



■ Peab is reconstructing the Scandic Hotel Infra City outside Stockholm into Sweden's largest congress center.

INTERIM REPORT 1 JANUARY – 30 JUNE, 1999



Building for the future.

- Rolling 12-month profit improved to SEK 228 million (211) after financial items and return on equity to 15.6 percent (11.6)
- Operating profit for the first half-year improved to SEK 39 million (21)
- Romeriksporten dispute settled
- Acquisition of Stockholms Entreprenad with SEK 400 million turnover

Market

Construction in Sweden is currently in a recovery phase after a number of years at a low level. Investment in construction is estimated to increase by 7–8 percent during 1999. Housing construction showed a marked increase in the first half of 1999. This may be explained by the accumulated need built up in recent years, and by the fact that interest rates have been favorable for some time. The increase has been surprisingly evenly distributed in terms of geography, i.e. not only in city areas and university towns. Industrial construction has been somewhat weaker than expected for the accounting period. This is thought to be due to the repercussions of the Japanese/Far Eastern crisis of last year. Road and infrastructure construction has remained at an even and relatively stable level for the past year.

The Norwegian construction market decreased sharply during the second half of 1998. Some recovery was evident in the first half of 1999, due to increased activity in the Norwegian economy in general. The Norwegian infrastructure market is showing a more and more pronounced trend. The number of major infrastructure projects is falling, while the number of smaller-scale civil engineering projects is rising.

Sales

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

The Group's net sales, i.e. accrued construction expenses during the period plus the recognized profit contribution for the period January to June, amounted to SEK 6,476 million (5,595).

Of the period's net sales, SEK 1,039 million relates to acquired units, in particular Swerock AB and Clifton AB, 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 790 million (817) relates to construction outside Sweden, of which production in Norway amounted to SEK 638 million (766).

Contracting operations

Operating profit for the last 12 months amounted to SEK 248 million (compared with SEK 215 million for the year 1998). The operating margin for the past 12 months was 1.8 percent, compared with 1.7 percent for the year 1998. For the first half-year, operating profit amounted to SEK 50 million (17), corresponding to an operating margin of 0.8 percent (0.3). From September 1, 1999, the five current Swedish regional

contracting companies will be grouped as one legal unit, Peab Sverige AB.

Orders received during the first half-year amounted to SEK 6,081 million (6,734). Several high-value, long-term orders were placed in the first half of 1998.

The order backlog to produce at the end of the period rose by 4 percent and amounted to SEK 7,601 million, compared with SEK 7,330 million at the same time last year. At the year-end 1998, order backlog amounted to SEK 7,484 million.

Order backlog to produce	30 Jun 1999	30 Jun 1998
Current fiscal year	4,832	4,561
Next fiscal year	2,189	2,344
Thereafter	580	425
Total	7,601	7,330

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 economic outcome of the judgment was approximately SEK 60 million lower than SAG had demanded. After review by legal experts, the verdict has been appealed. The case will be brought before a superior court in August 1999, and a verdict is expected around the year-end 1999.

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 7 million (3), and the result of participations in associated companies sold was SEK – 3 million (1), 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.

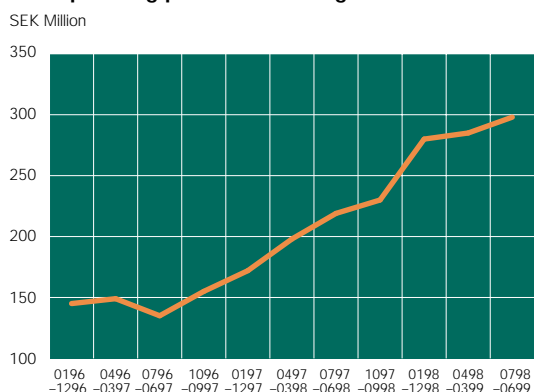
The associated companies are predominantly active in the contracting industry and thus follow the industry's seasonal fluctuations in terms of operating profits, which during the first half-year gives a lower profit than the second half is expected to achieve.

Operating profit

For the latest rolling 12-month period, operating profit amounted to SEK 298 million, compared with SEK 219 million for the same period in 1997/98, and SEK 280 million for the year 1998.

Operating profit for the first half of 1999 improved to SEK 39 million (21). During this period, the shares in associated

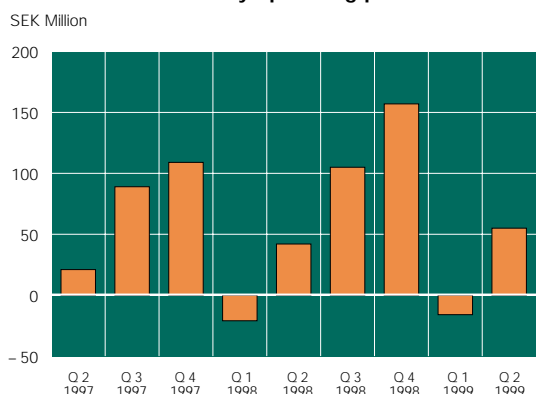
Operating profit on a rolling 12-month basis



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

Due to normal seasonal fluctuations in the construction

Quarterly operating profit



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

Net financial items

Net financial expenses amounted to SEK –38 million (–37). Net interest expenses amounted to SEK –43 million (–32) primarily due to increased borrowings for corporate acquisitions.

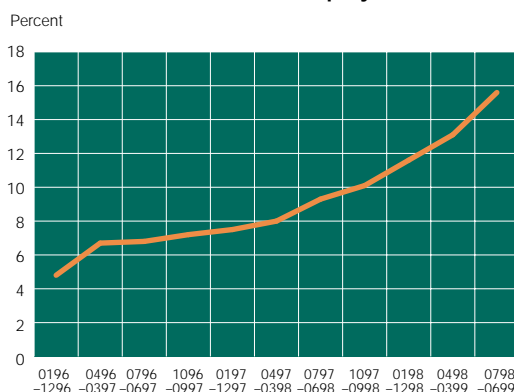
During the latest rolling 12-month period, profit after financial items amounted to SEK 228 million, compared with SEK 144 million for the same period 1997/98, and SEK 211 million for the year 1998.

Profit after financial items for the first half-year improved to SEK 1 million, compared with SEK –16 million for the same time in 1998.

Financial position

Net borrowings amounted to SEK 1,504 million, compared with SEK 1,278 million on the corresponding date in 1998, primarily due to acquisitions.

Return on equity



The Group's unappropriated liquid assets at the end of the period amounted to SEK 783 million, compared with SEK 1,232 million at year-end 1998.

The equity/assets ratio at the end of the period was 19.0 percent, compared with 20.4 percent on December 31, 1998. Risk-bearing capital amounted to SEK 1,675 million, compared with SEK 1,737 million at year-end, corresponding to 24.8 percent (26.3) of total assets.

For the latest rolling 12-month period, return on equity amounted to 15.6 percent, compared with 9.3 percent for the same period in 1997/98, and 11.6 percent for 1998 as a whole.

Capital expenditures and personnel

Net capital expenditures for fixed assets amounted to SEK 60 million (254) for the first half-year, of which shares and participations were sold for SEK 114 million (net investment SEK 160 million). During the period, development real estate was acquired to a value of SEK 37 million net (net resale SEK 32 million).

The number of employees increased during the period compared with the same period last year, due to acquisitions in fall 1998, and totaled 9,216 (8,246) at the end of the period.

Important events during the period

14,200,000 class A-shares and 800,000 warrants in BPA AB have been sold. The sale encompassed PEAB's entire ownership in BPA, i.e. 35.6 percent of the votes and 21.7 percent of the capital. The purchase sum amounted to a total of SEK 376 million, which entails a capital gain of SEK 120 million. In order to contribute to the continuity of ownership for BPA, Peab has re-invested in the purchasing company, Investeringsallskapet 1999 AB.

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.

The verdict in the arbitration between Peab's subsidiary Scandinavian Rock Group and NSB Gardermobanen AS regarding the Romeriksporten railway tunnel, resulted in SRG being awarded a total of NOK 90 million of the original NOK 330 million demanded. The verdict affects Peab's profit negatively by SEK 260 million.

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 approximately

400 employees and an estimated turnover of SEK 400 million in 1999. Business focuses on the operation and maintenance of municipal infrastructure, road-paving operations, bridge repairs and construction service in the Stockholm region.

The year 2000

Identifying and resolving the technical problems that may arise due to the millennium shift is still a high priority in the Group. At present we are in the final phase of modifying and replacing any systems, computers and other electronic equipment that are not thought able to handle the transition to the new millennium.

The problems regarding the year 2000 are under control and the necessary modifications will be completed in advance of the millennium shift.

Parent company

The parent company's profit after financial items, including the capital gain from inter-company transfer of the Swedish contracting companies and dividends from subsidiaries, amounted to SEK 1,292 million (–84). Turnover amounted to SEK 38 million (23). Net investment amounted to SEK 509 million, of which SEK 508 million was investment in shares. Available liquid assets at the end of June amounted to SEK 73 million (7). The number of employees in the parent company at the end of the period was 28 (29).

Future prospects

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

Upcoming information

The interim report for the first nine months will be distributed on November 17, 1999, and the 1999 Year-End Report on February 9, 2000.

Förslöv, 19 August 1999

*Mats Paulsson
Managing Director*

Auditor's Review Report

I have reviewed this interim report in accordance with standards issued by Föreningen Auktoriserade Revisorer FAR.

A review is significantly less in scope than an examination in accordance with generally accepted auditing standards.

During my review nothing came to my attention to indicate that the interim report does not comply with the requirements of the Securities exchange and clearing house act as well as the Companies act.

Förslöv, 19 August 1999

*Thomas Thiel
Authorized Public Accountant*

KEY RATIOS

Group	01 Jan 1999 – 30 Jun 1999	01 Jan 1998 – 30 Jun 1998	01 Jan 1997 – 30 Jun 1997	01 Jul 1998 – 30 Jun 1999	01 Jan 1998 – 31 Dec 1998
Net sales, SEK million	6,476	5,595	4,823	13,497	12,616
Operating profit, total, SEK million	39	21	– 26	298	280
Profit/loss after financial items, SEK million	1	– 16	– 55	228	211
Operating margin – contracting operations, percent	0.8	0.3	– 0.4	1.8	1.7
Operating margin – total, percent	0.6	0.4	– 0.5	2.2	2.2
Return on equity, percent	2.3	– 1.0	– 2.5	15.6	11.6
Return on capital employed, percent	2.1	2.2	0.3	10.6	10.8
Equity/assets ratio, percent	19.0	20.4	22.0	19.0	20.4
Share of risk-bearing capital, percent	24.8	27.2	30.1	24.8	26.3
Net borrowings at the end of the period, SEK million	1,504	1,278	1,037	1,504	1,493
Profit after actual tax, SEK per share	0.00	– 0.40	– 0.70	2.50	2.10
– after completed subscription and conversion	0.00	– 0.30	– 0.50	1.90	1.60
Adjusted equity, SEK per share	18.60	16.90	15.20	18.60	19.50
– after completed subscription and conversion	18.70	17.50	16.20	18.70	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 Jun 1999	01 Jan 1998 – 30 Jun 1998	01 Jul 1998 – 30 Jun 1999	01 Jan 1998 – 31 Dec 1998
Net sales	6,476	5,595	13,497	12,616
Operating expenses	– 6,426	– 5,578	– 13,249	– 12,401
Operating profit, contracting operations	50	17	248	215
Share of profits of associated companies	4	4	65	65
Items affecting comparability	– 15	—	– 15	—
Operating profit, total	39	21	298	280
Profit from financial investments	– 38	– 37	– 70	– 69
Profit after net financial items	1	– 16	228	211
Taxes	– 27	– 10	– 81	– 64
Minority interests	29	– 1	28	– 2
Net profit for the period	3	– 27	175	145

CONDENSED BALANCE SHEET

Group (SEK Million)	30 Jun 1999	30 Jun 1998	31 Dec 1998
Assets			
Intangible fixed assets	229	71	219
Tangible fixed assets	950	403	882
Long-term interest-bearing receivables	673	231	457
Financial fixed assets	1,201	1,650	1,315
Development real estate	181	156	144
Inventories	208	42	191
Current interest-bearing receivables	238	308	247
Other current receivables	3,004	2,796	3,087
Cash and bank deposits	73	92	50
Total assets	6,757	5,749	6,592
Equity and liabilities			
Equity	1,278	1,151	1,322
Minority interests	5	20	23
Interest-free allocations	154	40	142
Long-term interest-bearing liabilities	2,382	1,818	2,096
Current interest-bearing liabilities	106	91	151
Other current liabilities	2,832	2,629	2,858
Total equity and liabilities	6,757	5,749	6,592

CONDENSED STATEMENT OF CHANGES IN FINANCIAL POSITION

Group (SEK Million)	01 Jan 1999 – 30 Jun 1999	01 Jan 1998 – 30 Jun 1998	01 Jul 1998 – 30 Jun 1999	01 Jan 1998 – 31 Dec 1998
Cash flow from operations	93	27	362	297
Change in working capital	4	– 483	– 86	– 573
Net financing from operations	97	– 456	276	– 276
Net capital expenditures	– 97	– 222	– 475	– 933
Net financing after capital expenditures	0	– 678	– 199	– 1,209
External financing	23	454	180	943
Net change in liquid assets during the period	23	– 224	– 19	– 266



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