



■ Peab is reconstructing and expanding the Traneberg bridge in Stockholm.

INTERIM REPORT **1 JANUARY – 31 MARCH, 1999**

- **Rolling 12-month profit increased to SEK 224 million (211) after financial items, and return on equity to 13.1 percent (8.0)**
- **Operating loss for first quarter improved to SEK – 16 million (– 21)**
- **Acquisition of construction company in Finland**
- **Continued profit increase for 1999 as a whole**

Market

The end of 1998 showed increasing signs of an upswing in the Swedish construction market. These signals have to some extent been substantiated during the first quarter of 1999, and growth is expected to be witnessed mainly within other building construction, while civil engineering is expected to develop more slowly. Housing construction has also increased, and the number of housing starts on apartment blocks was 10 percent higher this year than the same time last year. However, despite this significant increase the overall improvement is modest in absolute figures.

The upswing has mainly occurred within city areas and certain university cities. The potential for continued growth is deemed good, and may even spread geographically as market outlook is still good at this time.

In Norway, the demand for new infrastructure has been decreasing slightly after a long period of growth. Infrastructure investments have been relatively unsteady since the interest rate-related concerns of summer 1998. However, there are signs of a slight increase in activity in the Norwegian housing market.

Sales

During the first quarter of 1999, Peab's operations have been characterized by good utilization of capacity and a continued increase in share of long-term partnering contracts.

The Group's net sales, i.e. accrued construction expenses during the year plus the recognized profit contribution for the first quarter, amounted to SEK 2,741 million (2,450).

Of the period's net sales, SEK 333 million relates to acquired units which were not included in the Group during the same period last year. For comparable Swedish units, net sales were unchanged compared with the same period in 1998.

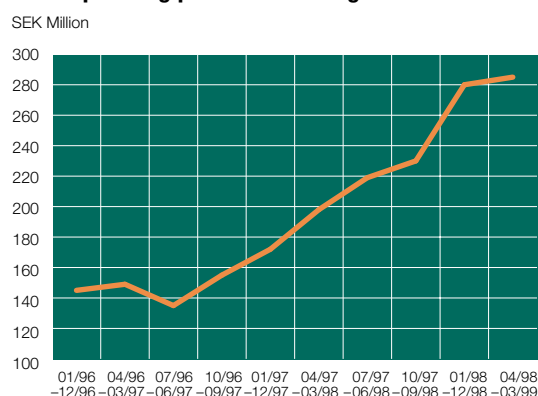
Of the period's sales, SEK 310 million (355) relates to construction outside Sweden, of which production in Norway amounted to SEK 299 million (325).

Profit

For the latest rolling 12-month period, operating profit amounted to SEK 285 million, compared with SEK 198 million for the same period in 1997/98, and SEK 280 million for 1998 as a whole.

During the same period, profit after financial items amounted to SEK 224 million, compared with SEK 123 million for the same period in 1997/98, and SEK 211 million for 1998 as a whole.

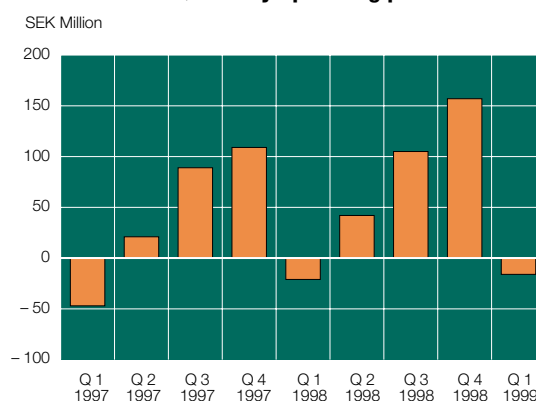
Operating profit on a rolling 12-month basis



Operating loss for the first quarter of 1999 improved to SEK – 16 million (– 21). Loss after financial items improved to SEK – 32 million, compared with SEK – 45 million during the same period in 1998. Due to normal seasonal fluctuations in the construction market, the first quarter indicates a lower production volume and less profit than the other three quarters are expected to achieve. For comparable units, the first quarter's profit after financial items rose by SEK 23 million.

Seasonal fluctuations in quarterly operating profit during the past nine quarters are illustrated in the following diagram:

Quarterly operating profit



Net financial income and expenses

Net financial income and expenses amounted to SEK – 16 million (– 24). This improvement is due to lower interest rates in 1999, and the fact that the first quarter of 1998 was charged with SEK 4 million relating to nonrecurring expenses for five-year operating financing.

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 12 million (18), and the gain on participations in associated companies sold was SEK 1 million (1). Peab reports profit shares with a delay of one quarter.

Peab's associated companies are predominantly active in the contracting industry and thus follow the industry's seasonal fluctuations in terms of operating earnings.

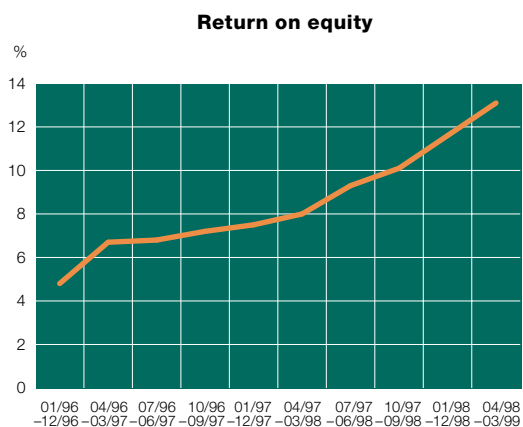
Financial position

Net borrowings amounted to SEK 1,660 million, compared with SEK 1,125 million on the corresponding date in 1998. The increase is attributable to acquired units in fall 1998, primarily Swerock AB and Clifton AB.

The Group's unappropriated liquid assets at the end of the period amounted to SEK 888 million, compared with SEK 1,232 million at year-end 1998.

The equity/assets ratio at the end of the period was 20.4 percent, which is unchanged since December 31, 1998.

Risk-bearing capital amounted to SEK 1,690 million, compared with SEK 1,737 million at year-end 1998, corresponding to 26.6 percent (26.3) of total assets.



For the latest rolling 12-month period, return on equity amounted to 13.1 percent, compared with 8.0 percent for the same period in 1997/98, and 11.6 percent for 1998 as a whole.

Contracting operations

Operating profit for the past 12 months amounted to SEK 226 million (compared with SEK 215 million for 1998 as a whole). The operating margin for the past 12 months was 1.8 percent, compared with 1.7 percent for 1998 as a whole. In the first quarter, operating loss amounted to SEK – 29 million (– 40), corresponding to an operating margin of – 1.1 percent (– 1.6).

Work on coordinating the five Swedish regional contracting operations in a new legal unit is proceeding as planned, and the merge is expected to be completed during the fall.

Orders received during the first quarter amounted to SEK 2,988 million (3,626). Several high-value, long-term orders were placed in the first quarter of 1998.

The order backlog at the end of the period rose by 8 percent and amounted to SEK 7,955 million, compared with SEK 7,367 million on the corresponding date a year earlier. At year-end 1998, order backlog amounted to SEK 7,484 million.

Order backlog to produce	March 31, 1999	March 31, 1998
Current fiscal year	5,970	5,685
Next fiscal year	1,527	1,491
Thereafter	458	191
Total	7,955	7,367

Arbitration proceedings between Peab's subsidiary Scandinavian Rock Group and NSB Gardermobanen AS regarding the Romeriksporten project started on January 19, 1999 and is still ongoing, with a ruling expected before the summer of 1999.

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 judgment was approximately SEK 60 million lower than SAG had demanded. After review by a legal expert, the verdict has been appealed. The case will be brought before a superior court on August 19, 1999.

Important accounting principle

Results for the Group's contracting operations are reported by applying the percentage-of-completion method, in accordance with the industry recommendation of Byggentreprenörerna, a trade association.

Capital expenditures and personnel

Net capital expenditures for fixed assets amounted to SEK 52 million (143) during the first quarter, of which SEK 8 million (93) was for shares and participations.

During the period, development property was acquired to a value of SEK 5 million (18) net.

The number of employees increased during the period compared with the same period last year, due to acquisitions in fall 1998, and totaled 8,405 (7,330) at the end of the period.

Important events since the end of the period

14,200,000 Class A and 800,000 subscription warrants for Class B shares in BPA AB have been sold. The sale encompasses PEAB's entire ownership in BPA, i.e. 35.6 percent of the votes and 21.7 percent of the capital. The purchase sum amounts to a total of SEK 376 million, which entails a capital gain of approximately SEK 120 million, which will be accounted at the end of the second quarter. In order to help in the continuity of ownership for BPA, Peab is re-investing in the buying company, Investerings-sällskapet 1999 AB. Peab's ownership will then amount to around 15 percent.

Peab has acquired the Finnish construction company Rakennus OY Leo Heinänen. 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.

Y2K

Identifying and resolving the technical problems that may arise due to the millennium shift is still a high priority in the Group. At present, work is being done to modify and replace any systems, computers and other electronic equipment that are not thought to be able to handle the transition to the new millennium.

In our overall estimation, the problems regarding the year 2000 are under control and the necessary modifications are expected to be completed well in advance of the millennium shift.

Profit forecast

Consolidated Group profit for 1999 is expected to continue to improve.

Upcoming information

The six-month report will be distributed on August 19, the nine-month report on November 17, and the 1999 Year-End Report on February 9, 2000.

Förlöv, May 6, 1999

*Mats Paulsson
Managing Director*

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

KEY RATIOS

Group	01 Jan 1999 – 31 Mar 1999	01 Jan 1998 – 31 Mar 1998	01 Jan 1997 – 31 Mar 1997	01 Apr 1998 – 31 Mar 1999	01 Jan 1998 – 31 Dec 1998
Net sales, SEK million	2,741	2,450	1,937	12,907	12,616
Operating profit, total, SEK million	– 16	– 21	– 47	285	280
Profit/loss after financial items, SEK million	– 32	– 45	– 63	224	211
Operating margin – contracting operations, percent	– 1.1	– 1.6	– 2.8	1.8	1.7
Operating margin – total, percent	– 0.6	– 0.9	– 2.4	2.2	2.2
Return on equity, percent	neg	neg	neg	13.1	11.6
Return on capital employed, percent	neg	neg	neg	10.1	10.8
Equity/assets ratio, percent	20.4	21.6	22.5	20.4	20.4
Share of risk-bearing capital, percent	26.6	28.7	29.1	26.6	26.3
Net borrowings at the end of the period, SEK million	1,660	1,125	1,073	1,660	1,493
Profit after actual tax, SEK per share	– 0.60	– 0.80	– 0.90	2.30	2.10
– after completed subscription and conversion	– 0.40	– 0.60	– 0.70	1.70	1.60
Adjusted equity, SEK per share	18.80	16.90	15.50	18.80	19.50
– after completed subscription and conversion	18.90	17.40	16.40	18.90	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 – 31 Mar 1999	01 Jan 1998 – 31 Mar 1998	01 Apr 1998 – 31 Mar 1999	01 Jan 1998 – 31 Dec 1998
Net sales	2,741	2,450	12,907	12,616
Operating expenses	– 2,770	– 2,490	– 12,681	– 12,401
Operating profit, contracting operations	– 29	– 40	226	215
Share of profits of associated companies	13	19	59	65
Operating profit, total	– 16	– 21	285	280
Profit from financial investments	– 16	– 24	– 61	– 69
Profit after net financial items	– 32	– 45	224	211
Taxes	– 13	– 9	– 67	– 64
Minority interests	3	0	0	– 2
Net profit for the period	– 42	– 54	157	145

CONDENSED BALANCE SHEET

Group (SEK Million)	31 Mar 1999	31 Mar 1998	31 Dec 1998
Assets			
Intangible fixed assets	208	73	219
Tangible fixed assets	892	385	882
Long-term interest-bearing receivables	581	223	457
Financial fixed assets	1,322	1,572	1,315
Development properties	149	206	144
Inventories	218	40	191
Current interest-bearing receivables	243	282	247
Other current receivables	2,702	2,318	3,087
Cash and bank deposits	48	333	50
Total assets	6,363	5,432	6,592
Equity and liabilities			
Equity	1,279	1,151	1,322
Minority interests	19	20	23
Interest-free allocations	147	40	142
Long-term interest-bearing liabilities	2,433	1,889	2,096
Current interest-bearing liabilities	99	74	151
Other current liabilities	2,386	2,258	2,858
Total equity and liabilities	6,363	5,432	6,592

CONDENSED STATEMENT OF CHANGES IN FINANCIAL POSITION

Group (SEK Million)	01 Jan 1999 – 31 Mar 1999	01 Jan 1998 – 31 Mar 1998	01 Apr 1998 – 31 Mar 1999	01 Jan 1998 – 31 Dec 1998
Cash flow from operations	2	– 28	328	297
Change in working capital	– 162	– 364	– 370	– 573
Net financing from operations	– 160	– 392	– 42	– 276
Net capital expenditures	– 57	– 161	– 830	– 933
Net financing after capital expenditures	– 217	– 553	– 872	– 1,209
External financing	215	570	587	943
Net change in liquid assets during the period	– 2	17	– 285	– 266



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