10.5%	7.0%	7.4%
Project Development	10.9%	12.9%	12.4%	10.0%
– of which Property Development	16.2%	35.6%	38.8%	23.0%
– of which Housing Development	10.5%	10.3%	9.4%	8.7%
Group functions				
Eliminations				
<b>Group</b>	<b>4.9%</b>	<b>5.8%</b>	<b>4.8%</b>	<b>4.9%</b>



# Business area Construction

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

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

## NET SALES AND PROFIT

### October – December 2019

Net sales for the fourth quarter 2019 increased by two percent and amounted to SEK 8,371 million (8,182). There is a greater portion of other building construction for private customers in net sales.

Operating profit for the fourth quarter amounted to SEK 208 million (207) and the operating margin was unchanged at 2.5 percent.

### January – December 2019

Net sales for 2019 increased by four percent and amounted to SEK 29,416 million (28,340). The increase is attributable to all three countries. There is a greater portion of other building construction for both private and public customers in net sales.

Operating profit for the year amounted to SEK 713 million (670) and the operating margin amounted to 2.4 percent (2.4).

## ORDERS RECEIVED AND ORDER BACKLOG

### October – December 2019

Orders received during the fourth quarter amounted to SEK 7,789 million (6,202). Orders received included, among other things, construction of Malmö's new courthouse in Nyhamnen in Malmö to Castellum of SEK 921 million.

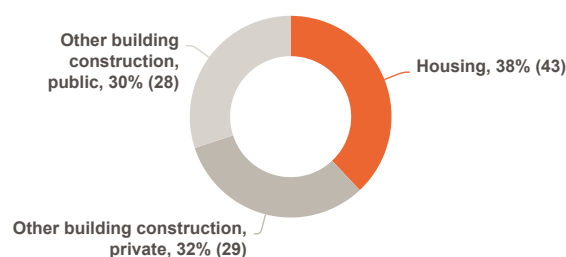
### January – December 2019

Orders received during 2019 contracted to SEK 26,155 million (31,007). The comparable year included the office building project Platinan in Gothenburg for Vasakronan worth SEK 2,100 million, which has a long production time. The orders received are relatively well spread regarding products and location.

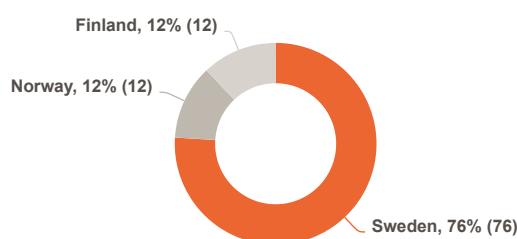
Order backlog on December 31, 2019 was SEK 26,928 million compared to SEK 29,776 million at the end of December 2018.

## Net sales

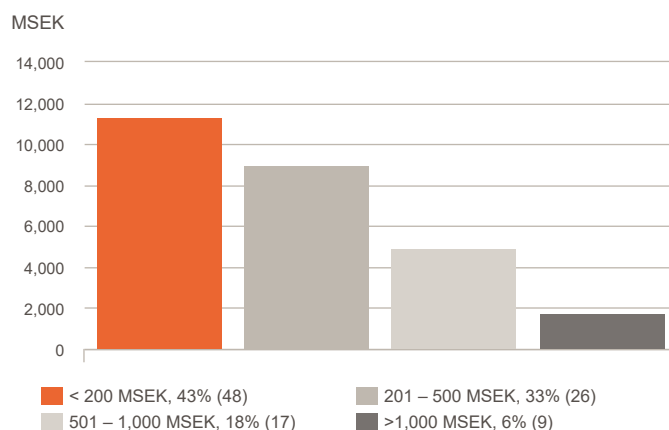
per product area, 2019



per geographic market, 2019



## Project allocation of order backlog, Dec 31, 2019



## Key ratios

	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Net sales, MSEK	8,371	8,182	29,416	28,340
Operating profit, MSEK	208	207	713	670
Operating margin, %	2.5	2.5	2.4	2.4
Orders received, MSEK	7,789	6,202	26,155	31,007
Order backlog, MSEK	26,928	29,776	26,928	29,776
Number of employees at the end of the period	6,299	6,631	6,299	6,631

# Business area Civil Engineering

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

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

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

Civil Engineering also provides operation and maintenance for national and municipal highways and street networks as well as cares for parks and outdoor property. It also operates water and sewage supply networks.

## NET SALES AND PROFIT

### October – December 2019

Net sales for the fourth quarter 2019 contracted with nine percent and amounted to SEK 3,792 million (4,189). The decrease in net sales is attributable to Operation and maintenance and Infrastructure.

Operating profit for the fourth quarter amounted to SEK 132 million (145) and the operating margin was 3.5 percent (3.5).

### January- December 2019

Net sales contracted by three percent during 2019 and amounted to SEK 13,339 million (13,745). Even after adjustments for acquired units net sales decreased by three percent. Local market had slightly higher net sales, while Operation and maintenance and Infrastructure had a lower net sales. In 2018, more projects in Infrastructure were in full production.

Operating profit for the year contracted to SEK 368 million (415) and the operating margin was 2.8 percent (3.0). The level of profitability in Operations and maintenance was lower compared to previous years.

## ORDERS RECEIVED AND ORDER BACKLOG

### October – December 2019

Orders received during the fourth quarter 2019 amounted to SEK 3,679 million (2,751).

### January- December 2019

Orders received during 2019 amounted to SEK 13,108 million (16,349). Orders received in the comparable year included the extension of the West Sweden railroad system Olskroken in Gothenburg for the Swedish Transport Administration worth SEK 2,900 million, which has a long production time.

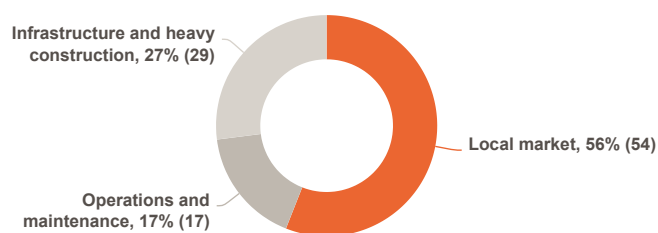
Order backlog on December 31, 2019 amounted to SEK 13,446 million (13,620).

## Key ratios

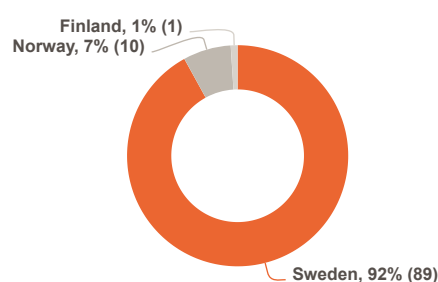
	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Net sales, MSEK	3,792	4,189	13,339	13,745
Operating profit, MSEK	132	145	368	415
Operating margin, %	3.5	3.5	2.8	3.0
Orders received, MSEK	3,679	2,751	13,108	16,349
Order backlog, MSEK	13,446	13,620	13,446	13,620
Number of employees at the end of the period	3,511	3,580	3,511	3,580

## Net sales

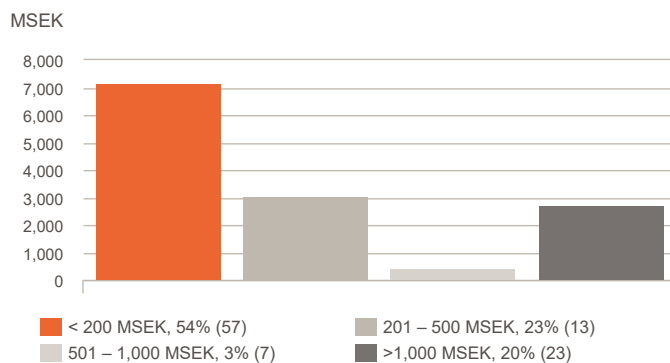
per product area, 2019



per geographic market, 2019



## Project allocation of order backlog, Dec 31, 2019



# Business area Industry

Business area Industry is a complete supplier of the products and services needed to carry out a sustainable and cost-efficient construction and civil engineering project on the Swedish, Norwegian and Finnish markets. Industry offers everything from gravel and rock material, concrete, asphalt and temporary electricity to prefabricated concrete elements. Business area Industry also assists with crane rental, import and distribution of binder to the concrete industry, machines and transportation as well as recycles production waste.

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

## NET SALES AND PROFIT

### October – December 2019

Net sales for the fourth quarter 2019 decreased by six percent and amounted to SEK 3,592 million (3,803). The decrease in net sales is mainly related to Asphalt, where there was very high activity during the fourth quarter of 2018.

Operating profit for the fourth quarter 2019 amounted to SEK 363 million (401) and the operating margin was 10.1 percent (10.5).

During the fourth quarter the remaining 40 percent of the shares in AB Smidmek Eslöv were acquired. The price of the remaining shares has been based on the company's development and earning capability and since company development has been better than expected the price of the remaining shares was higher. Since Peab has chosen the anticipated acquisition accounting method the effect of the acquisition has been recognized in the income statement, which affected operating profit by SEK -47 million.

### January – December 2019

Net sales for 2019 amounted to SEK 13,339 million (13,284). Even adjusted for acquisitions and divestures net sales was unchanged compared to last year. Net sales increased in all product areas except Construction System where net sales fell.

Operating profit for the year amounted to SEK 938 million (977) and the operating margin was 7.0 percent (7.4). The lower operating margin was due to higher costs in Rentals stemming from some supplemental establishments made to raise local presence that have not yet begun to generate their full revenue capacity. In addition, the business area has been charged in the third quarter with acquisition costs of SEK 40 million concerning YIT's paving and mineral aggregates operations and the acquisition of the remaining 40 percent of the shares in AB Smidmek Eslöv of SEK 47 million in the fourth quarter.

Capital employed in Industry was at the end of the year SEK 6,897 million compared to SEK 6,432 million at the end of last year. The increase is primarily attributable to investments in machinery. The effect of additional IFRS 16, Leases was SEK 98 million per December 31, 2019.

## Key ratios

	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Net sales, MSEK	3,592	3,803	13,339	13,284
Operating profit, MSEK	363	401	938	977
Operating margin, %	10.1	10.5	7.0	7.4
Orders received, MSEK	1,803	1,549	6,174	5,111
Order backlog, MSEK	2,548	2,246	2,548	2,246
Capital employed at the end of the period, MSEK	6,897	6,432	6,897	6,432
Number of employees at the end of the period	3,482	3,484	3,482	3,484
Concrete, thousands of m <sup>3</sup> <sup>1)</sup>	365	371	1,344	1,294
Asphalt, thousands of tons <sup>1)</sup>	904	836	2,718	2,706
Gravel and Rock, thousands of tons <sup>1)</sup>	4,815	4,352	15,755	14,681

1) Refers to sold volume

## ORDERS RECEIVED AND ORDER BACKLOG

### October – December 2019

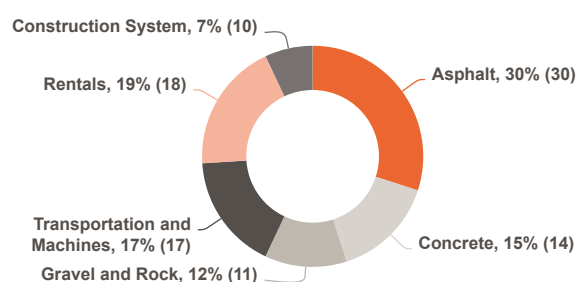
Orders received during the fourth quarter amounted to SEK 1,803 million (1,549).

### January – December 2019

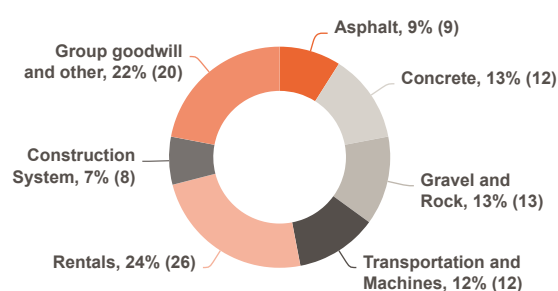
Orders received during 2019 amounted to SEK 6,174 million (5,111). The increase is primarily related to Asphalt. Order backlog on December 31, 2019 amounted to SEK 2,548 million (2,246).

## Net sales

### per product area, 2019



## Capital employed, Dec 31, 2019



# Business area Project Development

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

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

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

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

## NET SALES AND PROFIT

### October – December 2019

Net sales for the fourth quarter 2019 in business area Project Development amounted to SEK 2,138 million (1,904). Operating profit amounted to SEK 234 million (245).

### January – December 2019

Net sales for 2019 in business area Project Development amounted to SEK 7,784 million (7,844) and operating profit was SEK 966 million (785). The reduction in net sales stems from Housing Development. In Property Development Peab's partially owned company Acturum divested a number of properties in the second quarter. The divestitures had a positive effect of SEK 170 million in profit contributions from partially owned companies.

Capital employed in Project Development at the end of the year amounted to SEK 15,964 million (12,984). The increase is due to investments in project and development properties, more ongoing housing projects in Norway and Finland, investments in rental projects as well as investments in operations properties in Property Development. The increase also included additional IFRS 16, Leases per December 31, 2019 of SEK 328 million.

## Key ratios

	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Net sales, MSEK	2,138	1,904	7,784	7,844
<i>of which Property Development</i>	179	194	786	738
<i>of which Housing Development</i>	1,959	1,710	6,998	7,106
Operating profit, MSEK	234	245	966	785
<i>of which Property Development</i>	29	69	305	170
<i>of which Housing Development</i>	205	176	661	615
Operating margin, %	10.9	12.9	12.4	10.0
<i>of which Property Development</i>	16.2	35.6	38.8	23.0
<i>of which Housing Development</i>	10.5	10.3	9.4	8.7
Capital employed at the end of the period, MSEK	15,964	12,984	15,964	12,984
Orders received, MSEK	1,480	2,102	6,164	6,681
Order backlog, MSEK	5,027	7,134	5,027	7,134
Number of employees at the end of the period	343	379	343	379



## Capital employed

MSEK	Dec 31 2019	Dec 31 2018
Operations property	1,332	915
Investment property	558	589
Project and development property	11,623	9,685
<i>of which housing development rights</i>	5,841	5,394
<i>of which commercial development rights</i>	556	656
<i>of which ongoing housing projects in Norway and Finland</i>	3,126	2,034
<i>of which ongoing rental projects in Sweden</i>	846	925
<i>of which ongoing commercial projects</i>	445	302
<i>of which completed property</i>	391	14
<i>of which other</i>	418	360
Participation in joint ventures	1,978	1,019
Loans to joint ventures	1,106	1,466
Working capital and other	-633	-690
<b>Total</b>	<b>15,964</b>	<b>12,984</b>



## HOUSING DEVELOPMENT

### October – December 2019

Net sales during the fourth quarter amounted to SEK 1,959 million (1,710). The increase is attributable to Swedish operations. Operating profit increased to SEK 205 million (176) and the operating margin to 10.5 percent (10.3).

The number of start-ups of our own developed homes during the fourth quarter amounted to 538 units (622) and was divided among different places in Sweden and Finland. The number of sold homes was 755 (660).

### January – December 2019

Net sales decreased to SEK 6,998 million (7,106). Operating profit amounted to SEK 661 million (615) and the operating margin amounted to 9.4 percent (8.7). Operating profit and the operating margin contracted slightly in Sweden but was for the most part countered by more turned over projects in Norway and Finland.

The number of start-ups of our own developed homes amounted to 2,067 units (2,213) with a good geographic spread in all countries. The number of sold homes was 2,709 (1,825). Sales are at a good level in all three countries. Greater sales efforts in Stockholm led to higher sales during the year compared to 2018. The number of own developed homes in production has decreased and was 4,616 (6,231) the end of the year. The level of sold homes in production was 69 percent (63). The number of repurchased homes per December 31, 2019 was 253 (104). Most of the repurchased homes relate to Sweden and Finland. Peab develops and builds housing all over Sweden and in large parts of Norway and Finland. Our housing is primarily in the medium price segment and we see that there continues to be a considerable need for new production of housing in this range.

At the end of December 2019 the level of capital employed rose due to investments in project and development property along with rental projects in Sweden. The rental projects may be converted into tenant-owned housing or be sold on the investor market. The level of capital employed has also risen due to increased activity in our own developed housing projects in Norway and Finland, which remain on our balance sheet until they are finished. The diagram shows when in time the housing projects in Norway and Finland are expected to be completed. The total number of ongoing own housing developments in Norway and Finland were 1,662 (1,446) per December 31, 2019.

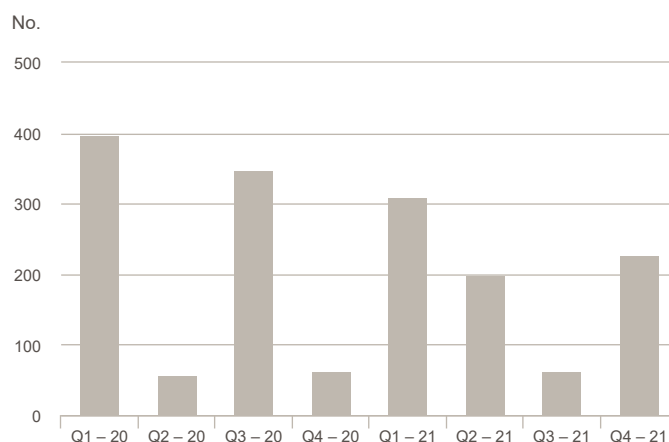
## Own housing development construction

	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Number of housing starts during the period	538	622	2,067	2,213
Number of sold homes during the period	755	660	2,709	1,825
Total number of homes under construction, at the end of the period	4,616	6,231	4,616	6,231
Share of sold homes under construction, at the end of the period	69%	63%	69%	63%
Number of repurchased homes in the balance sheet, at the end of the period	253	104	253	104

## Development rights for housing

Number, approx.	Dec 31 2019	Dec 31 2018
Development rights on our own balance sheet	20,300	21,300
Development rights via joint ventures	4,600	5,000
Development rights via options etc.	9,500	9,100
<b>Total</b>	<b>34,400</b>	<b>35,400</b>

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



## PROPERTY DEVELOPMENT

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

### October – December 2019

During the fourth quarter 2019 net sales were SEK 179 million (194) and operating profit was SEK 29 million (69). No major property transactions have taken place during the quarter.

### January – December 2019

During 2019 net sales were SEK 786 million (738) and operating profit was SEK 305 million (170). Our partially owned companies continue to develop well and profit during the year from partially owned companies amounted to SEK 266 million (101), of which SEK 170 million refers to divestitures in Acturum. In December 2018 Acturum signed a contract with Fastator and Of-fentliga hus to sell all its remaining property with the transfer in the second quarter 2019. Acturum was founded by Peab and FAM – The Wallenberg Foundations' holding company – as equal partners in 2013. The company acquired a property portfolio in Södertälje from AstraZeneca and has since then developed a number of properties. The divestitures had a positive effect of SEK 170 million in the second quarter in profit contributions from partially owned companies. No other major property transactions have taken place during the year.

In cases where no divestiture is planned properties can remain in the Group for a considerable length of time in order to garner rent and appreciation revenue or a combination of both. Capital employed in Property Development includes operations property for a recognized value of SEK 1,332 million (915), of which SEK 105 million is additional IFRS 16 Leases and SEK 558 million (589) is investment property, of which SEK 58 million is additional IFRS 16 Leases. The tables below show our major property projects per December 31, 2019. The Board's proposal for an extra distribution of fully developed properties, see page 18.



## PROPERTY PROJECTS

Completed projects	Location	Area in m <sup>2</sup>	Degree rented, %	Recognized value, MSEK
Businesspark	Ängelholm	63,500	81	241
Businesspark	Ljungbyhed	75,300	55	119
Office building	Solna	12,400	100	450
Office building	Helsinki	9,300	85	273
Office building	Helsinki	7,600	80	267
Retail and offices	Gothenburg	6,300	97	163
Office building	Sigtuna	3,600	74	65
Other completed projects				138
<b>Total</b>				<b>1,716</b>
<i>of which operations property</i>				1,038
<i>of which investment property</i>				500
<i>of which project and development property</i>				178

Ongoing projects	Location	Area in m <sup>2</sup>	Degree rented, %	Recognized value, MSEK	Total investment at completion, MSEK	Timepoint of completion	Level of completion, %
Office building	Malmö	5,000	74	156	185	Q1-2020	84
Office building and parking	Solna	2,900	89	211	279	Q2-2020	76
Retail	Oslo	3,600	100	144	186	Q4-2020	77
Office building	Helsingborg	2,900	77	33	109	Q2-2021	30
Office building and shops	Solna	3,500	81	16	194	Q3-2021	8
Other ongoing projects				74			
<b>Total</b>				<b>634</b>			
<i>of which operations property</i>				189			
<i>of which project and development property</i>				445			

## SIGNIFICANT JOINT VENTURES

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

### Significant joint ventures

#### 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 December 31, 2019 <sup>1)</sup>:** SEK 6,621 million (6,085)

**Peab's portion of unrecognized fair value exclusive tax <sup>1)</sup>:** SEK 421 million (353)

**Major ongoing projects:** Lyckholms Gothenburg, Rentable area 6,400 m<sup>2</sup>

#### FASTIGHETS AB ML4

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

**Peab's share:** 50 percent

**Partner:** Wihlborgs

**Location:** Lund

**Recognized value on properties December 31, 2019:** SEK 1,870 million (1,849)

**Major ongoing projects:** Research building 6,400 m<sup>2</sup>

#### TORNET BOSTADSPRODUKTION AB

Build 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 December 31, 2019 <sup>1)</sup>:** SEK 4,300 million (3,428)

**Peab's portion of unrecognized fair value exclusive tax <sup>1)</sup>:** SEK 260 million (212)

**Major ongoing projects:** Munkeböck, Gothenburg Rentable area 10,900 m<sup>2</sup>, Kungsängen, Upplandsbro Rentable area 8,900 m<sup>2</sup>, LP Parken, Gothenburg Rentable area 15,000 m<sup>2</sup>, Tallbohov, Järfälla Rentable area 10,500 m<sup>2</sup> and several apartment building projects in Västerås and Helsingborg

#### POINT HYLLIE HOLDING AB

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

**Peab's share:** 50 percent

**Partner:** Volito

**Location:** Hyllie, Malmö

**Recognized value of properties December 31, 2019:** SEK 1,279 million (1,008)

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

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

# Construction market

## SWEDEN

New housing construction declined in 2019 and is expected to continue downward in 2020 to then level out in 2021. New other private building construction will probably be affected negatively by the economic downturn while public building construction is expected to increase in both 2020 and 2021. A growing and aging population is keeping the demand for new construction of public premises up. Added to that is the need to modernize in primarily schools and healthcare, which promotes renovation investments. All in all building construction investments are expected to remain on the same level as 2019 in both 2020 and 2021. Civil engineering investments are expected to grow during the forecast period.

## NORWAY

Housing construction contracted in 2019 and is expected to level out in 2020 before it grows again in 2021. Other building construction is expected to increase in 2020 and 2021, primarily driven by private investments. Civil engineering investments are expected to grow at a good rate during the entire forecast period.

## FINLAND

Housing construction is expected to decline in 2020 and 2021 but the market for housing renovations looks better. Weaker growth in the economy is reflected in the forecast for other building construction where a certain amount of growth is expected in 2020 only to level out in 2021. The forecasts for civil engineering investments signal a leveling out in 2020.

## Housing

	2019	2020	2021
Sweden	↓	↘	→
Norway	↘	→	↗
Finland	→	↘	↘

Forecast for started-up housing investments, new and renovations

Source: Industrifakta

## Other building construction

	2019	2020	2021
Sweden	→	→	→
Norway	↘	↗	↗
Finland	↗	↗	→

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

Source: Industrifakta

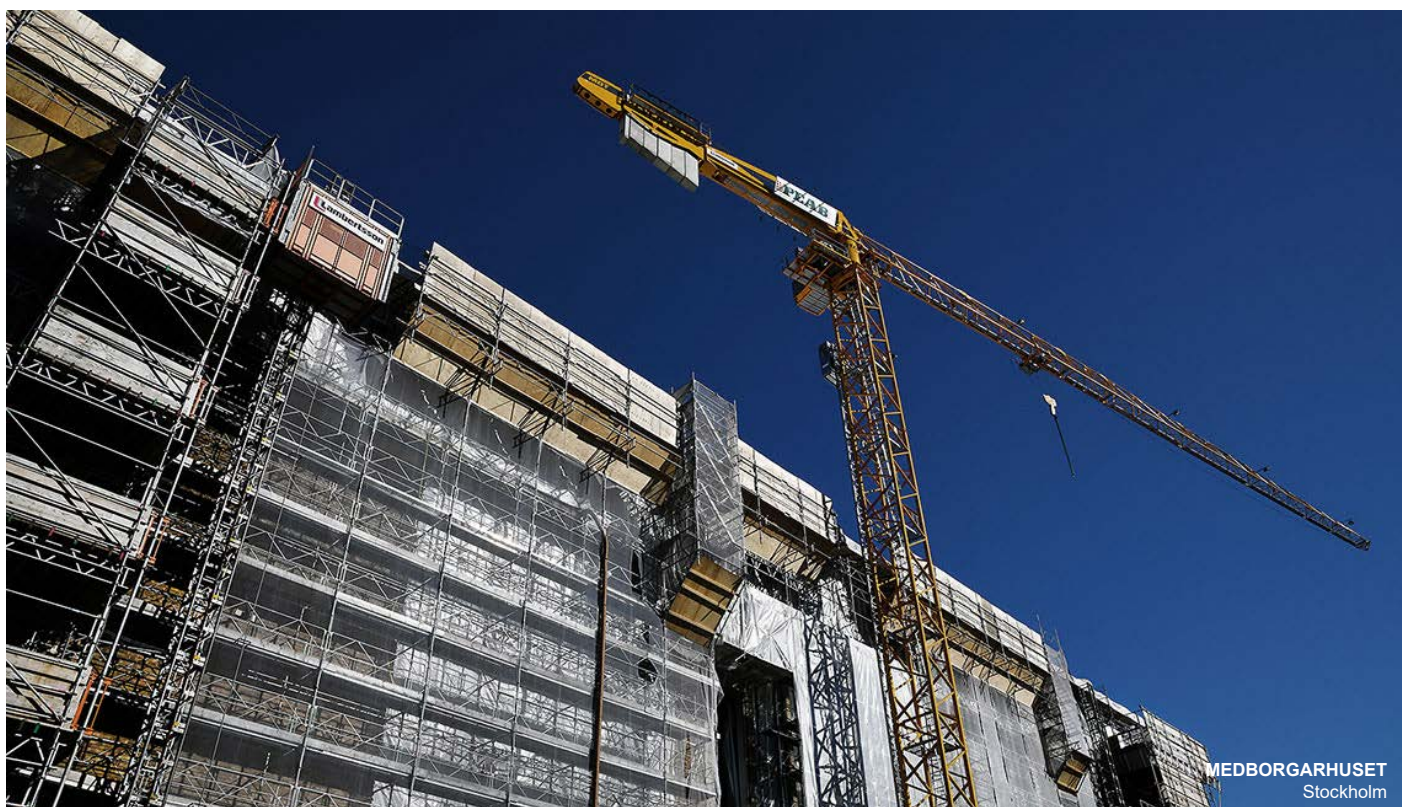
## Civil engineering

	2019	2020	2021
Sweden	↗	↗	–
Norway	↗	↑	–
Finland	↘	→	–

Forecast for civil engineering investments

Source: Industrifakta

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





# Other information

## RISKS AND UNCERTAINTY FACTORS

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

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

The financial risks are connected to tying up capital and the need for capital, primarily in the form of interest rate risk and refinancing risk. Financial risks are dealt with on Group level. For further information on risks and uncertainty factors, see the 2018 Annual and Sustainability Report.

## HOLDINGS OF OWN SHARES

At the beginning of 2019 Peab's own B shareholding was 1,086,984 which corresponds to 0.4 percent of the total number of shares. No changes have taken place during 2019.

## THE PEAB SHARE

Peab's B share is listed on the Nasdaq Stockholm, Large Cap list. As of December 31, 2019, the price of the Peab share was SEK 93.75 an increase of 29 percent during 2019. During the same year, the Swedish stock market increased by 30 percent according to the general index in the business magazine "Affärsvärlden". During 2019 the Peab share has been quoted at a maximum of SEK 94.85 and a minimum of SEK 71.00.

## IMPORTANT EVENTS DURING THE REPORT PERIOD

Peab has signed an agreement to acquire YIT's Nordic paving and mineral aggregates business. Through the acquisition Peab will expand its presence in Sweden, Norway and Finland and become established in the paving business in Denmark and this will give Peab a unique and market leading position in this business in the Nordic region. The deal will also increase the importance of industrial operations for the Group as well as reduce sensitivity to fluctuations in the business cycle.

Peab is currently a leading player in manufacturing and paving of asphalt as well as in mineral aggregates operations in Sweden and Norway. The acquisition entails taking over some 200 strategically located quarries along with 63 production asphalt plants in the Nordic region. The acquisition also entails taking over some 1,700 employees. Greater geographic proliferation in businesses that are normally less sensitive to the business cycle increases stability in the Group. It also provides conditions for further expansion and development in other operations such as Recycling and Concrete.

The transaction is a combination of an asset deal and a share purchase. The purchase price is expected to amount to SEK 2,966 million for a debt-free business and is fully financed.

The acquired business had net sales of SEK 6,005 million with an adjusted EBITDA of SEK 240 million in 2018.

The transaction is conditional on approval from competition authorities as well as the fulfillment of certain contractual conditions. The takeover is expected to occur in the first or second quarter of 2020.



## IMPORTANT EVENTS AFTER THE PERIOD

In addition to the ordinary dividend of SEK 4.20 (4.20) per share Peab's Board has decided to propose an extra distribution of all the shares in a newly formed company holding Peab's wholly owned, fully developed commercial properties to the Annual General Meeting. When the real estate company is distributed the difference between market values and book values as well as eliminated construction contract profit will be taken up as income in Peab. This amounts preliminarily to around SEK 1,200 million, which primarily corresponds to the reduction in equity caused by the extra distribution.

Peab consists of four collaborating business areas – Construction, Civil Engineering, Industry and Project Development, each one of them an essential component of the Group.

In recent years Peab has invested considerable resources in the capital intensive business areas Industry and Project Development, a strategy that will continue in the future.

Project development operations comprise development of both housing and commercial projects and are run primarily in wholly owned form but in certain cases through partially owned companies as well. For appreciation purposes fully developed properties have mainly been kept in partially owned companies but they have also been on Peab's balance sheet. In order to create the right conditions in the future for operative steering, tied up capital and income recognition in project development operations various alternatives have been analyzed. At the beginning of the year the Board and executive management therefore evaluated the future direction of wholly owned, fully developed commercial property.

With this in mind the Board has today decided that for Peab's shareholders the best alternative for long-term value growth is to form a separate real estate company (Real Estate Company) holding Peab's wholly owned, fully developed commercial and housing properties that will be distributed to existing shareholders according to Lex Asea and listed. In this way Peab can focus on developing and building while the Real Estate Company can focus on its business of owning and managing fully developed property.

The Real Estate Company will preliminarily own fully developed property with a market value of SEK 3,600 million. This will include around SEK 400 million in property in Bara outside Malmö consisting of homes and community premises. The assets in Bara are currently owned by Nya Bara Utvecklings AB, a joint venture owned equally by Peab and Volito. Volito's stake will be acquired before the distribution.

The Real Estate Company will agree to acquire two other properties from Peab with a total market value of around SEK 400 million that will be completed and occupied in 2021.

The Real Estate Company will also own 50 percent of the shares in Point Hyllie Holding AB that holds Choice Hotel and office building The Point in Hyllie, Malmö. The shares have a preliminary market value of around SEK 400 million.

The property portfolio that for the most part consists of commercial property but even some rental apartment buildings is concentrated to Nordic big city areas.

After the distribution Peab's project development operations will consist of wholly owned development rights for housing and commercial projects, projects under construction as well as ownership of the major joint ventures that contain fully developed property but also a large portion of future project developments. This consists primarily of Peab's 50 percent in Fastighets AB Centur and 33 percent in Tornet Bostadsproduktion AB.

The Board has decided to propose an extra distribution of all the shares in the Real Estate Company to existing shareholders according to Lex Asea to the Annual General Meeting. Peab's shareholders will then receive shares in the Real Estate Company in addition to their existing stake in Peab.

The Board has decided to propose authorization of the Board to determine the record day for the distribution of all the shares in the Real Estate Company which is intended to be listed on Nasdaq Stockholm to the Annual General Meeting. The distribution and listing will take place at an appropriate time after the listing process is completed, which is expected to happen during the second half of 2020.

The distribution is conditional on the consent of Peab's lenders and that the Real Estate Company receives financing on market terms. The level of equity and pledges in the Real Estate Company will be decided in consultation with the financing banks.

When the Real Estate Company is distributed the difference between market values and book values as well as eliminated construction contract profit will be taken up as income in Peab. This amounts preliminarily to around SEK 1,200 million, which primarily corresponds to the reduction in equity caused by the extra distribution.

Further information to Peab's shareholders regarding the proposal for distribution of the Real Estate Company, in the form of an information brochure, will be published on Peab's website in connection with publishing the summons to attend the Annual General Meeting.

## PROPOSED DIVIDEND

A dividend of SEK 4.20 (4.20) per share is proposed for 2019. Excluding the 1,086,984 shares owned by Peab AB per February 4, 2020, which are not entitled to dividends, the proposed dividend is equivalent to a total dividend distribution of SEK 1,239 million (1,239). Calculated as a share of the Group's reported profit for the year, the proposed dividend amounts to 59 percent (59). The proposed dividend is equivalent to a direct return of 4.2 percent based on the closing price on February 4, 2020.

In addition to the ordinary dividend, Peab's Board has decided to present the Annual General Meeting with a proposal for an extra distribution of all the shares in a real estate company, which holds Peab's fully developed commercial properties, to be distributed to existing shareholders according to Lex Asea and listed.

## ANNUAL GENERAL MEETING

The Annual General Meeting of Peab will be held on May 6, 2020 at Grevieparken in Grevie.

## NOMINATION COMMITTEE

At the Annual General Meeting held on May 9, 2019, Göran Grosskopf, Malte Åkerström, Mats Rasmussen and Ulf Liljedahl were appointed to the Peab Nomination Committee and Ulf Liljedahl was named its Chairman.

## Report on the Group income statement

MSEK	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Net sales	15,312	14,845	54,008	52,233
Production costs	-13,804	-13,372	-48,734	-47,045
<b>Gross profit</b>	<b>1,508</b>	<b>1,473</b>	<b>5,274</b>	<b>5,188</b>
Sales and administrative expenses	-751	-711	-2,879	-2,784
Other operating income	93	119	280	216
Other operating costs	-95	-18	-107	-47
<b>Operating profit</b>	<b>755</b>	<b>863</b>	<b>2,568</b>	<b>2,573</b>
Financial income	31	18	130	100
Financial expenses	-62	-42	-188	-155
<b>Net finance</b>	<b>-31</b>	<b>-24</b>	<b>-58</b>	<b>-55</b>
<b>Pre-tax profit</b>	<b>724</b>	<b>839</b>	<b>2,510</b>	<b>2,518</b>
Tax	-133	-133	-418	-418
<b>Profit for the period</b>	<b>591</b>	<b>706</b>	<b>2,092</b>	<b>2,100</b>
<b>Profit for the period, attributable to:</b>				
Shareholders in parent company	591	706	2,092	2,100
Non-controlling interests	0	0	0	0
<b>Profit for the period</b>	<b>591</b>	<b>706</b>	<b>2,092</b>	<b>2,100</b>
<b>Key ratios</b>				
Earnings per share before and after dilution, SEK	2.00	2.39	7.09	7.12
Average number of outstanding shares, million	295.0	295.0	295.0	295.0
Return on capital employed, %			13.1	15.9
Return on equity, %			17.9	19.6

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

MSEK	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
<b>Profit for the period</b>	<b>591</b>	<b>706</b>	<b>2,092</b>	<b>2,100</b>
<b>Other comprehensive income</b>				
<b>Items that can be reclassified or have been reclassified to profit for the period</b>				
Translation differences for the period from translation of foreign operations	-60	-77	49	86
Changes in fair value of cash flow hedges for the period	5	-7	9	20
Shares in joint ventures' other comprehensive income	0	-1	0	0
Tax referring to items that can be reclassified or have been reclassified to profit for the period	-6	-8	6	-3
<b>Other comprehensive income for the period</b>	<b>-61</b>	<b>-93</b>	<b>64</b>	<b>103</b>
<b>Total comprehensive income for the period</b>	<b>530</b>	<b>613</b>	<b>2,156</b>	<b>2,203</b>
<b>Total comprehensive income for the period, attributable to:</b>				
Shareholders in parent company	531	614	2,156	2,203
Non-controlling interests	-1	-1	0	0
<b>Total comprehensive income for the period</b>	<b>530</b>	<b>613</b>	<b>2,156</b>	<b>2,203</b>

# Report on financial position for the Group in summary

MSEK	Dec 31 2019	Dec 31 2018
<b>Assets</b>		
Intangible assets	2,334	2,250
Tangible assets	6,811	5,741
Investment property	558	589
Interest-bearing long-term receivables	1,086	1,445
Other financial fixed assets	2,092	1,292
Deferred tax recoverables	8	–
<b>Total fixed assets</b>	<b>12,889</b>	<b>11,317</b>
Project and development properties	11,407	9,685
Inventories	533	441
Interest-bearing current receivables	144	640
Other current receivables	13,383	13,857
Liquid funds	373	1,376
<b>Total current assets</b>	<b>25,840</b>	<b>25,999</b>
<b>Total assets</b>	<b>38,729</b>	<b>37,316</b>
<b>Equity and liabilities</b>		
<b>Equity</b>	<b>12,266</b>	<b>11,348</b>
<b>Liabilities</b>		
Interest-bearing long-term liabilities	5,617	5,194
Deferred tax liabilities	148	123
Other long-term liabilities	1,014	977
<b>Total long-term liabilities</b>	<b>6,779</b>	<b>6,294</b>
Interest-bearing current liabilities	3,493	1,818
Other current liabilities	16,191	17,856
<b>Total current liabilities</b>	<b>19,684</b>	<b>19,674</b>
<b>Total liabilities</b>	<b>26,463</b>	<b>25,968</b>
<b>Total equity and liabilities</b>	<b>38,729</b>	<b>37,316</b>
<b>Key ratios</b>		
Capital employed	21,376 <sup>1)</sup>	18,360
Equity/assets ratio, %	31.7 <sup>2)</sup>	30.4
Net debt	7,507 <sup>3)</sup>	3,551
Equity per share, SEK	41.58	38.47
Number of outstanding shares at the end of the period, million	295.0	295.0

<sup>1)</sup> Excluding additional IFRS 16 Leases, capital employed was SEK 20,615 million per December 31, 2019.

<sup>2)</sup> Excluding additional IFRS 16 Leases, the equity/asset ratio was 32.3 percent per December 31, 2019.

<sup>3)</sup> Excluding additional IFRS 16 Leases, net debt was SEK 6,743 million per December 31, 2019.



## Report on changes in Group equity in summary

MSEK	Dec 31 2019	Dec 31 2018
<b>Equity attributable to shareholders in parent company</b>		
<b>Opening equity on January 1</b>	<b>11,347</b>	<b>10,331</b>
Adjustment for retroactive application of IFRS 9 per January 1, 2018	–	-7
<b>Adjusted equity on January 1</b>	<b>11,347</b>	<b>10,324</b>
Profit for the period	2,092	2,100
Other comprehensive income for the period	64	103
<b>Comprehensive income for the period</b>	<b>2,156</b>	<b>2,203</b>
Cash dividend	-1,239	-1,180
<b>Closing equity</b>	<b>12,264</b>	<b>11,347</b>
<b>Non-controlling interests</b>		
<b>Opening equity on January 1</b>	<b>1</b>	<b>1</b>
Comprehensive income for the period	0	0
Shareholder contribution	1	–
<b>Closing equity</b>	<b>2</b>	<b>1</b>
<b>Total closing equity</b>	<b>12,266</b>	<b>11,348</b>

# Report on Group cash flow in summary

MSEK	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
<b>Cash flow from current operations before changes in working capital</b>	<b>1,201</b>	<b>1,138</b>	<b>3,152</b>	<b>2,694</b>
Increase (-) / Decrease (+) of project and development properties	-580	-785	-1,661	-2,068
Increase (-) / Decrease (+) of inventories	-41	4	-89	-39
Increase (-) / Decrease (+) of current receivables / current liabilities	141	307	-1,350	-837
<b>Cash flow from changes in working capital</b>	<b>-480</b>	<b>-474</b>	<b>-3,100</b>	<b>-2,944</b>
<b>Cash flow from current operations</b>	<b>721</b>	<b>664</b>	<b>52</b>	<b>-250</b>
Acquisition of subsidiaries / businesses, net effect on liquid funds	-	-4	-22	-23
Sale of subsidiaries / businesses, net effect on liquid funds	75	15	163	15
Acquisition of fixed assets	-574	-708	-1,925	-2,090
Sale of fixed assets	330	982	1,181	1,327
<b>Cash flow from investment operations</b>	<b>-169</b>	<b>285</b>	<b>-603</b>	<b>-771</b>
<b>Cash flow before financing</b>	<b>552</b>	<b>949</b>	<b>-551</b>	<b>-1,021</b>
Shareholder contribution holding with non-controlling interest	1	-	1	-
Increase (+) / Decrease (-) of interest-bearing liabilities	-442	-21	776	2,950
Dividend distributed to shareholders in parent company	-	-	-1,239	-1,180
<b>Cash flow from financing operations</b>	<b>-441</b>	<b>-21</b>	<b>-462</b>	<b>1,770</b>
<b>Cash flow for the period</b>	<b>111</b>	<b>928</b>	<b>-1,013</b>	<b>749</b>
Cash at the beginning of the period	261	453	1,376	595
Exchange rate differences in cash	1	-5	10	32
<b>Cash at the end of the period</b>	<b>373</b>	<b>1,376</b>	<b>373</b>	<b>1,376</b>

## Parent company

The parent company Peab AB's net sales for 2019 amounted to SEK 348 million (299) and mainly consisted of internal Group services. Profit for the year amounted to SEK 1,263 million (2,809). Profit for the year included dividends of SEK 200 million (1,509) from subsidiaries. Group contributions constituted SEK 2,130 million (2,698) of appropriations.

The parent company's assets mainly consist of participations in Group companies amounting to SEK 12,050 million (12,045). The assets have been financed from equity of SEK 9,057 million (9,033) and long-term liabilities to Group companies amounting to SEK 2,791 million (3,883).

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	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Net sales	114	81	348	299
Administrative expenses	-156	-134	-513	-470
Other operating income	-	-	5	-
<b>Operating profit</b>	<b>-42</b>	<b>-53</b>	<b>-160</b>	<b>-171</b>
<b>Result from financial investments</b>				
Profit from participation in Group companies	0	1	130	1,388
Other financial items	-16	-19	-68	-89
<b>Result after financial items</b>	<b>-58</b>	<b>-71</b>	<b>-98</b>	<b>1,128</b>
Appropriations	1,656	2,083	1,656	2,083
<b>Pre-tax profit</b>	<b>1,598</b>	<b>2,012</b>	<b>1,558</b>	<b>3,211</b>
Tax	-332	-438	-295	-402
<b>Profit and comprehensive income for the period</b>	<b>1,266</b>	<b>1,574</b>	<b>1,263</b>	<b>2,809</b>

# Report on financial position for the parent company in summary

MSEK	Dec 31 2019	Dec 31 2018
<b>Assets</b>		
<b>Fixed assets</b>		
<b>Intangible assets</b>	51	51
<b>Tangible assets</b>	1	1
<b>Financial assets</b>		
Participation in Group companies	12,050	12,045
Deferred tax recoverables	119	111
<b>Total financial assets</b>	<b>12,169</b>	<b>12,156</b>
<b>Total fixed assets</b>	<b>12,221</b>	<b>12,208</b>
<b>Current assets</b>		
<b>Current receivables</b>		
Accounts receivable	1	0
Receivables from Group companies	2,479	2,736
Current tax assets	60	85
Other receivables	44	2
Prepaid expenses and accrued income	10	11
<b>Total current receivables</b>	<b>2,594</b>	<b>2,834</b>
Cash and bank	0	0
<b>Total current assets</b>	<b>2,594</b>	<b>2,834</b>
<b>Total assets</b>	<b>14,815</b>	<b>15,042</b>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Restricted equity	1,901	1,905
Non-restricted equity	7,156	7,128
<b>Total equity</b>	<b>9,057</b>	<b>9,033</b>
<b>Untaxed reserves</b>	<b>2,403</b>	<b>1,930</b>
<b>Provisions</b>		
Other provisions	41	36
<b>Total provisions</b>	<b>41</b>	<b>36</b>
<b>Long-term liabilities</b>		
Liabilities to Group companies	2,791	3,883
<b>Total long-term liabilities</b>	<b>2,791</b>	<b>3,883</b>
<b>Current liabilities</b>		
Accounts payable	32	31
Liabilities to Group companies	404	59
Other liabilities	12	4
Accrued expenses and deferred income	75	66
<b>Total current liabilities</b>	<b>523</b>	<b>160</b>
<b>Total liabilities</b>	<b>3,314</b>	<b>4,043</b>
<b>Total equity and liabilities</b>	<b>14,815</b>	<b>15,042</b>



# Note 1 – Accounting principles

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

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

The Group began to apply IFRS 16, Leases in 2019.

## IFRS 16 LEASES

IFRS 16, Leases replaced IAS 17, Leases as of January 1, 2019. IFRS 16 will basically require Peab as a lessee to report all leasing contracts as assets and liabilities on the balance sheet, representing the right to use the leased asset respectively the obligation to pay leasing fees. Regarding leasing contracts, depreciation of the leasing asset and interest costs on the leasing liability are recognized in the income statement. This will not have any material effect on pre-tax profit. Affected leases primarily cover rent for offices and other premises, leaseholds, land rentals and vehicles. IFRS 16, Leases is also applied in segment reporting.

When changing over to the new standard Peab has elected the modified retroactive method with the alternative to let the right-of-use asset be measured at the amount of the lease liability at the changeover with adjustments for any prepaid or accrued leasing fees. The elected changeover method does not require recalculating comparable periods.

Right-of-use leases shorter than 12 months or which end within 12 months from the changeover date are classified as current leases and therefore not included in liabilities or right-of-use assets. In addition, Peab has elected not to recognize leases for which the underlying asset has a low value as a right-of-use asset respectively a lease liability.

Existing finance leases previously recognized according to IAS 17, Leases are reclassified according to IFRS 16 for the amount they were recognized at the day immediately before application of the new standard.

An incremental borrowing rate has been determined per country, right-of-use period and type of asset per January 1, 2019.

Effects of the changeover to IFRS 16 are given below. For further information concerning the changeover to IFRS 16 see the Annual Report 2018, note 45.

Group, MSEK	Reported balance sheet 2018-12-31	Adjustment 2019-01-01	Adjusted balance sheet 2019-01-01
<b>Assets</b>			
Tangible assets	5,741	618	6,359
Investment property	589	53	642
Project and development properties	9,685	206	9,891
Other current receivables	13,857	-27	13,830
Other assets	7,444	-	7,444
<b>Total assets</b>	<b>37,316</b>	<b>850</b>	<b>38,166</b>
<b>Equity and liabilities</b>			
Equity	11,348	-	11,348
Interest-bearing liabilities	7,012	850	7,862
Other liabilities	18,956	-	18,956
<b>Total equity and liabilities</b>	<b>37,316</b>	<b>850</b>	<b>38,166</b>

## Recognition of additional leases according to IFRS 16

Group, MSEK	Jan-Dec 2019	Group, MSEK	2019-01-01	2019-12-31
Production costs	19	Fixed assets	671	627
Sales and administrative expenses	4	Deferred tax recoverables	-	1
<b>Operating profit</b>	<b>23</b>	Current assets	179	133
Financial expenses	-27	<b>Total assets</b>	<b>850</b>	<b>761</b>
<b>Pre-tax profit</b>	<b>-4</b>	Equity	-	-3
Tax	1	Interest-bearing long-term liabilities	702	613
<b>Profit for the period</b>	<b>-3</b>	Interest-bearing current liabilities	148	151
		<b>Total equity and liabilities</b>	<b>850</b>	<b>761</b>

## Parent company

The new standard IFRS 16, Leases which is applied as of January 1, 2019 does not affect the parent company since the standard is exempt from application in corporations and leasing in the parent company is insignificant.

## REVENUE RECOGNITION OF SWEDISH TENANT-OWNED HOUSING PROJECTS

Peab has in quarterly reports and the Annual Report 2018 communicated that together with several other major housing developers Peab has received questions from Nasdaq Stockholm AB (Nasdaq) during 2018 regarding the application of IFRS 15 Revenue from contracts with customers as well as whether the tenant-owned housing association or the final home buyers are, in terms of accounting, Peab's customers according to IFRS 15. The reconciliation between Nasdaq and ESMA (European Securities and Markets Authority) came to the conclusion that, in this case, the accounting review should be focused on the application of IFRS 10 Consolidated financial statements and to what extent tenant-owned housing associations should be included in Peab's consolidated financial statements. For more information, see the Annual Report 2018, section Revenue recognition of Swedish tenant-owner projects, page 53.

Regarding the matter of whether or not a company has controlling interest over a tenant-owned housing association, and thereby ought to consolidate the association, there is, taking into consideration all relevant facts and circumstances, room for companies within the framework of IFRS 10 Consolidated financial statements to arrive at different conclusions. After a review of several crucial factors our conclusion is that Peab cannot be considered to have controlling interest over tenant-owned housing associations from the time a tenant-owned housing association signs a contract for a land transfer and turnkey contract according to the stipulations in IFRS 10 Consolidated financial statements. This conclusion is shared by our accountants.

In the beginning of December 2018 Nasdaq sent a letter to Peab with the information that Nasdaq had decided to criticize Peab for a lack of clarity in the Annual Report for 2017 concerning the grounds for Peab's assessment that controlling interest does not exist when revenue over time is applied to tenant-owned housing associations. Nasdaq required that clearer information should be presented in the Annual Report for 2018, which Peab has done. The letter also stated that Nasdaq considered the case closed and that Finansinspektionen had been notified, which took over the matter as of January 1, 2019. During the spring of 2019 Finansinspektionen continued to examine the matter and put further questions to Peab which the company has answered. On June 3, 2019 Peab received a reconciliation letter from Finansinspektionen containing observations and preliminary judgements from Finansinspektionen. Finansinspektionen's preliminary judgement is that Peab should have consolidated the tenant-owned housing associations in 2017. Peab was given the opportunity to reply in the form of an opinion regarding Finansinspektionen's reconciliation letter. Peab delivered its opinion on June 27, 2019 and contested Finansinspektionen's preliminary conclusion. Peab believes it is wrong to consolidate the tenant-owned housing associations since the company does not have a controlling interest. In addition, in Peab's opinion the current application best describes Peab's housing business both in terms of internal steering and risk profile. On November 26, 2019 Finansinspektionen notified Peab that the matter had been turned over to the Legal Unit. On January 28, 2020 Peab received another reconciliation letter from Finansinspektionen maintaining that Peab should have consolidated the tenant-owned housing associations. Peab has been given the opportunity to reply with an opinion. After reading Peab's opinion Finansinspektionen will make its decision.

When there is a broad spectrum of differences in practice in interpretations of IFRS, the IFRS Interpretations Committee is usually requested to provide a clarification and possibly make changes in the IFRS. Peab believes the matter is so generally widespread and of such importance that the IFRS Interpretations Committee ought to review it. Regardless of the accounting method applied Peab's risk profile, internal steering and monitoring will remain the same. It will only affect the external legal accounting of these operations.

## Note 2 – Revenue allocation

Group Jan-Dec 2019 MSEK	Construction	Civil Engineering	Industry	Project Development	Group functions	Eliminations	Group
<b>Allocation per external/internal</b>							
External sales	24,265	12,141	9,784	7,726	92		54,008
Internal sales	5,151	1,198	3,555	58	1,084	-11,046	–
<b>Total</b>	<b>29,416</b>	<b>13,339</b>	<b>13,339</b>	<b>7,784</b>	<b>1,176</b>	<b>-11,046</b>	<b>54,008</b>
<b>Allocation per country</b>							
Sweden	22,349	12,063	11,712	6,011	993	-9,008	44,120
Norway	3,604	1,144	1,003	429	116	-784	5,512
Finland	3,463	132	608	1,344	67	-1,254	4,360
Other			16				16
<b>Total</b>	<b>29,416</b>	<b>13,339</b>	<b>13,339</b>	<b>7,784</b>	<b>1,176</b>	<b>-11,046</b>	<b>54,008</b>
<b>Allocation per type of customer</b>							
Public sector	8,457	6,782	3,085	98			18,422
Private customers	15,808	5,359	6,699	7,628	92		35,586
Internal customers	5,151	1,198	3,555	58	1,084	-11,046	–
<b>Total</b>	<b>29,416</b>	<b>13,339</b>	<b>13,339</b>	<b>7,784</b>	<b>1,176</b>	<b>-11,046</b>	<b>54,008</b>
<b>Allocation per point in time</b>							
At one point in time	62	37	5,746	2,033	66	-1,517	6,427
Over time	29,350	13,259	5,651	5,557	965	-8,082	46,700
Rent revenue <sup>1)</sup>	4	43	1,942	194	145	-1,447	881
<b>Total</b>	<b>29,416</b>	<b>13,339</b>	<b>13,339</b>	<b>7,784</b>	<b>1,176</b>	<b>-11,046</b>	<b>54,008</b>
<b>Allocation per type of revenue</b>							
Construction contracts	29,350	13,259	5,651	5,549	39	-7,202	46,646
Sales of goods	3		3,665			-749	2,919
Sales of property projects				1,866			1,866
Transportation services			1,893			-659	1,234
Administrative services				8	926	-880	54
Rent revenue <sup>1)</sup>	4	43	1,942	194	145	-1,447	881
Other	59	37	188	167	66	-109	408
<b>Total</b>	<b>29,416</b>	<b>13,339</b>	<b>13,339</b>	<b>7,784</b>	<b>1,176</b>	<b>-11,046</b>	<b>54,008</b>

<sup>1)</sup> Rent revenue is recognized according to IFRS 16

Group Jan-Dec 2018 MSEK	Construction	Civil Engineering	Industry	Project Development	Group functions	Eliminations	Group
<b>Allocation per external/internal</b>							
External sales	22,850	12,032	9,474	7,775	102		52,233
Internal sales	5,490	1,713	3,810	69	941	-12,023	–
<b>Total</b>	<b>28,340</b>	<b>13,745</b>	<b>13,284</b>	<b>7,844</b>	<b>1,043</b>	<b>-12,023</b>	<b>52,233</b>
<b>Allocation per country</b>							
Sweden	21,578	11,878	11,791	5,949	889	-10,149	41,936
Norway	3,389	1,712	935	494	91	-741	5,880
Finland	3,368	155	539	1,401	63	-1,128	4,398
Other	5		19			-5	19
<b>Total</b>	<b>28,340</b>	<b>13,745</b>	<b>13,284</b>	<b>7,844</b>	<b>1,043</b>	<b>-12,023</b>	<b>52,233</b>
<b>Allocation per type of customer</b>							
Public sector	10,178	7,958	2,727	119	88		21,070
Private customers	12,672	4,074	6,747	7,656	14		31,163
Internal customers	5,490	1,713	3,810	69	941	-12,023	–
<b>Total</b>	<b>28,340</b>	<b>13,745</b>	<b>13,284</b>	<b>7,844</b>	<b>1,043</b>	<b>-12,023</b>	<b>52,233</b>
<b>Allocation per point in time</b>							
At one point in time	67	32	5,652	2,361	121	-1,593	6,640
Over time	28,269	13,706	5,663	5,256	810	-9,056	44,648
Rent revenue <sup>1)</sup>	4	7	1,969	227	112	-1,374	945
<b>Total</b>	<b>28,340</b>	<b>13,745</b>	<b>13,284</b>	<b>7,844</b>	<b>1,043</b>	<b>-12,023</b>	<b>52,233</b>
<b>Allocation per type of revenue</b>							
Construction contracts	28,262	13,706	5,663	5,254		-8,240	44,645
Sales of goods	5		3,545			-822	2,728
Sales of property projects				2,188			2,188
Transportation services		1	1,901			-672	1,230
Administrative services	7			2	810	-816	3
Rent revenue <sup>1)</sup>	4	7	1,969	227	112	-1,374	945
Other	62	31	206	173	121	-99	494
<b>Total</b>	<b>28,340</b>	<b>13,745</b>	<b>13,284</b>	<b>7,844</b>	<b>1,043</b>	<b>-12,023</b>	<b>52,233</b>

<sup>1)</sup> Rent revenue is recognized according to IAS 17



## Note 3 – Operating segment

Group Jan-Dec 2019 MSEK	Con- struction	Civil Engineering	Industry	Project Development	Group functions	Eliminations	Group
External sales	24,265	12,141	9,784	7,726	92		54,008
Internal sales	5,151	1,198	3,555	58	1,084	-11,046	–
<b>Total revenue</b>	<b>29,416</b>	<b>13,339</b>	<b>13,339</b>	<b>7,784</b>	<b>1,176</b>	<b>-11,046</b>	<b>54,008</b>
<b>Operating profit</b>	<b>713</b>	<b>368</b>	<b>938</b>	<b>966</b>	<b>-275</b>	<b>-142</b>	<b>2,568</b>
<b>Operating margin, %</b>	<b>2.4</b>	<b>2.8</b>	<b>7.0</b>	<b>12.4</b>			<b>4.8</b>
Net finance							-58
<b>Pre-tax profit</b>							<b>2,510</b>
Tax							-418
<b>Profit for the year</b>							<b>2,092</b>
<b>Capital employed (closing balance)</b>			<b>6,897</b>	<b>15,964</b>			

Group Jan-Dec 2018 MSEK	Con- struction	Civil Engineering	Industry	Project Development	Group functions	Eliminations	Group
External sales	22,850	12,032	9,474	7,775	102		52,233
Internal sales	5,490	1,713	3,810	69	941	-12,023	–
<b>Total revenue</b>	<b>28,340</b>	<b>13,745</b>	<b>13,284</b>	<b>7,844</b>	<b>1,043</b>	<b>-12,023</b>	<b>52,233</b>
<b>Operating profit</b>	<b>670</b>	<b>415</b>	<b>977</b>	<b>785</b>	<b>-274</b>	<b>0</b>	<b>2,573</b>
<b>Operating margin, %</b>	<b>2.4</b>	<b>3.0</b>	<b>7.4</b>	<b>10.0</b>			<b>4.9</b>
Net finance							-55
<b>Pre-tax profit</b>							<b>2,518</b>
Tax							-418
<b>Profit for the year</b>							<b>2,100</b>
<b>Capital employed (closing balance)</b>			<b>6,432</b>	<b>12,984</b>			

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

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

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

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

Level 3: based on inputs unobservable to the market.

For a description of how fair value has been calculated see the Annual Report 2018, note 34. The fair value of financial assets and liabilities recognized as their amortized cost is estimated to be, in principle, the same as their recognized values.

Group	Dec 31 2019			Dec 31 2018		
	Level 2	Level 3	Total	Level 2	Level 3	Total
<b>MSEK</b>						
<b>Financial assets</b>						
Other securities held as fixed assets		77	77		109	109
<i>Of which investments in unlisted funds</i>		58	58		89	89
<i>Of which shareholding in unlisted company</i>		19	19		20	20
Other current receivables			–	1		1
<i>Of which currency swaps</i>			–	1		1
Other securities held as current assets		388	388			–
<i>Of which repurchased shares in tenant-owner associations</i>		388	388			–
<b>Total financial assets</b>	<b>–</b>	<b>465</b>	<b>465</b>	<b>1</b>	<b>109</b>	<b>110</b>
<b>Financial liabilities</b>						
Other long-term liabilities	13		13	22	23	45
<i>Of which interest rate swaps</i>	13		13	18		18
<i>Of which commodity hedging with futures</i>			–	4		4
<i>Of which contingent consideration</i>			–		23	23
Other current liabilities	3	1	4	1	11	12
<i>Of which currency swaps</i>	2		2	1		1
<i>Of which commodity hedging with futures</i>	1		1			–
<i>Of which contingent consideration</i>		1	1		11	11
<b>Total financial liabilities</b>	<b>16</b>	<b>1</b>	<b>17</b>	<b>23</b>	<b>34</b>	<b>57</b>

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

Group	Other securities held as fixed asset				Other securities held as current asset
	Unlisted funds		Unlisted shares		Repurchased shares in tenant-owner associations
	Dec 31 2019	Dec 31 2018	Dec 31 2019	Dec 31 2018	Dec 31 2019
<b>MSEK</b>					
<b>Opening balance</b>	<b>89</b>	<b>59</b>	<b>20</b>	<b>21</b>	<b>–</b>
Investments	9	19			1,975
Sales			-1	-12	-1,142
Dividends received	-55	-3			
Reported in profit/loss for the period					
Production costs <sup>1)</sup>					-445
Net finance	15	14		11	
Reported in other comprehensive income			0		
<b>Closing balance</b>	<b>58</b>	<b>89</b>	<b>19</b>	<b>20</b>	<b>388</b>

<sup>1)</sup> Have corresponded to project provisions of SEK 391 million and therefore the net effect in the income statement is SEK -54 million.

Group	Contingent consideration	
	Dec 31 2019	Dec 31 2018
<b>MSEK</b>		
<b>Opening balance</b>	<b>34</b>	<b>34</b>
Acquisitions during the period	–	2
Payments during the period	-31	-3
Reported in profit for the period		
Other operating costs (+) / other operating income (-)	-3	1
Interest expense (discount) <sup>1)</sup>	1	0
Reported in other comprehensive income	0	0
<b>Closing balance</b>	<b>1</b>	<b>34</b>

<sup>1)</sup> Recognized in net financial items

The contingent consideration will amount from SEK 0 million to a maximum of SEK 1 million.

## Future financial information

- Annual and Sustainability Report 2019 April 2020
- Quarterly report January-March 2020 and Annual General Meeting May 6, 2020
- Quarterly report January-June 2020 July 17, 2020
- Quarterly report January-September 2020 October 22, 2020
- Year-end report January-December 2020 February 4, 2021

*Förslöv, February 5, 2020*

*Jesper Göransson  
CEO and President*

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

# Quarterly data

Group	Oct-Dec 2019	Jul-Sep 2019	Apr-Jun 2019	Jan-Mar 2019	Oct-Dec 2018	Jul-Sep 2018	Apr-Jun 2018	Jan-Mar 2018	Oct-Dec 2017
<b>MSEK</b>									
Net sales	15,312	13,001	14,336	11,359	14,845	12,445	13,453	11,490	14,490
Production costs	-13,804	-11,786	-12,777	-10,367	-13,372	-11,153	-12,038	-10,482	-13,103
<b>Gross profit</b>	<b>1,508</b>	<b>1,215</b>	<b>1,559</b>	<b>992</b>	<b>1,473</b>	<b>1,292</b>	<b>1,415</b>	<b>1,008</b>	<b>1,387</b>
Sales and administrative expenses	-751	-604	-773	-751	-711	-575	-761	-737	-695
Other operating income	93	122	38	27	119	45	27	25	71
Other operating costs	-95	-6	-3	-3	-18	-19	-4	-6	-10
<b>Operating profit</b>	<b>755</b>	<b>727</b>	<b>821</b>	<b>265</b>	<b>863</b>	<b>743</b>	<b>677</b>	<b>290</b>	<b>753</b>
Financial income	31	14	31	54	18	36	19	27	118
Financial expenses	-62	-35	-41	-50	-42	-29	-23	-61	-46
<b>Net finance</b>	<b>-31</b>	<b>-21</b>	<b>-10</b>	<b>4</b>	<b>-24</b>	<b>7</b>	<b>-4</b>	<b>-34</b>	<b>72</b>
<b>Pre-tax profit</b>	<b>724</b>	<b>706</b>	<b>811</b>	<b>269</b>	<b>839</b>	<b>750</b>	<b>673</b>	<b>256</b>	<b>825</b>
Tax	-133	-117	-123	-45	-133	-146	-101	-38	-145
<b>Profit for the period</b>	<b>591</b>	<b>589</b>	<b>688</b>	<b>224</b>	<b>706</b>	<b>604</b>	<b>572</b>	<b>218</b>	<b>680</b>
<b>Profit for the period, attributable to:</b>									
Shareholders in parent company	591	589	688	224	706	604	572	218	680
Non-controlling interests	0	0	0	0	0	0	0	0	0
<b>Profit for the period</b>	<b>591</b>	<b>589</b>	<b>688</b>	<b>224</b>	<b>706</b>	<b>604</b>	<b>572</b>	<b>218</b>	<b>680</b>
<b>Key ratios</b>									
Earnings per share, SEK	2.00	2.00	2.33	0.76	2.39	2.05	1.94	0.74	2.31
Average number of outstanding shares, million	295.0	295.0	295.0	295.0	295.0	295.0	295.0	295.0	295.0
Capital employed (closing balance)	21,376	21,210	21,067	18,877	18,360	17,730	16,322	14,631	14,074
Equity (closing balance)	12,266	11,735	11,144	11,665	11,348	10,735	10,153	10,688	10,332



**Business areas**

MSEK	Oct-Dec 2019	Jul-Sep 2019	Apr-Jun 2019	Jan-Mar 2019	Oct-Dec 2018	Jul-Sep 2018	Apr-Jun 2018	Jan-Mar 2018	Oct-Dec 2017
<b>Net sales</b>									
Construction	8,371	6,520	7,782	6,743	8,182	6,172	7,423	6,563	7,631
Civil Engineering	3,792	3,257	3,374	2,916	4,189	3,301	3,439	2,816	3,787
Industry	3,592	3,820	3,697	2,230	3,803	3,723	3,580	2,178	3,684
Project Development	2,138	1,715	2,068	1,863	1,904	1,878	1,775	2,287	2,205
– of which Property Development	179	180	254	173	194	217	171	156	117
– of which Housing Development	1,959	1,535	1,814	1,690	1,710	1,661	1,604	2,131	2,088
Group functions	325	289	287	275	223	276	285	259	262
Eliminations	-2,906	-2,600	-2,872	-2,668	-3,456	-2,905	-3,049	-2,613	-3,079
<b>Group</b>	<b>15,312</b>	<b>13,001</b>	<b>14,336</b>	<b>11,359</b>	<b>14,845</b>	<b>12,445</b>	<b>13,453</b>	<b>11,490</b>	<b>14,490</b>
<b>Operating profit</b>									
Construction	208	150	199	156	207	142	178	143	180
Civil Engineering	132	76	124	36	145	98	130	42	136
Industry	363	361	258	-44	401	352	262	-38	302
Project Development	234	183	371	178	245	165	174	201	246
– of which Property Development	29	35	195	46	69	38	13	50	6
– of which Housing Development	205	148	176	132	176	127	161	151	240
Group functions	-129	-9	-89	-48	-155	-9	-55	-55	-128
Eliminations	-53	-34	-42	-13	20	-5	-12	-3	17
<b>Group</b>	<b>755</b>	<b>727</b>	<b>821</b>	<b>265</b>	<b>863</b>	<b>743</b>	<b>677</b>	<b>290</b>	<b>753</b>
<b>Operating margin, %</b>									
Construction	2.5	2.3	2.6	2.3	2.5	2.3	2.4	2.2	2.4
Civil Engineering	3.5	2.3	3.7	1.2	3.5	3.0	3.8	1.5	3.6
Industry	10.1	9.5	7.0	-2.0	10.5	9.5	7.3	-1.7	8.2
Project Development	10.9	10.7	17.9	9.6	12.9	8.8	9.8	8.8	11.2
– of which Property Development	16.2	19.4	76.8	26.6	35.6	17.5	7.6	32.1	5.1
– of which Housing Development	10.5	9.6	9.7	7.8	10.3	7.6	10.0	7.1	11.5
Group functions									
Eliminations									
<b>Group</b>	<b>4.9</b>	<b>5.6</b>	<b>5.7</b>	<b>2.3</b>	<b>5.8</b>	<b>6.0</b>	<b>5.0</b>	<b>2.5</b>	<b>5.2</b>
<b>Order situation, MSEK</b>									
Orders received	12,096	9,349	10,817	11,868	10,451	11,473	16,257	12,906	13,039
Order backlog at the end of the period	42,494	43,821	45,873	47,532	45,819	48,036	47,453	43,055	40,205

# 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. For more information and calculations, see [www.peab.com/alternative-performance-measures](http://www.peab.com/alternative-performance-measures).

## **Available liquidity**

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

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

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

## **Capital employed for the Group**

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

## **Earnings per share**

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

## **Equity/assets ratio**

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

## **Equity per share**

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

## **Net debt**

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

## **Net debt/equity ratio**

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

## **Net investments**

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

## **Operating margin**

Operating profit as a percentage of net sales.

## **Order backlog**

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

## **Orders received**

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

## **Return on capital employed**

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

## **Return on equity**

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

# The Nordic Community Builder

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

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

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

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

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

Net sales, appr.

**SEK 54 billion**

Employees, appr.

**14,000**

## BUSINESS MODEL

### Four collaborating business areas create added value

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

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



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



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



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



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