

2001

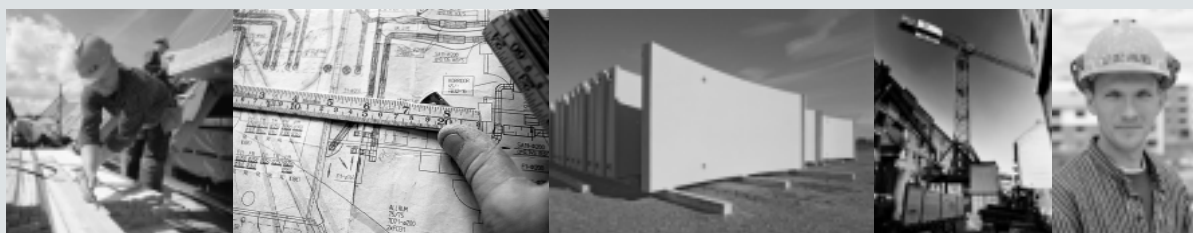
# Interim Report

**Profit after financial items** increased by 80 per cent to SEK 317 million compared with SEK 176 million for the previous year excluding items affecting comparability

**Operating profit in construction business** increased by 33 per cent to SEK 464 million (350)

**Net sales** increased by 20 per cent to SEK 13 059 million (10 848)

**Continued good order situation**, order backlog increased by 12 per cent to SEK 11 859 million (10 585)



## Managing Director's Comments

The Swedish construction industry has remained firm in the face of the general cyclical downturn so far, although there is greater uncertainty about future years after the continued slackening off in recent months. In our view, the situation in the Swedish construction market is relatively bright. The pent-up need after the downturn of the 1990s has created a continued good demand, in particular for housing, both within new production and maintenance. Civil Engineering construction will probably increase due to neglected maintenance and the prerequisites provided by the government bill on the infrastructure. Construction by industry will probably decline to some extent until the general uncertainty has reduced.

Peab's net sales, profit and cash flow have continued to improve. Net sales for the first nine months of the period increased by 20 per cent compared with the corresponding period last year. Despite the strong increase in net sales, margins have increased both in Construction and Civil Engineering and Industry compared with the corresponding period in 2000. The Industry business sector accounts for an increasing share of the Group's net sales, profit and cash flow.

Growth has been particularly strong in the asphalt business. Expansion has taken place organically and also by acquisitions of companies in strategically important geographical markets. Our continued work to free capital has, together with a wellbalanced level of investment, contributed to continued improvement of the cash flow.

Orders received in the third quarter of the year totalled SEK 3 863 million, which is on a par with the corresponding quarter for the previous year. Order backlog are continuing to increase and totalled SEK 11 859 million at the end of the third quarter which means that orders have been placed for a considerable part of 2002's production.

The development that the Group is now experiencing is the result of the recent year's tough commitments to create efficient production and refine activities. Our strategic approach on small and medium-sized acquisitions in Sweden, Norway and Finland, has together with clear profitability targets and a motivated and skilful staff, further contributed to increasing our efficiency and profitability.

Today, Peab is a costefficient and



wellfunctioning construction and civil engineering company with a flexibility that allows us to more easily adapt to changed conditions and continue to trim the organisation. An established cost consciousness, focus on the Nordic construction market, and the present high level of order backlog means that Peab is well equipped to meet any changes in market conditions.

The continued strong profit trend confirms our previous assessment of the full-year result for 2001. Profit after net financial items is expected to considerably exceed last year's profit of SEK 442 million, excluding items affecting comparability.

Mats Paulsson

### The Group excluding items affecting comparability

MSEK	Jan-Sep 2001	Jan-Sep 2000	Oct-Sep 2000/2001	Jan-Dec 2000
Net sales	13 059	10 848	17 915	15 704
Operating profit	374	225	613	464
Operating margin	2.9%	2.1%	3.4%	3.0%
Profit after financial items	317	176	583	442

Profit as per 30 September 2000 and 31 December 2000 has been reduced with items affecting comparability by SEK 200 million which relates to a refund from SPP entered as income.

### The Group

MSEK	Jan-Sep 2001	Jan-Sep 2000	Oct-Sep 2000/2001	Jan-Dec 2000	Financial objectives
Net sales	13 059	10 848	17 915	15 704	
Operating profit	374	425	613	664	
Operating margin	2.9%	3.9%	3.4%	4.2%	
Profit after financial items	317	376	583	642	
Return on capital employed	9.5%	11.8%	16.1%	19.1%	>12%
Return on equity	10.8%	16.8%	21.4%	25.9%	>15%
Profit after actual tax SEK per share	3.40	3.80	5.90	6.30	
Equity/assets ratio at the end of the period	22.6%	19.2%	22.6%	22.6%	>30%

### The construction business

MSEK	Jan-Sep 2001	Jan-Sep 2000	Jan-Sep 1999	Oct-Sep 2000/2001	Jan-Dec 2000
Net sales	12 870	10 693	9 605	17 624	15 447
Operating profit	464	350	247	750	636
Operating Margin	3.6%	3.3%	2.6%	4.3%	4.1%

### The first nine months of 2001

Peab's profit and cash flow have continued to improve. The construction business, consisting of Construction and Civil Engineering and Industry have improved their operating margin by 0.3 percentage points to 3.6 per cent compared with 3.3 per cent for the first nine months of 2000.

### Comments on the Income Statement

The Group's net sales for the period January-September increased by 20 per cent to SEK 13 059 million (10 848). SEK 273 million of the increase in net sales is related to acquired units. Adjusted for acquired and divested units, sales increased by 18 per cent.

SEK 1 187 million (828) of the sales for the period is related to sales and productions outside Sweden.

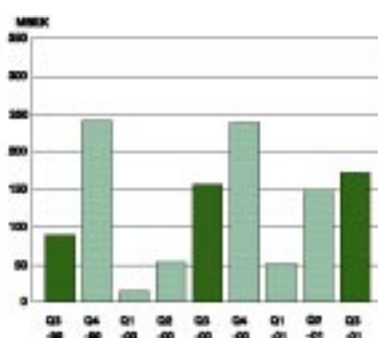
Operating profit for the period January-September totalled SEK 374 million, which is an improvement of SEK 149 million on the comparable result for the first nine months of 2000 which amounted to SEK 225 million excluding items affecting comparability. Items

## Condensed income statement

The Group MSEK	Jan-sep 2001	Jan-sep 2000	July-sep 2001	July-sep 2000	Oct-sep 2000/2001	Jan-dec 2000
Net sales	13 059	10 848	4 371	4 034	17 915	15 704
Production and management expenses	-11 815	-9 696	-3 983	-3 581	-16 178	-14 059
<b>Gross profit</b>	<b>1 244</b>	<b>1 152</b>	<b>388</b>	<b>453</b>	<b>1 737</b>	<b>1 645</b>
Selling and administrative expenses	-888	-865	-222	-288	-1 155	-1 132
Share of profit before tax of associated companies/joint ventures	20	-29	7	-8	29	-20
Result from participations in associated companies/joint ventures	1	-1	1	0	-9	-11
Result from participation in Group companies sold	-3	-32	-1	0	11	-18
Items affecting comparability	-	200	-	-	-	200
<b>Operating profit</b>	<b>374</b>	<b>425</b>	<b>173</b>	<b>157</b>	<b>613</b>	<b>664</b>
Profit from financial investments	-57	-49	-31	-20	-30	-22
<b>Profit after financial items</b>	<b>317</b>	<b>376</b>	<b>142</b>	<b>137</b>	<b>583</b>	<b>642</b>
Tax	-39	-114	-18	-34	-118	-193
Minority interests	4	0	-1	1	4	0
<b>Profit for the period</b>	<b>282</b>	<b>262</b>	<b>123</b>	<b>104</b>	<b>469</b>	<b>449</b>
Profit after actual tax, SEK/share	3.40	3.80	1.50	1.50	5.90	6.30
– after completed subscription and conversion	3.20	2.90	1.40	1.20	5.40	5.00
Share price at end of period, SEK	32.00	25.60	32.00	25.60	32.00	33.50
P/E ratio	-	-	-	-	5.4	5.3
Number of shares at end of period, million	83.6	70.3	83.6	70.3	83.6	84.1
– after completed subscription and conversion	86.6	87.6	86.6	87.6	86.6	87.2
Average number of outstanding shares, million	84.1	69.2	84.1	69.5	79.3	71.5
– after completed subscription and conversion	87.2	90.8	87.2	87.6	87.3	90.0

affecting comparability amounted to SEK 0 (200) million. Items affecting comparability for the previous year consisted of a SEK 200 million refund from SPP.

Operating profit per quarter excluding items affecting comparability

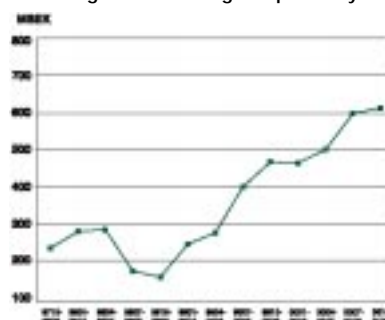


During the period, no substantial development profits relating to project and development properties have been realised.

Profit after financial items totalled SEK 317 million compared with SEK 176 million the previous year excluding items affecting comparability. Net financial items amounted to SEK -57 million (-49).

For the past rolling 12-month period, operating profit was SEK 613 million compared with SEK 664 million for the full year 2000 (464 million excluding items affecting comparability).

Operating profit, rolling 12 months excluding items affecting comparability



Profit after financial items amounted during the most recent 12-month period to SEK 583 million compared with SEK 642 million for the full year 2000 (SEK 442 million excluding items affecting comparability).

Result from participations in associated companies/joint ventures are reported according to the equity method. Result from participations in associated companies /joint ventures

before tax for the period was SEK 20 million (-29). The improvement in profit is an effect of the restructuring and concentration measures carried out. Peab reports share in profits with a three-month time lag.

## Tax

Average tax burden for the 2001 financial year for the Group is expected to approximately 12 per cent.

The reduction in tax burden has been achieved by making use of fiscal losses, realised in 2001 in Swedish companies, acquired during the year.

Deferred taxes recoverable equivalent to the losses has been set up as an asset in the consolidated balance sheet at its acquisition value, totaling SEK 196 million.

The tax burden on use of these losses in future will amount to approximately 10 per cent in the Swedish business by dissolution of the deferred taxes recoverable.

Estimated tax for the period amounts to SEK -39 million (-114) of which tax on result from participations in associated companies/joint ventures amounts to SEK -6 million (-5).

Condensed balance sheet			
The Group MSEK	30 Sep 2001	30 Sep 2000	31 Dec 2000
<b>Assets</b>			
Intangible assets	277	274	265
Tangible fixed assets	1 111	974	1 024
Interest-bearing long-term receivables	278	291	334
Financial fixed assets	825	543	630
Project and development properties	941	1 051	880
Inventories	183	175	168
Interest-bearing current receivables	687	661	674
Other current receivables	5 490	4 832	4 990
Short-term shareholdings	45	-	-
Liquid funds	101	93	99
<b>Total assets</b>	<b>9 938</b>	<b>8 894</b>	<b>9 064</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	2 233	1 699	2 042
Minority interests	9	10	10
Allocations	71	235	238
Interest-bearing long-term liabilities	2 434	2 690	2 476
Interest-bearing current liabilities	58	286	162
Other current liabilities	5 133	3 974	4 136
<b>Total shareholders' equity and liabilities</b>	<b>9 938</b>	<b>8 894</b>	<b>9 064</b>
<b>Capital employed</b>	<b>4 734</b>	<b>4 685</b>	<b>4 690</b>
Return on capital employed	9.5%	11.8%	19.1%
Return on equity	10.8%	16.8%	25.9%
Share of risk-bearing capital	23.1%	23.4%	23.2%
Equity/assets ratio	22.6%	19.2%	22.6%
Net borrowing	1 381	1 931	1 531
Adjusted equity, SEK per share	26.80	24.30	24.40
– after completed subscription and conversion	26.70	23.30	24.30

Change in shareholders' equity				
The Group MSEK	Share capital	Restricted reserves	Unrestricted reserves	Total share- holders' equity
Closing balance December 31, 1999	692	302	520	1 514
Dividend			-55	-55
New issue	150	106		256
Buy-back of outstanding warrants			-37	-37
Exchange rate differences			2	2
Transfer between restricted and unrestricted equity		41	-41	0
Net profit for the year			424	424
<b>Closing balance december 31, 2000</b>	<b>842</b>	<b>449</b>	<b>813</b>	<b>2 104</b>
Effect of changed accounting principles			-62	-62
<b>Adjusted closing balance december 31, 2000</b>	<b>842</b>	<b>449</b>	<b>751</b>	<b>2 042</b>
Dividend			-109	-109
Repurchase of own shares			-19	-19
Exchange rate differences			35	35
Accumulated exchange rate differences in divested foreign operations			2	2
Transfer between restricted and unrestricted equity		86	-86	0
Net profit for the period			282	282
<b>Closing balance, 30 September 2001</b>	<b>842</b>	<b>535</b>	<b>856</b>	<b>2 233</b>

## Comments on the Balance sheet

Total assets have increased by SEK 874 million since the end of 2000. This increase consists primarily of an increased settlement balance in relation to clients in projects in progress of approximately SEK 500 million, acquisition of companies of approximately SEK 260 million and increase in working capital due to increased sales.

The equity ratio was 22.6 per cent (19.2) which is an improvement by 3.4 percentage points compared with the corresponding time last year. Peab's long-term objective is for the equity/assets ratio to be over 30 per cent. The risk-bearing capital amounted to SEK 2 291 million compared with SEK 2 078 million for the corresponding period the previous year, which was equivalent to 23.1 per cent (23.4) of the total balance sheet.

Net debt totalled SEK 1 381 million compared with SEK 1 931 million for the corresponding moment the previous year. The average interest rate in the loan portfolio was 5.3 per cent (5.2).

The disposal liquid funds in the Group were SEK 1 332 million at the end of the period compared with SEK 813 million, 30 September 2000.

The Group's contingent liabilities increased for the first nine months of 2001 by SEK 403 million to SEK 1 259 million. This increase primarily relates to guarantee undertakings for construction loans in conjunction with production for tenant-owner associations.

## Investments

Net investments of fixed assets totalled SEK 283 million for the first nine months (net divestment 342) of which shares and participations were net invested for SEK 7 million (net divestment 538). During this period, development properties were net acquired for SEK 61 million (868).

## Profitability

Profitability on capital employed for the past rolling 12-month period totalled 16.1 per cent compared with 19.1 per cent for the full year 2000. The equivalent figure excluding items affecting comparability was 14.6 per cent for the full year 2000. Our goal is for profitability on capital employed to total at least 12 per cent.

In the past rolling 12-month period, return on equity totalled 21.4 per cent compared with 25.9 per cent for the full year 2000. The equivalent figure excluding items affecting comparability was 18.5 per cent for the full year 2000. Our target is for return on equity to be at least 15 per cent.

## Cash flow

Cash flow before financing amounted to SEK 477 million for the latest 12-month rolling period compared with SEK 411 million for the whole year 2000. This improvement is due to increased profitability and an improved payment balance in relation to clients.

According to Peab's financial objectives, the cash flow before financing is to be positive and increasing.

## Condensed cash flow statement

The Group MSEK	Jan-sep 2001	Jan-sep 2000	July-sep 2001	July-sep 2000	Oct-sep 2000/2001	Jan-dec 2000
Cash flow from current operations before change in working capital	296	541	193	190	380	625
Cash flow from changes in working capital	539	-696	-197	-191	560	-675
<b>Cash flow from current operations</b>	<b>835</b>	<b>-155</b>	<b>-4</b>	<b>-1</b>	<b>940</b>	<b>-50</b>
Acquisition of subsidiaries	-254	-87	-25	0	-264	-97
Sale of subsidiaries	1	14	0	0	43	56
Acquisition of fixed assets	-288	-163	-82	-2	-332	-256
Sale of fixed assets	108	727	96	358	90	758
<b>Cash flow from investment operations</b>	<b>-433</b>	<b>491</b>	<b>-11</b>	<b>356</b>	<b>-463</b>	<b>461</b>
<b>Cash flow before financing</b>	<b>402</b>	<b>336</b>	<b>-15</b>	<b>355</b>	<b>477</b>	<b>411</b>
Cash flow from financing operations	-404	-342	17	-341	-473	-411
<b>Cash flow for the period</b>	<b>-2</b>	<b>-6</b>	<b>2</b>	<b>14</b>	<b>4</b>	<b>0</b>
Liquid funds at the start of the period	99	99	97	76	99	99
Exchange rate differences in liquid funds	4	0	2	3	4	0
<b>Liquid funds at the end of the period</b>	<b>101</b>	<b>93</b>	<b>101</b>	<b>93</b>	<b>107</b>	<b>99</b>

## Personnel

The number of employees at the end of the period was 11 070 compared with 10 148 the previous year. This increase was primarily due to acquisitions carried out in the Swedish Construction and Civil engineering operations.

## The Peab share

Peab's B share is listed on Stockholms Exchange's O-list. The share price was SEK 33.10 on 13 November 2001, which is a reduction of 1 per cent since 1 January. The Swedish stock exchange, measured by Affärsvärlden's general

index, fell during the corresponding period by 21 per cent. During the first nine months 2001, the Peab share's highest price was SEK 36.00 and its lowest SEK 27.90.

## Repurchase of shares

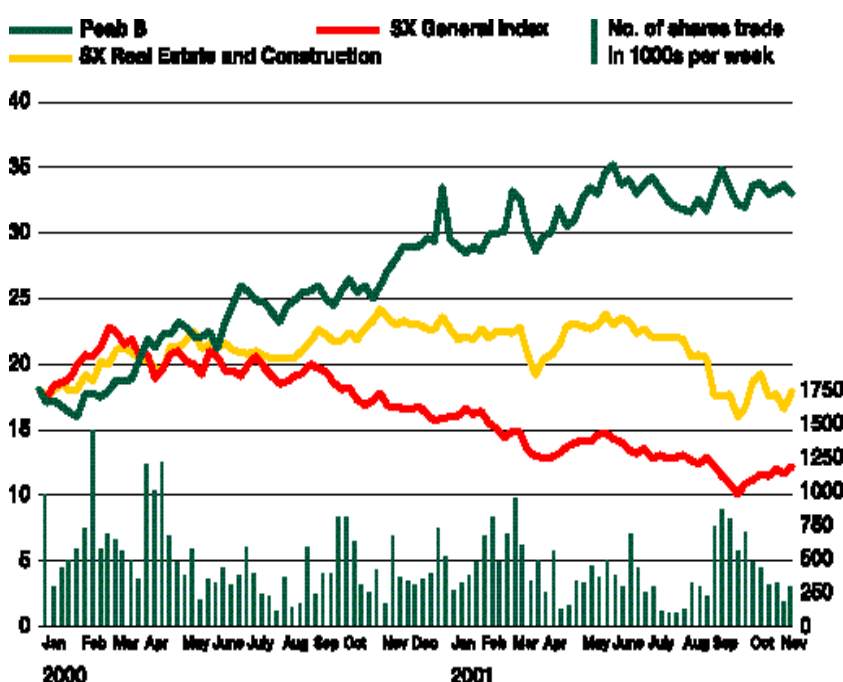
At the general meeting of share-holders on 10 May, it was decided to authorise the board to repurchase at most 980 000 A-shares and at most 8 400 000 B-shares, however, not exceeding an overall total of 8 400 000 shares. With the intention of using the shares as payment in acquisition of small and medium-sized companies on Peab's

home markets, the board decided on 4 September to repurchase a maximum of 1 000 000 B-shares.

During the third quarter, 585 000 B-shares have been repurchased for SEK 19 million at an average price of SEK 32.68. Until 14 November 2001 1 000 000 B-shares have been repurchased for SEK 33 million at an average price of SEK 33.07.

## Number of shares 2001-09-30

Opening balance 2001-01-01	84 135 944
Repurchase	-585 000
	83 550 944



## Important events during the period covered by the report

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Peab has acquired the asphalt company KPK Entreprenader AB with a turnover of SEK 70 million and 55 employees. KPK Entreprenader operates in the Stockholm region.

Peab has acquired Asfaltbeläggningar i Boden AB with 36 employees and an annual turnover of approximately SEK 80 million.

Peab has acquired the construction company Totalentreprenören AS, that operates in the Drammen area. The company has a turnover of NOK 100 million and has 26 employees.

## Important events after the end of the period covered by the report

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Stockholm City Court decided on 23 October to consent to the Competition Authority carrying out a site investigation at a number of companies in the asphalt industry, including Peab. The purpose was to investigate whether the prohibition in the Competition Act against collaboration to restrict competition, for instance, collaboration in tendering and market sharing, had been infringed. No result of the survey

has yet been notified.

Peab has decided to successively terminate all its activities in Poland, which today consists of construction production and development. This activity has approximately 50 employees with a turnover in recent years of approximately SEK 80 million annually with a marginal result. The assessment has been made that the operations in Poland do not comply with the Group's requirements for low risk and profitability in accordance with the Group's financial targets. Production resources will be terminated apace with the completion of projects in process. The company's other assets have a book value totalling SEK 35 million and consist mainly of five project and development projects. These will be successively terminated to achieve the best possible financial outcome. It is estimated that the total close-down cost will total around SEK 20 million, which has reduced the operating income for the third quarter of 2001.

## Future information

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The year-end report is expected to be published on 8 February 2002 and the interim report for the first three months of 2002 on 16 May.

## Future prospects

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Continued high efficiency in production in Construction and Civil Engineering and a high use of capacity in Industry confirms our previous assessment that profit after net financial items is expected to considerably exceed the corresponding result for last year, which amounted to SEK 442 million excluding items affecting comparability.

Förslov, 14 november 2001

*Mats Paulsson*  
*Managing Director*

*Information in this interim report has not been subject to closer inspection by the company's auditor.*



## Reporting of Peab's business sectors

Peab's business sectors												
MSEK	Net sales				Operating profit				Operating margin			
	Jan-Sep 2001	Jan-Sep 2000	Oct-Sep 2000/2001	Jan-Dec 2000	Jan-Sep 2001	Jan-Sep 2000	Oct-Sep 2000/2001	Jan-Dec 2000	Jan-Sep 2001	Jan-Sep 2000	Oct-Sep 2000/2001	Jan-Dec 2000
Construction and Civil Engineering	11 196	9 357	15 470	13 631	228	171	429	372	2.0%	1.8%	2.8%	2.7%
Industry	2 418	1 992	3 197	2 771	236	179	321	264	9.8%	9.0%	10.0%	9.5%
Trust/management	226	128	333	235	-70	137	-117	90				
Operations under Termination	0	65	0	65	-20	-62	-20	-62				
Eliminations	-781	-694	-1 085	-998								
<b>Total</b>	<b>13 059</b>	<b>10 848</b>	<b>17 915</b>	<b>15 704</b>	<b>374</b>	<b>425</b>	<b>613</b>	<b>664</b>	<b>2.9%</b>	<b>3.9%</b>	<b>3.4%</b>	<b>4.2%</b>
Capital employed	4 734	4 685	4 734	4 690								
Return on capital employed, percent	9.5%	11.8%	16.1%	19.1%								

### Construction and Civil engineering

Uncertainty about the cyclical developments in the construction industry has increased during the past quarter. The turbulent political situation in the world affects and delays the willingness to invest and decision-making processes, primarily among international corporate customers. The business cycle in the Swedish construction industry has shown few signs of negative effect of the general cyclical downturn although it will probably not be wholly unaffected by the slackening off. There continues to be a strong underlying need of both new production and maintenance of housing, not least in the "million programme" areas. The civil engineering market will increase. The infrastructure bill means in the rather longer term an expected increase in demand in 2004-2015 of SEK 364 billion. In the short term, the effects of increased demand for projects in the civil engineering market will only be noticeable in six to eight months time. Altogether, in our assessment, growth in the Swedish construction market will exceed that of GDP in Sweden.

Peab's Swedish building and civil engineering operations, which accounts for almost 80 per cent of the Group's net sales, continue to show marginal improvements and a good order inflow for the first nine months of the year. The endeavour to find projects appropriate for Peab's production organisation has been successful, which has led to improved profitability with a lower risk profile compared with previous years. Orders

have already been placed for a considerable part of 2002's production, which provides a stable basis for continued development.

There is a high level of demand for housing in Norway in the growth regions. 75 per cent of the Norwegian operations consists of construction production and profitability continues to improve. The company has its own project development, especially in the Oslo region.

The Finnish construction market continues to be strong after a number of years with a high level of growth although some slackening off can be discerned. The Finnish housing production clearly exceeds the level in the other Nordic countries. Peab's Finnish construction operations are still on a modest scale although they are undergoing expansion by small acquisitions and organic growth.

After the end of the period covered by the report, Peab has decided to successively terminate all its activities in Poland, which today consists of construction production and development. The Polish operations are currently included in the business sector Construction and Civil Engineering both as regards profit and capital tied-up. As from the fourth quarter, the Polish operations will be reported in Operations under termination. The estimated close-down cost is approximately SEK 20 million which has reduced the operating income in Operations under termination for the third quarter.

Net sales for Construction and Civil Engineering increased by SEK 1 839 million to SEK 11 196 million. This

increase was equivalent to an increase in net sales of 20 per cent.

Operating profit improved by 33 per cent to SEK 228 million compared with SEK 171 million last year.

The transaction for the Kranen area in Malmö harbour has not been included in the profit for the first nine months due to the delay in processing the property settlement. It is expected that this property settlement will be completed during November and the transaction will take place before the end of the year with a capital gain for Peab of SEK 20 million and a reduced capital employed of approximately SEK 150 million.

## Construction and civil engineering

MSEK	Sales				Operating profit				Operating margin			
	Jan-Sep 2001	Jan-Sep 2000	Oct-Sep 2000/2001	Jan-Dec 2000	Jan-Sep 2001	Jan-Sep 2000	Oct-Sep 2000/2001	Jan-Dec 2000	Jan-Sep 2001	Jan-Sep 2000	Oct-Sep 2000/2001	Jan-Dec 2000
Sweden	10 119	8 706	14 045	12 632	220	155	408	343	2.2%	1.8%	2.9%	2.7%
Abroad	1 077	651	1 425	999	8	16	21	29	0.7%	2.5%	1.5%	2.9%
Total	11 196	9 357	15 470	13 631	228	171	429	372	2.0%	1.8%	2.8%	2.7%
Orders recieved	12 149	12 776	16 735	17 362								
Order stock	11 859	10 585	11 859	10 895								
Capital employed	2 485	2 316	2 485	2 304								
Return on capital employed	11.5%	13.2%	20.3%	26.6%								
Cashflow <sup>1</sup>	262	210	466	408								
Gross investments	236	350	243	357								
Number of employees	9 114	8 306	9 114	8 157								

<sup>1</sup>Operating profit plus depreciation

Work on refining project development has continued in 2001. The total holding of project and development properties has reduced by SEK 110 million since 30 September 2000 to SEK 941 million. Peab's ambition is to hold about SEK 1 000 million in project and development properties. Peab's project portfolio as per 30 September included 121 projects with building rights totalling approximately 1.3 million sq.m. The major part of these building rights are in the growth regions Malmö, Gothenburg, Stockholm and Mälardalen.

### Building rights

thousand sq.m	2001-09-30	2000-12-31
Housing	738	750
Commercial premises	379	385
Industrial premises	175	210
Total	1 292	1 345
Number of projects	121	106

The order backlog amounted to SEK 11 859 million at the end of the period, which is the highest ever for the company, compared with SEK 10 585 million at the same time the previous year, which is an increase of 12 per cent. At the end of 2000, the order backlog totalled SEK 10 895 million. The proportion of construction projects in the order backlog was 74 per cent (71). Swedish operations accounted for 86 per cent (90) of the order backlog.

Orders received during the first three quarters amounted to SEK 12 149 million (12 776), which continues to be a historically high level. After deliberate restraint with regard to construction projects and too low margins in 1999, orders received increased apace with the improved price situation at the beginning of 2000. A number of large orders with a long production time led

### Order backlog and orders received Construction and Civil Engineering

MSEK	2001-09-30	2000-09-30	1999-09-30	2000-12-31
Current financial year	3 965	3 716	2 789	8 398
Next financial year	6 152	5 263	3 579	2 480
Thereafter	1 742	1 606	851	17
Total order backlog	11 859	10 585	7 219	10 895
Orders recieved	12 149	12 776	8 788	17 362

to a substantial increase in orders received during the first six months of 2000. Orders received for the third quarter totalled SEK 3 863 million which in its turn is on a level with the corresponding quarter in 2000. The present level of orders received in certain growth regions is considered to be well-adapted to our present available production resources.

During the first nine months of the year, a number of important commissions have been accepted. Peab's prioritised form of procurement, trust contracts, has proven to be particularly appreciated in complex hospital production projects. With a number of successful reference commissions, Peab has confirmed its position as Sweden's largest constructor of hospitals. Peab has received the contract to build a new Diagnostic Centre at the University Hospital MAS in Malmö. The client is Regionfastigheter in Lund and the contract is worth approximately SEK 250 million.

Peab has also started reconstruction and extension of Trelleborg Hospital. This order is for completion of a total of 20 000 sq.m., of which 13 000 is new production and it is worth SEK 287 million.

Peab is carrying out reconstruction of 380 post offices in Sweden for a

contract amount totalling approximately SEK 300 million.

Peab received the contract to build stage 1 of Ankers student flats in central Oslo including an option for stage 2. The total contract is for NOK 242 million, of which stage 1 is for approximately NOK 100 million. The client is the foundation Anker Stuedenboliger og Hotel.

After the end of the period covered by the report, Peab has been commissioned to build 184 rented apartments at Södra Hammarbyhamnen in Stockholm for AB Stockholmshem for a contract amount of SEK 300 million.

Peab's subsidiary Netel has signed a framework agreement with med 3G Infrastructure Services AB to build 300 base stations in Sweden. The agreement also includes an option for the client to use Peab for the construction of additional base stations.



Industry												
MSEK	Sales				Operating profit				Operating margin			
	Jan-Sep 2001	Jan-Sep 2000	Oct-Sep 2000/2001	Jan-Dec 2000	Jan-Sep 2001	Jan-Sep 2000	Oct-Sep 2000/2001	Jan-Dec 2000	Jan-Sep 2001	Jan-Sep 2000	Oct-Sep 2000/2001	Jan-Dec 2000
Swerock/Asfalt	1 979	1 626	2 602	2 249	133	114	186	167	6.7%	7.0%	7.1%	7.4%
Plant/Cranes	439	366	595	522	103	65	135	97	23.5%	17.8%	22.7%	18.6%
Total	2 418	1 992	3 197	2 771	236	179	321	264	9.8%	9.0%	10.0%	9.5%
Capital employed	1 075	1 024	1 075	967								
Return on capital employed	23.9%	18.3%	31.7%	27.9%								
Cashflow <sup>1</sup>	320	264	433	377								
Gross investments	218	195	273	250								
Number of employees	1 616	1 383	1 549	1 316								

<sup>1</sup>Operating profit plus depreciation

## Industry

The Industry business sector is a strategically important part of the Peab Group since the company secures access to concrete, rock/gravel, transport, asphalt, machinery and cranes, etc.

Good market conditions for construction lead to high demand for the industry business sector's products and services. The proportion of external sales is approximately 70 per cent and it is aimed to increase that share in future.

Net sales in the Industry business sector for the first nine months have increased by 21 per cent to SEK 2 418 million (1 992).

Operating profit in Industry totalled SEK 236 million (179). This increase relates to profitability improvements in all companies in the business sector.

During the first three quarters of the year, Swerock has experienced continued high demand for its products, especially ready-mixed concrete in the Stockholm and Mälardal region. Some slackening off and tougher market conditions are noticeable in the Stockholm region, however. Swerock aims to increase the improvement value of its product range.

Peab Asfalt is continuing to increase its presence in the Swedish asphalt market. During the period covered by the report, Peab Asfalt has acquired the asphalt company KPK Entreprenader AB with a turnover of approximately SEK 70 million. KPK Entreprenader operates in the Stockholm region with asphalt surfacing and with restoring road and pavement surfaces after excavation work. Also Asfaltsbeläggningar i Boden AB has been acquired, which strengthens Peab

Asfalt's position in Norrland. Competition has intensified although a pent-up demand for work on the Swedish road network should lead to a continued high level of demand in the next few years. Peab Asfalt now accounts for an increasing part of the Industry business sector's net sales. This entails a slightly lower operating margin for Industry as a whole since Peab Asfalt has a higher proportion of surfacing operations with a margin corresponding to construction and civil engineering activities.

Lambertsson Sverige and Lambertssons Kran are following the development of the construction market, which means that both these operations are showing increasing capacity utilisation margins.

Altogether, all of Peab's industrial operations are experiencing increased volumes and improved earnings.

## Trust/Management

Central companies, certain subsidiaries and associated companies, group-related surplus values relating to shares in subsidiaries and other group adjustments are reported under this heading. Operating profit for the period totalled SEK -70 mkr (137). The operating profit includes Maintech at SEK -8 (-9) and group expenses including goodwill depreciation totalling SEK -74 million (-65). Profit for the previous year included a refund from Alecta/SPP of SEK 200 million.

The capital employed totals SEK 1 035 million (1 190). Maintech accounts for SEK 113 million, lending to Investeringsallskapet 1999 AB accounts for SEK 200 million, the receivable from Alecta/SPP SEK 48 million, the share in Birsta SEK 64 million, the share in Skånehus SEK 149 million, lending to Skånehus SEK 43

million and shareholdings in Boliden SEK 45 million.

## Operations under Termination

Refinement of the Group is now largely completed. Profit for the period amounts to SEK -20 million (-62) which relates to the estimated close-down cost for activities in Poland. As from the fourth quarter, the Polish operations will be reported in Operations under termination.

The capital employed amounts to SEK 139 million (155) and relates to the 50 per cent in Skånehus that Peab intends to divest.

## Quarterly figures

The Group per quarter							
The Group MSEK	July-Sep 2001	Apr-June 2001	Jan-Mar 2001	Oct-Dec 2000	July-Sep 2000	Apr-June 2000	Jan-Mar 2000
Net sales	4 371	4 858	3 830	4 856	4 034	3 771	3 043
Production and management expenses	-3 983	-4 362	-3 470	-4 363	-3 581	-3 384	-2 731
<b>Gross profit</b>	<b>388</b>	<b>496</b>	<b>360</b>	<b>493</b>	<b>453</b>	<b>387</b>	<b>312</b>
Selling and administrative expenses	-222	-347	-319	-267	-288	-294	-283
Share of profit before tax of associated companies/joint ventures	7	3	10	9	-8	-7	-14
Result from participations in associated companies/joint ventures	1	0	0	-10	0	-1	0
Result from participation in Group companies sold	-1	-2	0	14	0	-32	0
Items affecting comparability	—	—	—	—	—	200	—
<b>Operating profit</b>	<b>173</b>	<b>150</b>	<b>51</b>	<b>239</b>	<b>157</b>	<b>253</b>	<b>15</b>
Profit from financial investments	-31	-9	-17	27	-20	-13	-16
<b>Profit after financial items</b>	<b>142</b>	<b>141</b>	<b>34</b>	<b>266</b>	<b>137</b>	<b>240</b>	<b>-1</b>
Tax	-18	-15	-6	-79	-34	-73	-7
Minority interests	-1	3	2	0	1	0	-1
<b>Profit for the period</b>	<b>123</b>	<b>129</b>	<b>30</b>	<b>187</b>	<b>104</b>	<b>167</b>	<b>-9</b>
Profit after actual tax, SEK/share	1.50	1.50	0.40	2.50	1.50	2.40	-0.10
– after completed subscription and conversion	1.40	1.50	0.30	2.10	1.20	1.80	-0.10
Average number of outstanding shares, million	84.1	84.1	84.1	78.3	69.5	69.1	69.1
– after completed subscription and conversion	87.2	87.2	87.2	87.3	87.6	91.5	93.4

Business sectors per quarter							
MSEK	July-Sep 2001	Apr-June 2001	Jan-Mar 2001	Oct-Dec 2000	July-Sep 2000	Apr-June 2000	Jan-Mar 2000
<b>Netsales</b>							
Construction and Civil Engineering	3 557	4 178	3 461	4 274	3 328	3 320	2 709
Industry	1 030	884	504	779	813	731	448
Trust/management	65	74	87	107	107	10	11
Operations under termination	0	0	0	0	0	0	65
Eliminations	-281	-278	-222	-304	-214	-290	-190
<b>Total</b>	<b>4 371</b>	<b>4 858</b>	<b>3 830</b>	<b>4 856</b>	<b>4 034</b>	<b>3 771</b>	<b>3 043</b>
<b>Operating profit</b>							
Construction and Civil Engineering	74	106	48	201	69	77	25
Industry	114	95	27	85	109	56	14
Trust/management	-5	-51	-24	-47	-21	171	-13
Operations under termination	-20	0	0	0	0	-51	-11
<b>Total</b>	<b>173</b>	<b>150</b>	<b>51</b>	<b>239</b>	<b>157</b>	<b>253</b>	<b>15</b>
<b>Order situation Construction and Civil Engineering</b>							
Orders recieved	3 863	4 245	4 041	4 586	3 875	4 303	4 598
Order backlog at the end of the period	11 859	11 575	11 482	10 895	10 585	10 025	9 040

## Changed accounting principles

This interim report has been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR20 Interim reports.

As from 1 January 2001, a number of new recommendations from the Swedish Financial Accounting Standards Council have come into effect. Of these recommendations, RR9 Income taxes and RR 10 Construction Contracts and similar assignments have entailed changed accounting principles. The comparison figures have been converted in accordance with these principles.

The application of RR9 Income taxes means that temporary differences between taxation and accounting are taken into account when reporting tax by these temporary differences being reported in the Balance Sheet as a deferred tax receivable or deferred tax liability. Changes relating to deferred taxes are reported as a tax expense or tax income in the Income Statement. The tax value of future loss carry forwards is reported as a deferred tax income to the extent that it is probable that the amounts can be set off against future taxable surpluses or deferred tax liabilities.

Since Peab already previously applied the percentage of completion method on contracts in progress, the recommendation RR 10 Construction Contracts and similar assignments only entails the change that the settlement balance that arises as a difference between the recognised project income and the invoiced amount in each contract in progress is reported gross in the Balance Sheet.

Previously, the total of contracts in progress has been reported net as either an asset or a liability. Gross reporting entails that total assets increase and the equity/assets ratio falls compared with previous accounting principle.

Otherwise, the same accounting and valuation principles have been applied in the interim report as in the most recent annual accounts.

Changed accounting principles			
MSEK	Reported 2000-12-31	Recalculation	Adjusted 2000-12-31
<b>Balance sheet</b>			
Fixed assets	2 253		2 253
Current assets	5 958	853	6 811
<b>Total assets</b>	<b>8 211</b>	<b>853</b>	<b>9 064</b>
Shareholders' equity	2 104	-62	2 042
Minority interests	10		10
Allocations	176	62	238
Long-term liabilities	2 476		2 476
Current liabilities	3 445	853	4 298
<b>Total shareholders' equity and liabilities</b>	<b>8 211</b>	<b>853</b>	<b>9 064</b>
<b>Income statement</b>			
Operating profit	664		664
Profit from financial investments	-22		-22
<b>Profit after financial items</b>	<b>642</b>		<b>642</b>
Tax on profit for the year	-218	25	-193
Minority interests	0		0
<b>Net profit for the year</b>	<b>424</b>	<b>25</b>	<b>449</b>

