



■ The Kolbäck bridge will be a link that unites Umeå.

INTERIM REPORT 1 JANUARY – 30 SEPTEMBER 1999

- Group profit after tax amounted to SEK 75 million (49) for the period, which corresponds to profit per share of SEK 1.10 (0.70)
- Rolling 12-month profit increased to SEK 214 million (163) after financial items and return on equity to 14.1 percent (10.1)
- Operating profit for contracting operations improved to SEK 145 million (98) for the first nine months of the year
- Decision on liquidation of shareholding in Wihlborgs
- Acquisition of Producta Ombyggnads AB with SEK 200 million turnover

Market

Construction in Sweden has been characterized by increasing demand, which is expected to continue over the coming years.

The investment level in commercial properties during fall 1999 has been higher than at any other time.

After many years of a downward trend, housing construction has started showing positive growth, although it is still being generated at a low level. Strong share of reconstruction and expansion, and a lower proportion of new production. Construction is primarily evident in the Stockholm area, the Öresund region and Västra Götaland. Despite this increased activity within housing construction, the sector's investment is still at such a low level that the housing supply may be a serious problem even within a year or so.

Public sector construction has been at a low level for the majority of the 1990s, although increased demand is now being witnessed.

Industrial construction investment has developed weakly in recent years. However, this is expected to increase in line with an upturn in Swedish industrial production.

With the exception of the energy and telecommunications sectors, infrastructure investments are showing relatively weak development. By international standards, Sweden's investment in infrastructure in the 1990s has been relatively low, and no major changes are expected in the next few years.

Norway: Continued good activity within housing construction in the city regions, but a marked decline within road and infrastructure.

Finland: Continued good activity throughout the construction sector.

Sales

During the first nine months of 1999, Peab's operations have been characterized by continued good utilization of capacity, continued increase in share of long-term partnering contracts, and an increase in own exploitation and development of special projects.

The Group's net sales, i.e. accrued construction expenses during the period plus the recognized profit contribution for the period January to September, increased by 15 percent to SEK 9,980 million (8,662).

Of the net sales, SEK 1,598 million related to acquired units, in particular Swerock AB and Clifton AB, which were not included in the Group during the same period last year. After adjustment for these acquisitions, turnover fell by 3 percent. The decrease relates to operations outside Sweden. For comparable Swedish units, net sales were unchanged compared with the same period in 1998.

Of the period's sales, SEK 1,166 million (1,229) related to construction outside Sweden, of which production in Norway amounted to SEK 937 million (1,165) and production in Finland to SEK 158 million (—).

Contracting operations

Operating profit for the last 12 months amounted to SEK 262 million (compared with SEK 215 million for 1998 as a whole). The operating margin for the past 12 months was 1.9 percent, compared with 1.7 percent for 1998 as a whole.

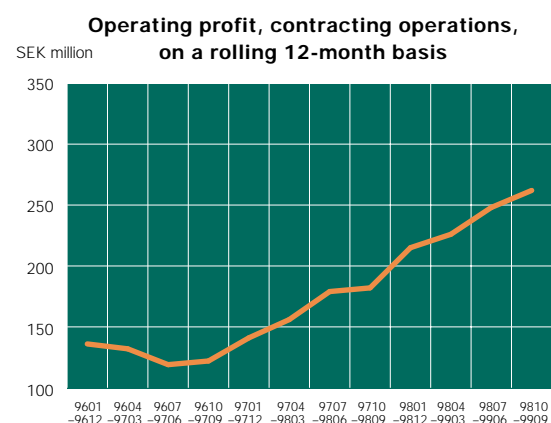
The Norwegian operation burdened the results of the contracting operations for the first nine months with a loss of SEK 70 million, excluding the outcome of the dispute in the Rome-riksporten tunnel project. The losses were primarily related to underground operations and accompanying infrastructure work.

Peab's Norwegian subsidiary Peab AS will now focus operations on three areas: Construction, Project Development and Regional Infrastructure. Within the areas of underground production and large-scale projects, Peab will be seeking new owners /co-owners for the operations.

For the first three quarters of 1999, operating profit amounted to SEK 145 million (98), corresponding to an operating margin of 1.5 percent (1.1). The operating margin excluding the Norwegian operation amounted to 2.4 percent for the first three quarters in 1999.

On September 1, 1999, the five Swedish regional contracting companies merged into one new legal unit, Peab Sverige AB.

Orders received during the first three quarters decreased by



12 percent to SEK 9,155 million (10,377). This fall is primarily attributable to infrastructure business, where several high-value, long-term orders were placed in January-June 1998, and an increased focus on improved profitability.

The order backlog at the end of the period amounted to SEK 7,516 million, compared with SEK 7,840 million at the same time last year. The share of construction projects was higher and the share of infrastructure projects lower compared with last year. At the year-end 1998, order backlog amounted to SEK 7,484 million.

Order backlog to produce	30 Sep 1999	30 Sep 1998
Current fiscal year	2,979	3,240
Next fiscal year	3,669	3,816
Thereafter	868	784
Total	7,516	7,840

In April 1998, a verdict was reached in lower court in Norway in the dispute between Peab's subsidiary Scandinavian Airport Group (SAG) and Oslo Lufthavn AS regarding a final settlement of SAG's construction work on a terminal at Gardermoen Airport. The verdict has been appealed. The case was brought up in higher court this fall, and a verdict is expected to be reached in the spring of 2000.

Associated companies

Shares of associated companies' profits are reported in accordance with the equity method. The period's share of associated companies' profits before tax was SEK 2 million (23). The deterioration in the results is primarily due to losses in Oskarsborg AB of SEK – 22 million (– 6). The loss on participations in associated companies sold was SEK – 3 million (5), excluding profit from the sale of BPA AB which is accounted under items affecting comparability.

Peab reports profit shares with a delay of one quarter. The associated companies are predominantly active in the contracting industry and thus follow the industry's seasonal fluctuations in terms of operating earnings, which during the first half-year gave a lower profit than the second half is expected to achieve.

Items affecting comparability

During the period, the shares in associated company BPA AB were sold with a capital gain of SEK 120 million, reported as operating profit together with the profits from SPP amounting to SEK 125 million. Profit has been debited by a loss amounting to SEK 260 million relating to the Romeriksporten tunnel project. These three items amount to SEK – 15 million (—), and are reported under items affecting comparability.

Peab has been informed that the Group has been allocated SEK 215 million in company-related funds by SPP. According to previous information from SPP, approximately SEK 100 million of the sum will be paid in cash to Peab, since during the first half of 1999 Peab amortized the Group's total pension provision with a corresponding sum. Pending final clarification of the form and time of payment, Peab's assessment from the last quarter stands.

Profit

For the latest rolling 12-month period, operating profit increased by 20 percent to SEK 283 million, compared with SEK 235 million for the same period in 1997/98, and SEK 280 million for 1998 as a whole.

Operating profit for the first three quarters of 1999 improved to SEK 129 million (126).

During the latest rolling 12-month period, profit after financial items amounted to SEK 214 million, compared with SEK

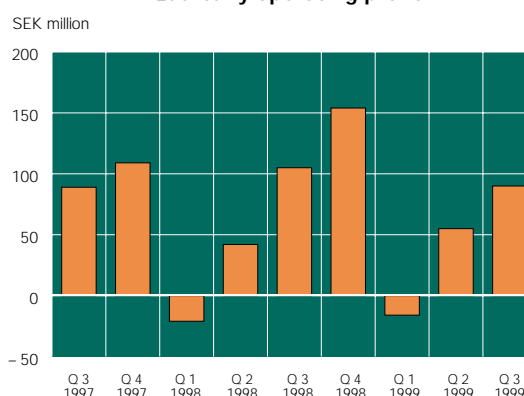
163 million for the same period 1997/98, and SEK 211 million for 1998 as a whole.

Profit after financial items for the first three quarters amounted to SEK 74 million, compared with SEK 71 million for the same period in 1998.

For the latest rolling 12-month period, return on equity amounted to 14.1 percent, compared with 10.1 percent for the same period in 1997/98, and 11.6 percent for 1998 as a whole.

Due to normal seasonal fluctuations in the construction market, the first half-year indicates a lower production volume and less profit than the second half-year is expected to achieve. The seasonal fluctuations in quarterly operating profit during the past nine quarters are illustrated in the following diagram:

Quarterly operating profit



Net financial items

Net financial expenses amounted to SEK – 55 million (– 55).

Net interest expenses amounted to SEK – 65 million (– 50) primarily due to increased borrowings for corporate acquisitions.

Financial position

Net borrowings amounted to SEK 1,550 million, compared with SEK 1,511 million on the corresponding date in 1998, primarily due to acquisitions.

The Group's unappropriated liquid assets at the end of the period were SEK 600 million, compared with SEK 1,232 million at year-end 1998.

The equity/assets ratio at the end of the period was 20.5 percent, compared with 20.4 percent at year-end 1998. Risk-bearing capital amounted to SEK 1,744 million, compared with SEK 1,737 million at year-end 1998, which corresponded to 26.5 percent (26.3) of total assets.

Capital expenditures and personnel

Net capital expenditures for fixed assets amounted to SEK 98 million (374) for the period, of which shares and participations were sold for SEK 115 million net (net investment SEK 197 million). During the period, development real estate was acquired to a value of SEK 37 million net (net resale SEK 35 million).

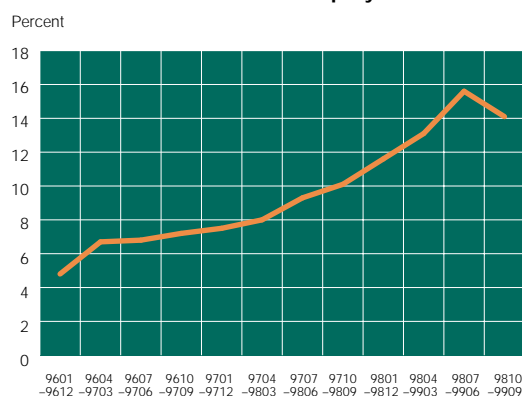
The number of employees increased during the period to 8,897 compared with 8,346 during the same period last year. This increase is due to acquisitions in fall 1998.

Important events during the period

The Group sold 14,200,000 Class A shares and 800,000 warrants in BPA AB. The sale encompassed Peab's entire ownership in BPA, corresponding to 35.6 percent of the votes and 21.7 percent of the capital.

The Finnish construction company Rakennus OY Leo Heinänen was acquired in April. The acquired company has a turnover of approximately SEK 200 million, and employs 150 people. Operations focus primarily on repair, reconstruction and expansion, construction service and facade renovation. The company operates mainly in the city of Helsinki.

Return on equity



An agreement was reached with the City of Stockholm regarding Peab's takeover of Stockholm Entreprenad's operations at the end of this year. The company has just over 400 employees and an estimated turnover of SEK 400 million in 1999. The business focuses on the operation and maintenance of municipal infrastructure, road-paving operations, bridge repairs and construction service in the Stockholm region.

Peab acquired all shares in Producta Ombyggnads AB i Stockholm. Producta's main area is reconstruction operations in commercial real estate in Stockholm and the surrounding area. The company has 80 employees and an annual turnover of approximately SEK 200 million.

Important events after the end of the period

An agreement has been reached relating to the changed ownership position of associated company AB Miljöservice i Sverige, of which 50 percent is owned by Peab and 50 percent by French company SITA. The agreement means that Peab retains ownership of 50 percent, but that SITA reserves the right to increase its ownership to 100 percent within two years, and that voting right conditions and shares in the company's profit are changed in the meantime. Moreover, a business agreement has been reached between Peab and SITA relating to continued cooperation in the Nordic region. The agreement involves a capital gain of SEK 60 million.

Changes to Peab's Board

On November 11, 1999, Erik Paulsson left his position as a member of the Peab Board of Directors.

Liquidation of assets

Peab is working to clarify its structure and create favorable conditions in order to achieve good profitability. Peab aims to continue the refinement process, and thereby generate increased clarity. As part of this process, Peab has decided to

liquidate its shareholding in Wihlborgs Fastigheter AB. The shareholding comprises 5.7 percent of the capital and 14.6 percent of the votes. The shares are booked at a value of SEK 223 million. The liquidation of the shareholding will take place at a time judged to be favorable from a stock market perspective.

Operations in associated company Oskarsborg AB will be liquidated gradually. Work on the liquidation has intensified during the fall, and a liquidation plan is being prepared.

The year 2000

Projects to identify and resolve the technical problems that may arise due to the millennium shift have been implemented as planned. Work to modify and replace any systems, computers and other electronic equipment not thought to be able to handle the transition to the new millennium, is estimated to be fully completed by the end of November. Contingency plans for unforeseen events in connection with the transition to the new millennium have been drawn up.

Profit forecast

Consolidated Group profit for 1999 is expected to continue to improve in comparison with 1998.

Upcoming information

The Group's Year-End Report will be distributed on February 9, 2000.

Förlöv, 17 November 1999

*Mats Paulsson
Managing Director*

The information in this nine-month report has not been subject to closer inspection by the company's auditor.

KEY RATIOS

Group	01 Jan 1999 – 30 Sept 1999	01 Jan 1998 – 30 Sept 1998	01 Jan 1997 – 30 Sept 1997	01 Oct 1998 – 30 Sept 1999	01 Jan 1998 – 31 Dec 1998
Net sales, SEK million	9,980	8,662	7,414	13,934	12,616
Operating profit, total, SEK million	129	126	63	283	280
Profit/loss after financial items, SEK million	74	71	13	214	211
Operating margin – contracting operations, percent	1.5	1.1	0.8	1.9	1.7
Operating margin – total, percent	1.3	1.5	0.8	2.0	2.2
Return on equity, percent	6.2	4.0	1.7	14.1	11.6
Return on capital employed, percent	4.7	5.6	4.5	9.7	10.8
Equity/assets ratio, percent	20.5	20.8	20.9	20.5	20.4
Share of risk-bearing capital, percent	26.5	27.3	28.2	26.5	26.3
Net borrowings at the end of the period, SEK million	1,550	1,511	1,424	1,550	1,493
Profit after actual tax, SEK per share	1.10	0.70	0.20	2.50	2.10
– after completed subscription and conversion	0.80	0.50	0.10	1.80	1.60
Adjusted equity, SEK per share	19.50	18.10	16.20	19.50	19.50
– after completed subscription and conversion	19.40	18.30	16.90	19.40	19.30
Number of shares at the end of the period, million	69.1	69.1	69.1	69.1	69.1
– after completed subscription and conversion	93.4	93.4	93.4	93.4	93.4
Average number of outstanding shares, million	69.1	69.1	69.1	69.1	69.1
– after completed subscription and conversion	93.4	93.4	93.4	93.4	93.4

CONDENSED INCOME STATEMENT

Group (SEK Million)	01 Jan 1999 – 30 Sept 1999	01 Jan 1998 – 30 Sept 1998-	01 Oct 1998 – 30 Sept 1999	01 Jan 1998 – 31 Dec 1998
Net sales	9,980	8,662	13,934	12,616
Operating expenses	– 9,835	– 8,564	– 13,672	– 12,401
Operating profit, contracting operations	145	98	262	215
Share of profits of associated companies	– 1	28	36	65
Items affecting comparability	– 15	—	– 15	—
Operating profit, total	129	126	283	280
Profit from financial investments	– 55	– 55	– 69	– 69
Profit after net financial items	74	71	214	211
Taxes	– 28	– 21	– 71	– 64
Minority interests	29	– 1	28	– 2
Net profit for the period	75	49	171	145

CONDENSED BALANCE SHEET

Group (SEK Million)	30 Sept 1999	30 Sept 1998	31 Dec 1998
Assets			
Intangible fixed assets	239	68	219
Tangible fixed assets	922	447	882
Long-term interest-bearing receivables	676	238	457
Financial fixed assets	1,200	1,728	1,315
Development real estate	181	153	144
Inventories	191	49	191
Current interest-bearing receivables	254	315	247
Other current receivables	2,845	2,955	3,087
Cash and bank deposits	81	45	50
Total assets	6,589	5,998	6,592
Equity and liabilities			
Equity	1,346	1,226	1,322
Minority interests	5	22	23
Interest-free allocations	156	48	142
Long-term interest-bearing liabilities	2,508	2,029	2,096
Current interest-bearing liabilities	53	80	151
Other current liabilities	2,521	2,593	2,858
Total equity and liabilities	6,589	5,998	6,592

CONDENSED STATEMENT OF CHANGES IN FINANCIAL POSITION

Group (SEK Million)	01 Jan 1999 – 30 Sept 1999	01 Jan 1998 – 30 Sept 1998	01 Oct 1998 – 30 Sept 1999	01 Jan 1998 – 31 Dec 1998
Cash flow from operations	218	146	369	297
Change in working capital	– 200	– 703	– 70	– 573
Net financing from operations	18	– 557	299	– 276
Net capital expenditures	– 135	– 339	– 354	– 933
Net financing after capital expenditures	– 117	– 896	– 55	– 1,209
External financing	148	625	91	943
Net change in liquid assets during the period	31	– 271	36	– 266



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