

# Locally produced community building in the Nordic region

ANNUAL AND SUSTAINABILITY REPORT 2020



# Locally produced community building

Peab is the Nordic Community Builder. We have more than 15,000 employees in Sweden, Norway, Finland and Denmark and we are unique in that we are organized in four business areas that collaborate to use wherever possible local resources in the form of our own personnel, input goods and subcontractors. Together with our social engagement in the community and our integrated climate and environmental work this forms the foundation of what we call locally produced community building.



## All of Peab in collaboration

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## The most climate smart port on the Baltic Sea

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## A different meeting place

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## High degree of reclaimed asphalt

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**Sustainability appendix incl. GRI Index and sustainability data: [peab.inpublix.com/2020/en](https://www.peab.inpublix.com/2020/en)**

Formal annual and Group financial reports which have been audited by company accountants, pages 33–132.

Peab AB is a public company, Company ID 556061-4330. Domicile Båstad, Sweden.

All values are expressed in Swedish krona. Krona is abbreviated to SEK, thousands of kronor to TSEK and millions of kronor to MSEK. Numbers presented in parentheses refer to 2019 unless otherwise specified.

Data regarding markets and the competition are Peab's own assessments, unless another source is specified. These assessments are based on the best and latest available facts from, among others, previously published material.

Cover picture: The water tower in Nykvarn, nominated as Construction of the Year 2021. The reservoir holds three million liters of water and in case of a water outage inhabitants of Nykvarn will have water for 1½ to 2 days. At dusk an advanced lighting system illuminates the tower in a multi-colored light show. Photo: Peter Steen.

Photographers: Erik Grönlund, Panu Suurnäkki, Kasper Dudzik, Tomi Parkkonen, Bård Gudim, Daniel Ström, Micael Carlsson, Markus Esselmark, Peter Steen, Klas Andersson, Elitestudio, Nicolas Tourenne, Mette Ottosson, Viktor Gärdsäter, Göran Strand, Patrik Olsson, Mikael Lundgren, Carl Ljungberg, Sebastian Lamotte. Illustrators: RS Designstudio, Mattias Käll

**Safe work environment:** Peab takes work environment matters very seriously and works systematically to create safe workplaces. The kind of safety equipment used varies depending on national regulations and the type of operations. A risk analysis is always performed for each workplace before any exception is made. The people pictured in this publication are wearing personal safety equipment required by regulations valid for the operations and country they are in.

# Peab is the Nordic Community Builder

Peab works locally where our customers are and where people live their daily lives. Every day our four collaborating business areas contribute in different ways to community building in the Nordic region. Together we build homes, schools, senior living, hospitals, pool facilities, museums, offices, airports and ports. We build and maintain roads, railroads, bridges and parks – and much more.

Peab has contributed to locally produced community building for more than 60 years. Now the journey continues. Long lasting, responsible, local and sustainable we are ready to move on and improve everyday life where it's lived.



## Employees

# 15,000

Peab is a long-term and reliable employer that prioritizes health and a safe work environment. We offer opportunities for personal development in a company culture built on respect for everyone's equal value and which is characterized by our core values **Down-to-earth, Developing, Personal** and **Reliable**.

## Strategic targets

- Most satisfied customers
- Best workplace
- Most profitable company
- Leader in social responsibility

Each of these four targets are important on their own but they are linked together as a unit too. "Leader in social responsibility" is new as of 2021. All the targets refer to our industry.

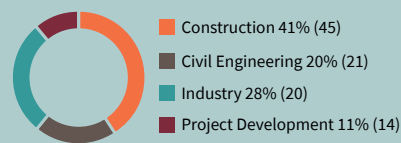
Read more on page 10



## Net sales\*

# SEK 57 billion

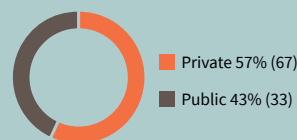
## Per business area, 2020



## Per geographic area, 2020



## Per customer type, 2020

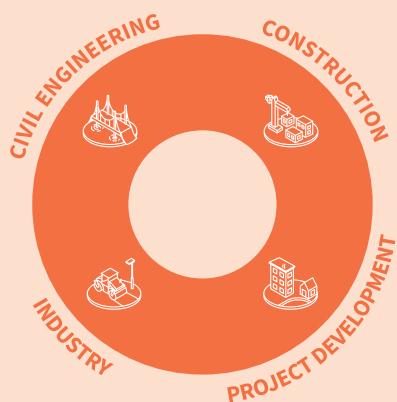


\* Refers to segment reporting

## Business model

### Four collaborating business areas that create added value

Our business is founded on four business areas. Each of them is independent with its own customer base. But the strength in our business model – and thereby our ability to achieve our targets – is multiplied when they work together in the processing chain. This is the core of our business model and what makes us unique. This is locally produced community building throughout the entire Nordic region.



# 2020 in summary

- The acquisition of paving and mineral aggregates operations from YIT was finalized on April 1, 2020. The acquired operations affected net sales by SEK 5,891 million and operating profit net by SEK 250 million.
- Annehem Fastigheter was distributed to the shareholders and listed. The distribution had an effect on operating profit of SEK 952 million.
- Peab received a broad range of new orders throughout the Nordic region and orders received amounted to SEK 49,735 million (44,130), of which acquired operations contributed by SEK 4,357 million. Order backlog at the end of the year amounted to SEK 42,709 million (42,494), of which order backlog related to acquired operations was SEK 1,531 million.
- The Board proposes a cash dividend of SEK 4.50 (-) per share.
- New financial and non-financial targets have been adopted.



”The situation for us as local community builders has never looked better.”

Read more on page 2

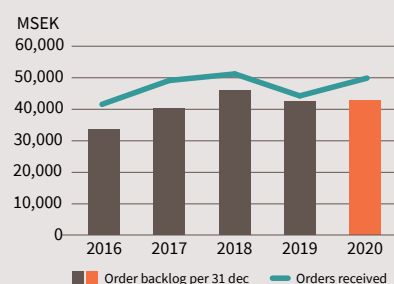
## Financial summary

As of January 1, 2020 Peab has changed accounting principles for Swedish tenant-owner association projects in reporting according to IFRS. Reporting housing projects in Norway and Finland in segment reporting has also changed. The Group has different accounting principles in segment reporting compared to reporting according to IFRS. For more information on the new accounting principles and the differences between segment reporting and reporting according to IFRS, see the Board of Directors' Report and note 1 and 5.

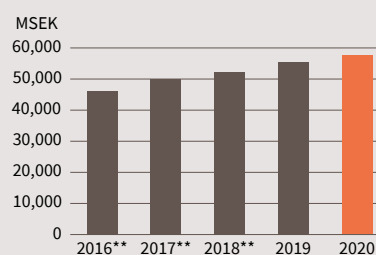
	Segment reporting		Reporting according to IFRS	
	2020	2019	2020	2019
Net sales, MSEK	57,417	55,349	59,852	56,303
Operating profit, MSEK	3,541	2,610	3,922	3,285
Operating margin, %	6.2	4.7	6.6	5.8
Pre-tax profit, MSEK	3,433	2,579	3,745	3,227
Profit for the year, MSEK	2,948	2,138	3,181	2,656
Earnings per share, SEK	10.00	7.25	10.79	9.00
Return on equity, %	23.1	17.9	26.0	24.3
Equity/assets ratio, %	36.2	32.5	29.5	26.5
Net debt, MSEK	3,873	7,535	9,682	13,174
Cash flow before financing, MSEK	2,779	1,025	3,753	3,226
Dividend per share, SEK <sup>1)</sup>	4.50	-		
Number of employees on 31 December	15,252	14,258		

<sup>1)</sup> For 2020, Board's proposal to the AGM. For 2019 no cash dividend was distributed. The value of the distribution of Annehem Fastigheter at the time of the distribution in December 2020 was SEK 7.00 per share.

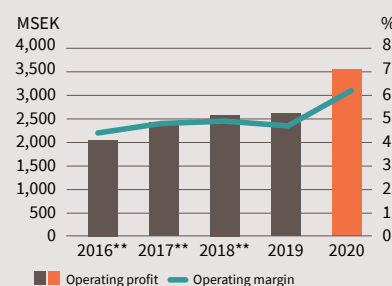
Orders received and order backlog\*



Net sales\*



Operating profit and operating margin\*



\*Refers to segment reporting \*\* Not translated according to changed accounting principles for own housing development projects.



# The future looks good for Peab

## Society is continuously evolving

An evolving society is good for Peab because of our exposure to the Nordic construction and civil engineering market. Demographic developments, digitalization, increased sustainability demands and macroeconomic developments are all external factors advantageous to Peab.

## We are local throughout the Nordic region

With our 15,000 employees and extensive Nordic local presence we are always close to our customers and the market. On top of that, with our own local resources we build locally produced communities.

## We cover the entire value chain

Our four collaborating business areas enable us to be efficient and have a high level of processing. They give us control over a project and a flexibility to adapt our operations mix as needed.

## We are in it for the long run

With long-term owners, solid core values and a business that since 1959 has developed one step at a time, we have everything we need to continue to do what is best for our customers, employees, owners and society in the long run.





# We improve everyday life where it's lived

One strategic step at a time. This is how Peab has worked to develop the business since it began more than 60 years ago. With our extensive Nordic presence and local roots today we are the Nordic Community Builder and we improve everyday life where people live it. Now we are ready to enter the next phase of our development.

The year 2020 will go down as an exceptional year characterized by the pandemic and its consequences. For Peab the year was both successful and essential to our continued development. We increased our net sales by four percent to SEK 57 billion. Operating profit was SEK 3.5 billion and the operating margin was 6.2 percent. These figures include last year's two major strategic transactions – the acquisition in paving and mineral aggregates and the distribution of the previously wholly owned subsidiary Annehem Fastigheter.

#### **Stable construction contract business**

The proportion of housing in business area Construction's offer contracted somewhat and business was primarily driven by other building construction for the public sector in 2020. Public needs are also apparent in business area Civil Engineering and 2020 ushered in several exciting infrastructure projects. The level of orders received in these construction contract operations continued to be stable and it's particularly positive to note that the orders are well spread in both place and product segment, which is exactly the way it should be for the Nordic Community Builder.

#### **Crucial acquisition in paving and mineral aggregates**

Crucial to Peab now fully being a Nordic community builder with extensive local presence is the acquisition in paving and mineral aggregates we finalized last spring. Overnight we not only increased net sales in business area Industry and thereby its importance to the Group, we also expanded our presence in Sweden, Norway and Finland and established the company in paving in Denmark. We are now Nordic market leaders in paving and mineral aggregates, which is right in line with our business model with four business areas that collaborate together, complement each other and spread risks.

#### **Development potential in the housing and real estate business**

The fourth leg we stand on – business area Project Development – also made impressive progress during the year. Although the housing market slowed considerably in the beginning of the year due to the corona pandemic business rebounded in the summer. Both start-ups and sales of our own housing developments were stable with a good geographic spread in Sweden, Norway and Finland. In addition, Housing Development signed several contracts for the sales of apartment building projects at the end of the year. The effect of the corona pandemic on Peab has been limited and seen mainly in Property Development and operations connected to travel and tourism.

What did contribute highly to profit was the distribution and listing of the previously wholly owned subsidiary Annehem Fastigheter, which is a company we founded in the beginning of the year and which primarily consists of completed commercial property we have built up in recent years.

As did the acquisition of paving and mineral aggregates operations, the distribution of Annehem Fastigheter further defined our core business as a focused and professional builder and developer in the Nordic region with a high level of our own resources and our own employees. Today we have even better opportunities in Project Development to, depending on the market situation, direct our development focus on tenant-owner and rental apartments and commercial and public property.

#### **Updated road ahead**

Now we are ready to enter the next phase of Peab's development. Owing to the fact that we are now fully a Nordic community builder with a somewhat different business mix, extensive local presence and four collaborating business areas, we have as of 2021 updated our targets – everything from our mission, business concept and strategic targets to the more concrete financial and non-financial targets.

Both internal and external financial and non-financial targets are categorized under our existing strategic targets of; Most satisfied customers, Best workplace, Most profitable company and the new, fourth target Leader in social responsibility. The new target includes climate and equality issues and internally a number of other goals.

#### **Leader in social responsibility**

As a leading Nordic community builder we have a major impact, and a big responsibility



For Peab the year 2020 was both successful and essential to our continued development.

that we naturally have to take. This means always striving in our own operations to take the most sustainable route and driving sustainable development in the industry, which our targets linked to social responsibility take particular aim at. For example, in 2045 our goal is to be climate neutral but we also intend to take advantage of all the competence out there in society and make sure that this competence can work in safe and developmental environments.

Our work is based on the UN Global Compact, which we continue to support, and its 17 global goals for sustainable development, along with Peab's Code of Conduct, core values, business concept, mission and our strategic targets.

Until the end of 2020 our work was based on the material sustainable aspects we had identified in Social, Environment and Economic. Within the framework for them we had determined focus areas and targets for the business plan period 2018–2020 and identified and analyzed the risks in each sustainable aspect. The focus areas and business plan targets have functioned as guidelines in working sustainably so that all our employees could put sustainably into practice in their daily jobs and lives. In addition, our education and training programs in ethics, the environment, purchasing, the work environment and equal opportunity have continued non-stop.

#### Locally produced community building

What makes us unique is that our operations are local. Through the collaboration of our business areas we take advantage of local resources in the form of our own input goods, employees and local subcontractors to create the most local, and thereby sustainable, projects possible. This entails everything from our ECO-products, – including the new ECO-Prefab, ECO-Stomme and ECO-Ballast – recycling and reuse in local projects, to local social responsibility through Peab Life and the Peab School.

Our industry ought to be safe and sound as well. Our worksites should be safe places for everyone there, both physically and socially. These issues are prioritized and take precedence in our preventive work. Every risk we resolve is one less potential accident. Another vital matter we are on the forefront of is healthy competition in our industry. Through our own work and collaboration in the industry we ensure control at every stage, particularly in the supply chain. We work actively for an open industry with a level playing field and humane work conditions.

#### The future looks good for Peab

Now that we close the books on 2020 we can conclude that the situation for us as local community builders has never looked better. The long-term external driving forces are advantageous for Peab. Every day our fantastic 15,000 employees advance our business through their engagement and the responsibility they take, especially under the current, extraordinary circumstances. Thanks so much for that!

Naturally I want to take the opportunity to sincerely thank one of our two founders, Mats Paulsson, who has chosen to step down from the Board of Directors. However, Mats won't be leaving Peab completely. He will become our honorary chairman, which means he can continue to support both the Board and executive management informally. Thank you so much for your invaluable service for over 60 years Mats! I also want to thank our current Chairman of the Board Göran Grosskopf, who is also stepping down after many years of fantastic work for Peab's best. Thank you so much Göran!

With our strong business model we have everything we need to achieve our strategic targets and create long lasting value for our customers, employees, owners and society in general. I have every confidence in this.

Förslöv in April 2021



**Jesper Göransson**  
President and CEO



The situation for us as local community builders has never looked better.







## CARL BERNER SQUARE BLOCK

# “All of Peab in collaboration”

From a rundown area to 18,000 environmentally certified square meters. That sums up the project Carl Berner Square in Oslo that Peab has developed in four years.

“This has been a project where our four business areas have from beginning to end worked together in the best possible way. Everything from design, material and machines from our industrial companies to paving and the actual construction has gone without a hitch and production quality has been high,” Project Manager Terje Hjelset summarizes the work on Carl Berner Square.

Carl Berner Square was completed at the end of 2020 and consists of 111 apartments and 3,800 square meters commercial space

for a total of nearly 20,000 square meters close to communications and other urban areas.

Focus has been on the environment. Both the apartments and commercial space will be certified according to the standard BREEAM Very Good. In short, this means high demands on energy and resource efficiency and the avoidance of environmentally and health hazardous substances and materials, under construction and in the completed buildings. Other environmental measures are green roofs, beds that filter rainwater and more sustainable construction material. In addition, the project has been steered digitally. This has improved work efficiency, eliminated mistakes in construction and further promoted thinking sustainably throughout the project.



INDUSTRY

CIVIL ENGINEERING

CONSTRUCTION

PROJECT DEVELOPMENT



“This is a good example of how all of Peab collaborates. It also illustrates our role as community builder where we have contributed to turning the entire Carl Berner area into a neighborhood.”

TERJE HJELSET, PROJECT MANAGER PEAB



## The pandemic characterized 2020



When COVID-19 blossomed up in the beginning of 2020 the world was hit by a virus that forced country after country to shut down social life and businesses. In addition to the personal tragedies resulting from the pandemic, social structures and economies have suffered greatly. The negative financial effects have been dramatic and hit sections such as the hospitality industry, the entertainment industry, culture and brick and mortar retail. However, financial stimulus from governments around the world have been quick and resolute. This has softened financial blows but at the same time created public debt that must be dealt with at some point in the future. After a financial recovery in the third quarter a second wave of the pandemic led to concern that the positive development would be delayed. The global economy is expected to have contracted by around 3.7 percent in 2020. The forecast for growth in 2021 indicates an increase of five percent. The downturn in 2020 appears to have been more dramatic in Europe and there is a risk that recovery will also take longer. In addition to the pandemic the presidential election in the US dominated the news. Because of this the spotlight has been on the current situation since the circumstances in the coming year have been uncertain – politically, financially and healthwise. With the outcome of the American elections and changed majorities, the previous international political uncertainty will most likely die down and both trade and environmental policies will be similar to the way they were before.

The world is in constant change and there are megatrends that affect development in our society. The Nordic countries have pledged to follow Agenda 2030 with its 17 global goals for sustainable development. Several of these goals influence actions on a national level and how we develop our communities in the future. Among the goals are environmentally and socially sustainable cities, safe communities, energy and climate issues, biodiversity, sustainable consumption and innovative and sustainable industry. These are matters that create most of the framework for social development and make the construction and civil engineering industry an important actor. The climate challenge entails both building environments that can handle climate changes such as actively adjusting and designing what is being built to have the least impact on the climate, and turning the negative tide like contributing to the process of creating the sustainable and smart cities of the future.

Another comprehensive megatrend is the way we are affected by, and can utilize, digitalization. COVID-19 has been the catalyst in driving us to quickly adapt to new norms for how we use digital technology in daily life – when we shop, in how we work and travel and how we design our homes and non-residential space. The future zoomed into 2020.



**The economy in Sweden**  
 The Swedish economy began to recover during the second and third quarter 2020 after a drop due to COVID-19. The manufacturing industry and retail sector gave off weak positive signals while the service sector continued to be pessimistic. Recovery may come gradually, delayed by slow growth in most of the service sector, which will leave unemployment on a permanently high level and dampen private consumption. The growing spread of the virus can postpone continued recovery and have a negative effect on a positive trend in exports in 2021. At the same time more public investments and a strong housing market soften the financial downturn and contribute to putting households into a better frame of mind.

**Divided construction market in Sweden**

Developments in the Swedish construction market mirrored both the economic decline and government stimulus. After three years of contracting investments, started-up building construction investments rose slightly in 2020. The dramatic drop in the economy resulting from the pandemic primarily affected construction of single homes and tenant-owner apartments while investment funds for rental apartments and student housing lifted these sectors. In other building construction investments private premise construction was negatively affected by the downturn in the economy and the decline in net sales in brick and mortar stores, hotels and parts of the service sector. At the same time public building construction investments rose due to well needed programs, increasing public civil engineering investments and stimulus packages. In 2021 housing construction is expected to decline somewhat and then turn up again in 2022. Construction of private premises is expected to rebound in 2021 and public construction and civil engineering investments are expected to continue to grow in 2021.



**The economy in Norway**  
 Recovery in the Norwegian economy has been boosted by a strong demand from households, low interest rates and rising home prices. Nonetheless the continued spread of the virus increases uncertainty and can delay global economic recovery which is negative for oil production and investments in the sector. In addition, harder restrictions in the country affect the service sector negatively. Unemployment, which rose rapidly during the year, is expected to noticeably contract already in 2021. On top of that, there are resources for an expansive finance policy. In 2020 a finance stimulus package was launched that created opportunities for capacity raising investments and other development projects in the oil industry.

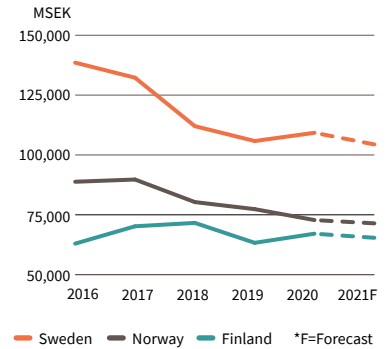
**Housing construction slowed upturn in Norway**

After a downturn in building construction in Norway 2019 volumes turned upward in 2020. However, development was splintered and private premise construction drove growth. Industrial construction was surprisingly strong but growth was apparent in offices and retail as well. New production of single homes and apartment buildings contracted in 2020. The weak development in housing occurred despite rising prices for homes, low interest rates and a good balance between supply and demand. This can therefore entail the right conditions for growth in housing investments in a year's time. Other building construction is expected to contract in 2021. The forecast for civil engineering investments indicates rising volumes in 2021.

**Investments 2016-2021F\***

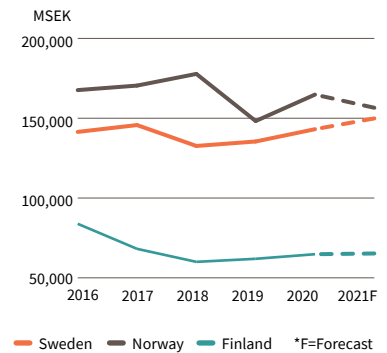
**Housing investments**

Initiated construction projects



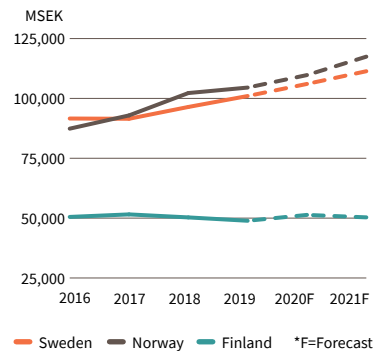
**Other building construction investments**

Initiated construction projects



**Civil engineering investments**

Ongoing investments





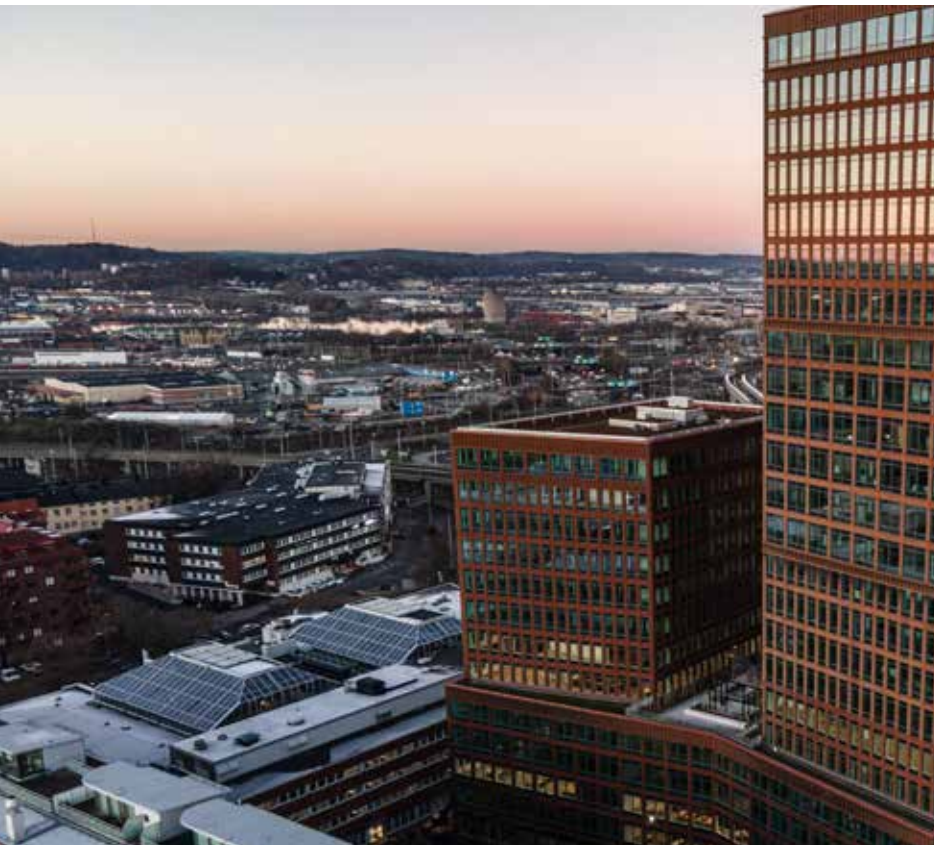
**The economy in Finland**

Compared to the rest of Europe Finland has only suffered slightly during COVID-19. Although exports have taken a hit, industrial production has overall done rather well by EU standards. A boost in the electronics industry has compensated for downturns in the metal and timber industries. Nonetheless industrial companies report continued concern due to fewer orders received and continued global caution. Forward looking indicators indicate that recovery can be weakened by restrained investments and growing unemployment. Finland also struggles with certain structural problems that in part originate in an aging population.

**Apartment building construction boosted Finnish construction market**

Total building construction investments increased slightly in 2020. However, contracting industrial investments slowed growth. Apartment building construction recovered after the drop in 2019 while single home construction developed horizontally. Housing prices are rising and if unemployment can be limited this can create positive conditions in the coming year as well. In other building construction private and public premises reported dramatic increases in 2020 while the sector was otherwise weighed down by weakening industrial building construction investments. Construction of private premises is highly affected by how recovery in the global economy develops. Housing construction is expected to decline somewhat in 2021 and then turn upward in 2022. Other building construction and civil engineering construction are showing signs of developing horizontally in 2021.

Source of text and graphics: Navet AB



**Danish pavement market on par with 2020**

The level of activity in new construction on state roads continues to be very low in Denmark and the government’s range of new projects is not expected to increase before 2022-2023. However, the 2021 municipal market for roads is expected to remain on the same stable level as in 2020, for both new construction and maintenance. The asphalt industry expects the entire volume of asphalt production and paving in 2021 to be around the same level as in 2020.

Source: Asphalt industry

**Other major players**

Although the Nordic construction market consists mainly of a large number of small companies operating under intense competition and on local markets there are a few very large, national players. Several of them also operate more or less on the entire Nordic market. Noteworthy companies in building construction are Skanska, NCC, Norwegian Veidekke, AF Gruppen and Obos as well as Finnish Kesko, SRV and YIT.

Some of the actors in road and railroad construction are Skanska, Veidekke, AF Gruppen, NCC, Svevia and Infranord.

Some examples of major Nordic industrial companies are Colas, Rudus, BetongIndustri and Nor-Betong.



## EXTENDING THE PORT OF TRELLEBORG

# “The most climate smart port on the Baltic Sea”



INDUSTRY

CIVIL ENGINEERING

CONSTRUCTION

PROJECT DEVELOPMENT

An extension of the existing port in Trelleborg is underway. The construction is part of the municipality's city development project enabling the city and port to grow and develop sustainably, side by side.

The Port of Trelleborg is the largest RoRo ship port (for rolling traffic) in Scandinavia, handling around 30 arrivals and departures daily. The port is now being extended with new ferry berths that shift ferry traffic farther away from the center of Trelleborg. This provides a number of advantages. Two of them are better air quality and greater safety in maneuvering ships in the port.

Peab plays a key role in the project where the main task is to build two new ferry berths including ramps as well as a side ramp to an existing ferry berth. This requires building up a completely new land mass where there is

now only ocean. In the construction phase one of the ways Peab will work to minimize environmental impact is through our own developed products ECO-Betong and ECO-Asfalt. ECO-Asfalt, for example, reduces carbon dioxide emissions by about 50 percent compared to traditional asphalt. A large part of transportation runs on renewable fuel and steel deliveries will mainly be transported on trains and ships.

“This project suits us particularly well since we are local and thanks to the collaboration between business areas can ensure we have the right resources throughout the project and thereby clearly contribute to the sustainability goals of the Port of Trelleborg,” says Göran Wiking, Region Manager at Peab.

The new port is expected to be finished around the end of 2021.



“Our ambition is to strengthen our position as the most efficient and climate smart port on the Baltic Sea. Sustainability has therefore taken a front seat in this project.”

JÖRGEN NILSSON, CEO OF TRELLEBORGS HAMN

# Targets and strategies

Not only did 2020 end the business plan period 2018-2020, it was a milestone for Peab in several ways. By changing our mix of operations and extensive presence in the Nordic region, our vision of being the Nordic Community Builder has become a reality. Therefore during the year, along with evaluating the past three years, Peab reviewed and revised our targets and strategies in an update for 2021.

Through strategic transactions – the acquisition in paving and mineral aggregates and the distribution of Annehem Fastigheter – in 2020 the company has more patently become a community builder throughout the Nordic region. With our four collaborating business areas and local presence our business model provides us with unique opportunities to, with our own resources and control over the entire value chain, meet our customers' needs and external expectations.

In order to further promote value creation we have revised everything from our mission, business concept and strategic target areas to internal and external financial and non-financial targets. As of 2021 Peab will externally report the performance of our business by monitoring nine targets, of which three are financial and six are non-financial.

Both the internal and external financial and non-financial targets are categorized under the previous strategic targets; Most satisfied customers in the industry, Best workplace in the industry and Most profitable company in the industry as well as the new, fourth strategic target, Leader in social responsibility in the industry.

#### Mission:

We improve everyday life where it's lived.

#### Business concept:

Peab is the Nordic Community Builder with a local presence. Focusing on our own resources and local partners we develop, do the groundwork and build everyday life where it's lived.

#### Positions:

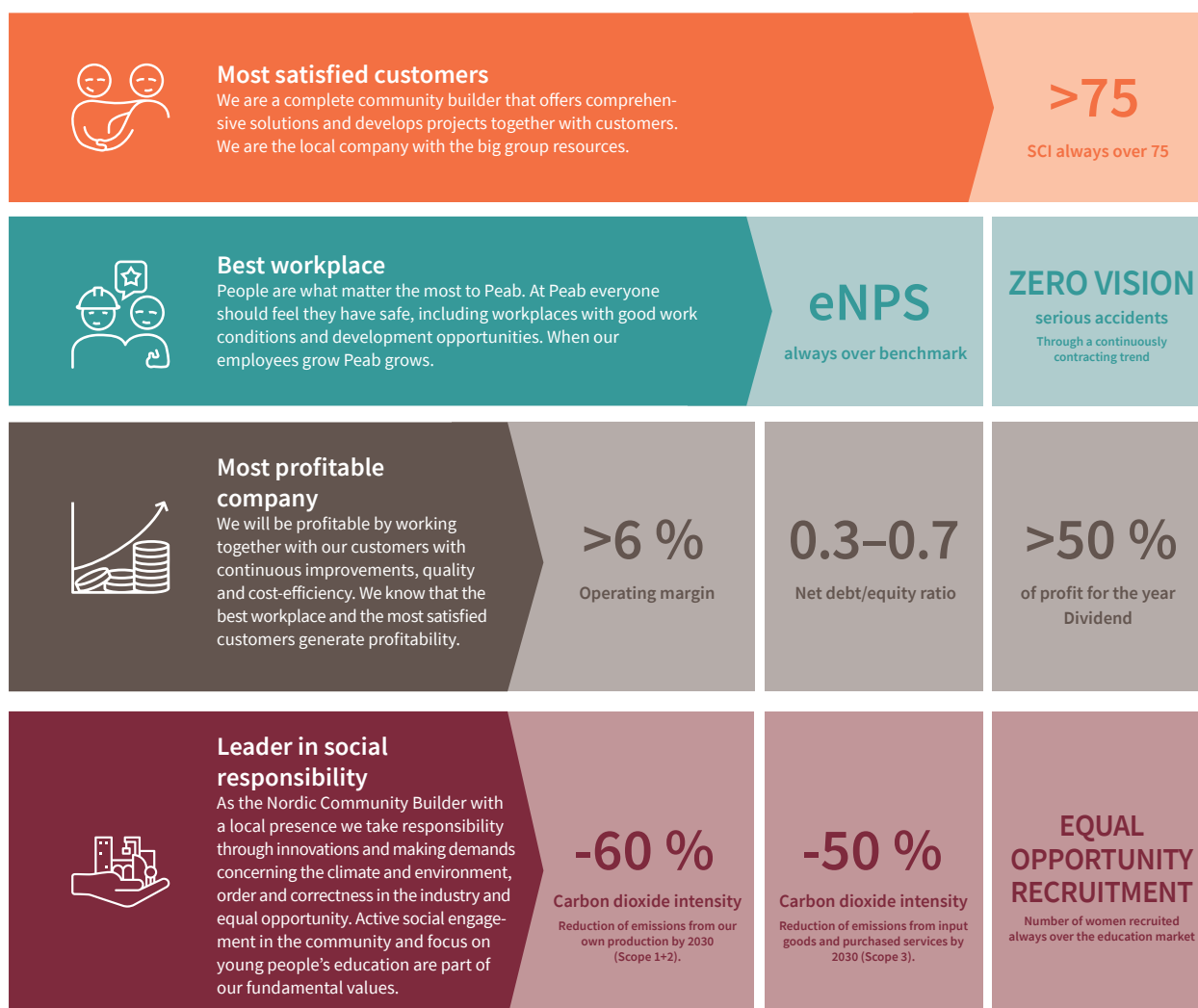
Locally produced community building and the Nordic Community Builder.

#### Core values:

**Down-to-earth, Developing, Personal and Reliable** are Peab's fundamental values that our operations are built on.



## Peab's external targets as of 2021



All the targets relate to our industry. The financial targets in Most profitable company refer to segment reporting. For a more detailed description of each target please see [www.peab.com/targets](http://www.peab.com/targets).

### Target fulfilment 2018-2020

Last year ended the business plan period 2018-2020 for Peab. It has been characterized by geographic collaboration and work on our five focus areas; right business, safe business, production strategies, skills recruitment and right costs. Regarding our three strategic targets, we have taken steps during the period and for the most part achieved our targets. We have exceeded our targets for satisfied customers and the number of risk observations, and even the outcome of our financial targets gets a passing grade. The outcome for our target concerning Peab as an employer was slightly lower than the target we set but it's higher than the average for the industry.

	Target	2018	2019	2020
<b>Most satisfied customers in the industry</b>	SCI >75	75	78	80
<b>Best workplace in the industry</b>	Risk observations (goal)	18,900 (10,000)	39,300 (25,000)	61,200 (45,000)
	eNPS >20	13	18	18
<b>Most profitable company in the industry<sup>1)</sup></b>	Operating margin,%	4.9 <sup>2)</sup>	4.7	6.2
	Return on equity >20 %	19.6 <sup>2)</sup>	17.9	23.1
<b>External financial targets<sup>3)</sup></b>	Equity/assets ratio >25 %	30.4 <sup>2)</sup>	31.7	36.2
	Dividend >50 % of profit for the year	59 <sup>2)</sup>	97 <sup>3)</sup>	67 <sup>4)</sup>

1) According to segment reporting.

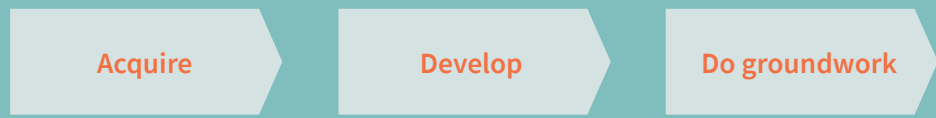
2) Not translated according to the changed accounting principles for own housing development projects.

3) For 2019, no cash dividend was distributed. The value of the distribution of Annehem Fastigheter at the time of the distribution in December 2020 was 97 percent of profit for the year 2019.

4) For 2020, the Board's proposal to the AGM. The proportion is calculated on profit for the year without the effect on profit of SEK 952 million due to the distribution of Annehem Fastigheter.

# How we create value

Our business is founded on four business areas. Each of them is independent with its own customer base. But the strength in our business model – and thereby our ability to achieve our targets – is multiplied when they work together in the processing chain. This is the core of our business model and what makes us unique. This is locally produced community building throughout the entire Nordic region.



Own products, know-how, input goods and services throughout the processing chain



## Overarching measures to achieve our targets

Ultimately our 15,000 skilled employees will be the moving force behind achieving our targets. We have also identified a number of areas we are particularly focused on in order to reach our financial and non-financial targets.

### ① Higher processing ratio

Collaboration between business areas raises the level of processing which has a number of advantages. Highly processed business is where projects and products generate revenue in more than one business area. Having our own expertise and input goods improves steering, efficiency, quality and safety while delivering locally rooted environmentally smart solutions.

### ② Operational efficiency

Operational efficiency comprises experience and development, for instance, construction technology solutions and other conceptual initiatives. One example is the concept for pre-designed apartment buildings, NärBo. In this concept Peab has compiled and packaged years of experience and knowledge with its best practice construction methods. The result is an almost finished construction solution where all the steps up to construction start are already prepared and the process of producing turnkey housing has been streamlined. The housing is cost efficient, space efficient, Swan ecolabeled and energy efficient.

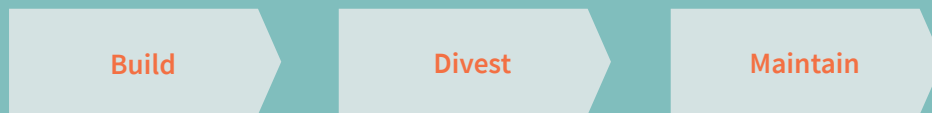


### Operative synergies

Close to customers and local production / Products and technical solutions / Experience exchanges / Large scale advantages / Skills recruitment / Life cycle / Climate responsibility

### Financial synergies

Degree of processing / Revenue diversification / Investment opportunities and financial strength / Risk minimizing



Most satisfied customers



Best workplace



Most profitable company



Leader in social responsibility



#### 3 Passing on knowledge

Peab's size makes it possible to take advantage of local expertise and can have an impact from a Nordic perspective. We can maintain a reference library or take advantage of and coordinate specialist competence, for example when building swimming facilities. Digitalization enables efficient compilation of information and spreading knowledge.

#### 4 Innovation and making demands

Our ECO-products are examples of innovation. We have developed ECO-Betong by taking a byproduct from another industry, processing it and thereby reducing the cement in our concrete. We have converted most of our asphalt plants to fossil free fuel and developed ECO-Asfalt. We have created new circular raw materials such as recycled mineral aggregates.

In order to progress we also have to work with making demands: on suppliers, carriers, politicians, authorities and customers. We have to strive for regulations that augment recycling and procurements that favor innovative sustainable solutions.

#### 5 Investments within Project Development

Our financial position enables us to further develop our project development business. We have the breadth and will develop the products currently in demand on the market. We have a development rights portfolio both on our own balance sheet and in joint ventures. The business will therefore provide a stable flow of our own housing development projects. We will work with development projects that can be divested on the investment market.

## BUSINESS AREA CIVIL ENGINEERING

# Ties people and communities together

Business area Civil Engineering builds and maintains infrastructure such as roads, railroads and bridges. Focused on the local market, operations do landscaping and pipelining, foundation work and diverse construction. The business area also operates and maintains national and municipal highways and street networks as well as tends parks and outdoor property. It is organized in geographic regions and specialized product areas.

### Trends and driving forces

- The Nordic civil engineering market is characterized by public investments in infrastructure projects and a growing number of large, complex projects, but also by smaller, local civil engineering projects.
- There are variations in local conditions regarding volumes and product areas as well as the level of competition.
- Common for all the markets is the increasingly tough competition in some segments.

### Peab's position

Leading civil engineering actor in Sweden with operations in Norway.

[Read more on pages 43–45](#)

Net sales

**SEK 13 billion**

Employees

**3,523**



## BUSINESS AREA INDUSTRY

# Complete supplier for construction and civil engineering

Business area Industry delivers products and services needed for construction and civil engineering projects. Its offer includes industrial construction, strategically placed quarries, asphalt and concrete, recycling of production waste as well as rental of construction equipment and cranes. Industry is organized in six product segments complemented by a number of strong, local brands such as Swerock, Peab Asphalt, Lambertsson and Byggelement.

### Trends and driving forces

- Market development usually follows developments in the economy.
- High activity in the construction and civil engineering market generates a big demand for concrete, paving, mineral aggregates and rentals.
- Growing focus on sustainable and climate smart products and services with a greater input of recycled material.

### Peab's position

One of the leading actors in all segments in Sweden. Stronger position in Norway and Finland, and establishment in Denmark, after the acquisition of YIT's Nordic paving and mineral aggregates operations.

[Read more on pages 46–48](#)

Net sales

**SEK 19 billion**

Employees

**4,967**





#### BUSINESS AREA CONSTRUCTION

## Sustainable construction close to customers

With local roots close to customers business area Construction does contract work for both external and internal customers. Construction projects include everything from new production of housing, public and commercial premises to renovations, extensions and rebuilding as well as construction maintenance. The business area's operations are run through some 150 local offices all over the Nordic region, organized in thirteen regions in Sweden, three in Norway and two in Finland. There are specialized entities in housing production in Stockholm, Gothenburg and the Öresund region.

#### Trends and driving forces

- Continued decline in residential construction in the Nordic region is counter-balanced by an increase in other building construction.
- Over time population growth and an aging population are factors that support the demand for construction.
- Strong development toward digitalized operations permeates the process from the drawing board through production.
- More and more customers request environmentally and climate certified buildings.

#### Peab's position

One of the largest actors in construction in Sweden in terms of net sales and number of employees. Peab has considerable operations in Norway and Finland.

[Read more on pages 40–42](#)

Net sales

Employees

**SEK 27 billion**

**5,878**



#### BUSINESS AREA PROJECT DEVELOPMENT

## Develops sustainable urban environments, residential and commercial properties

Business area Project Development is responsible for the acquisition, development, management and divestment of housing, commercial property, public property and entire city boroughs. Project development takes place in wholly owned projects or in joint ventures with other partners. Housing Development develops homes for private customers. Property Development acquires, develops, manages and divests commercial properties.

#### Trends and driving forces

- With a continued significant underlying need for housing, market conditions are considered good in the long run in the Nordic region.
- We see a growing demand for community buildings.
- Good demand going forward for modern, flexible and environmentally friendly office space in the right location even if the market is currently cautious.

#### Peab's position

One of the largest housing developers in Sweden with significant operations in both Norway and Finland. Peab is a growing actor in commercial property development in Sweden, Norway and Finland.

[Read more on pages 49–54](#)

Net sales

Employees

**SEK 8 billion**

**248**



## Dialogue and steering lead to sustainable development

**For over 60 years Peab has contributed to sustainable social development and worked to improve everyday life for people in the community. We do this by building everything from homes, schools and hospitals to bridges, roads and other infrastructure.**

Working sustainably is a strategic matter for Peab that in practice always takes place locally, connected to everyday life based on our core values, business concept, mission, strategic targets and Code of Conduct. Our sustainable work is formed by internal and external collaboration in the three areas Social, Environment and Economic where we have identified our material sustainable aspects.

These areas guide our Board and executive management, they are integrated into the Group's business plan and support our work in product development and technical solutions. As a big local employer throughout the Nordic region it is crucial for us to attain, through cooperation and dialogue, a good insight into local community needs. Our ambition is to then convert this

knowledge into a locally produced community commitment where we can truly be useful to the people around us. It is equally important for us to ensure healthy, safe and inclusive workplaces. We also take a big responsibility for forming a sound and sustainable industry that can contribute to positively developing society.

### **Stakeholder dialogues provide essential knowledge**

We achieve the best results by collaborating with our stakeholders around sustainability matters. Our priorities and actions are greatly influenced by the expectations and demands expressed by stakeholders. An ongoing stakeholder dialogue provides us with a good comprehension of what the most important issues are for different groups. These discussions take place in both informal meetings with customers, suppliers, employees and other stakeholders and in more structured contexts such as supplier audits, meetings with politicians and other decision-makers, investor dialogues and workshops at colleges. The accumulated result from these dialogues forms our materiality analysis and is the basis of our sustainability work priorities.

### **Peab's sustainability reporting**

Peab reports our sustainability work according to the reporting standard Global Reporting Initiative (GRI) and in our judgement the Sustainability Report follows in all material respects the version GRI Standards, Core. The scope of the Sustainability Report is presented in the accompanying Sustainability appendix, which can be found at [peab.inpublix.com/2020/en](http://peab.inpublix.com/2020/en), where the GRI index and sustainability data have been collected. During the year the work to ensure the quality of the data in all sustainability aspects has continued. This is a challenging process that will proceed in 2021.

## Peab's stakeholders

Stakeholder	Expectations of Peab	Dialogue examples
<b>Shareholders</b>	Responsible ethical entrepreneurship, long-term financial value development that creates annual dividends, ongoing risk mapping and risk management, awareness and measures to reduce climate and environmental impact, community involvement through, for example, integration programs and contributions to job experience and free time activities for youths, responsibility throughout the value chain.	AGM, analyst meetings, surveys from share funds, investor meetings, national and international evaluations.
<b>Employees; existing and potential</b>	Responsible ethical entrepreneurship, good work environment and high degree of safety, skills development, good leadership, equal opportunity and diversity, good work and employment conditions, awareness and measures to reduce climate and environmental impact, community involvement through, for example, integration programs and contributions to job experience for youths, responsibility throughout the value chain.	Daily dialogue, employee surveys, work environment evaluation, work environment dialogues, student surveys, workplace meetings, union collaboration, internal training, incident follow-ups, management meetings, goal and developmental discussions, external surveys concerning employer brand, collaboration with students and the education system.
<b>Customers</b>	Responsible ethical entrepreneurship, professional businessmanship, competence, resource capacity, quality, availability, experience and expertise exchanges, construction, good work and employment conditions, certifications, ongoing risk mapping and risk management, awareness and measures to reduce climate and environmental impact, community involvement through, for example, integration programs, internships and contributions to job experience for youths, responsibility throughout the value chain.	Meetings in person, daily contacts, networks, partnership projects, dialogue meetings, customer meetings, fairs, customer surveys, questionnaires from customers, procurements and audits.
<b>Local community</b>	Contributions to local community development, cost-efficient construction and housing in different price categories, ongoing risk mapping and risk management, awareness and measures to reduce climate and environmental impact, care for the environmental locally, community involvement through, for example, integration programs and contributions to job experience for youths, sponsoring local youth activities, responsibility throughout the value chain.	Receiving visits, partnership projects, information meetings, networks, contacts with county boards/municipalities, environmental reports, vision work, mentoring, sponsor projects, citizen and resident dialogues.
<b>Suppliers</b>	Responsible ethical entrepreneurship, professional businessmanship, ongoing risk mapping and risk management, awareness and measures to reduce climate and environmental impact (preferably with the supplier), responsibility throughout the value chain.	Procurements, supplier evaluations, meetings in person, daily contacts, supplier meetings, supplier audits, sustainable dialogues and partnership projects.



## Social, Environment and Economic in constant collaboration

Peab’s prioritized sustainable areas form a unit, where every part affects, and is affected by, the others. The sustainability areas previously identified as the most relevant for our business to manage, monitor and report on continue to be the most material in 2020.



### Social

Peab’s work within Social affects people in the company and externally. It comprises our own employees but also people in the production chain. The social responsibility that stretches beyond the limits of the company is an ever growing part of Peab’s community responsibility.

#### Sustainability aspects

- Health and the work environment
- Skills recruitment
- Equality, diversity and equal treatment
- Education for the young
- Peab Life\*

\*Peab Life is part of our social sustainability work where we combine sponsoring and employee engagement with youths, read more on page 24.

### Environment

Peab’s work within Environment affects environmental and climate aspects in our operations but also other actors in the value chain like suppliers and customers. The construction and civil engineering industry has a significant environmental and climate impact which makes work in this area crucial.

#### Sustainability aspects

- Climate impact
- Resource efficiency
- Phasing out environmentally and health hazardous products

### Economic

Peab’s work within Economic affects our own business but also greatly contributes to sound and safe conditions for the rest of the construction and civil engineering industry; for the actors, individuals, organizations and communities affected in the supply chain.

#### Sustainability aspects

- Customer and supplier cooperation
- Responsibility in the supply chain
- Ethics and anti-corruption



## THE PLATINAN BLOCK

# “A different meeting place”

The office and hotel building Platinan is rising up next to the Göta River and the new Hising Bridge. The owner Vasakronan wants the block to be a hub in a vibrant and richly varying urban environment where the people of Gothenburg will gain access to the waterfront.

When the first tenants move in 2022 into the 60,000 square meter, 18 story Platinan, it will be a glass covered profile building with green terraces. Right from the start focus has been on the environment which includes everything from coordinating transportation and maximizing recycling to ensuring the complete traceability of the material being built into the building. It will be environmentally certified according to the highest level of LEED – Platinum. This entails conserving resources such as land, water, energy and building materials.

Three of Peab’s four business areas collaborate on the construction of Platinan which will contain a hotel, offices, coworking, restaurants and stores.

“Having a number of our own businesses involved in the project as well as our collaboration with Vasakronan and other partners

has led to many innovative solutions focused on sustainability. Among other things, we have digitalized the entire construction process, which has had a major impact on our quality and environmental work,” says Mats Lundin, Peab’s Operations Manager.

Platina Sprout School is also part of the project. This is a collaboration between Vasakronan, Gothenburg City and Peab in which high school students in the city contribute with their ideas on how to form this area and Gothenburg in the future. The idea is that this also provides a window into what opportunities the community building industry has to offer. Read more about the project on page 24.

“We are part of realizing Gothenburg City’s vision of the new Älvstaden (River City), which is the largest city development project in the Nordic region. We will open up the waterfront area and Platinan will be a different kind of meeting place with a magnetic pull and a pulse 24/7. It will be our first building on the way to creating a colorful city borough for people to work in, visit and experience,” says Magnus Tengberg, Property Development Business Area Manager at Vasakronan.



- INDUSTRY
- CIVIL ENGINEERING
- CONSTRUCTION
- PROJECT DEVELOPMENT



“We will open up the waterfront area and Platinan will be a different kind of meeting place with a magnetic pull and a pulse 24/7.”

MAGNUS TENGBERG, PROPERTY DEVELOPMENT BUSINESS AREA MANAGER AT VASAKRONAN

## Steering Peab's sustainable work

Steering Peab's sustainability work is all about identifying, assessing and managing risks and opportunities, working systematically with continual improvements and in an innovative, responsible manner enable sustainable development. Parallel to central regulations steering is managed as far as possible close to production on a local level.

Peab's Board has given Peab's executive management the overriding responsibility for steering and monitoring the integration of sustainability into every aspect of our business. Peab's Head of Sustainability, who reports to executive management through the COO, is responsible for strategically running and coordinating our sustainability work. The Head of Sustainability, together with the business area managers and function specialists, is responsible for ensuring sustainability in operations. Peab works continuously to raise knowledge levels in every part of our organization around matters like the work environment and health, the environment, equal opportunity, leadership, ethics and anti-corruption.

### Central regulations and a management system for steering

The central regulations and management system for steering in Peab complies with international conventions and national laws. Our fundamental, internal steering document, Peab's Code of Conduct, is based on the UN Global Compact principles that include the precautionary principle, human rights and ILO's core conventions. Peab signed Global Compact 2012 and the Annual and Sustainability Report make up the Group's Communication on Progress, the annual report to Global Compact. In accordance with the decision by Peab's President and CEO the company will continue to follow Global Compact.

The President and CEO has ultimate responsibility for ensuring that the Code of Conduct is followed and communicated. This responsibility then goes down the chain of command through management. Every employee is in turn responsible for taking in the information and following the Code of Conduct. The Group's purchasing function is responsible for checking that suppliers follow the dictates of the Code of Conduct. Peab has a whistleblower function for anyone, employees or external stakeholders, who wishes to draw attention to deviations from the Code of Conduct or other irregularities in the business. The function, which is available on our website and intranet, is handled by Peab's Ethical Council and whistleblowers can be anonymous. Peab's Code of Conduct is complemented by four policies; the Environmental Policy, Quality Policy, Information Security Policy and Work Environment Policy. These are then supplemented by a number of other supportive documents such as the Group's equal opportunity plan.

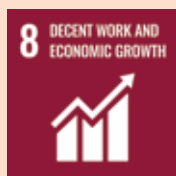
For a more detailed description of how we steer the work in the areas Social, Environment and Economic please read more at [peab.inpublix.com/2020/en](http://peab.inpublix.com/2020/en).

## Peab's contribution to the global goals is increasingly clear

In 2020 we did an analysis based on the UN's 17 global goals as to whether or not the goals previously identified by Peab as the ones we have the best prerequisites to contribute to are still relevant. The 17 goals with their 169 targets were discussed and processed in the analysis, which was done together with executive management and in our operations. Peab more or less contributes to, and is affected by, every global goal since they are all integrated and inter-dependent. However, for the period 2021-2023 six of the goals were deemed extra prioritized since they are either areas that hold significant potential risk or areas where Peab has a good chance of promoting sustainable development.



**Goal 5** which concerns equal opportunity, is important to Peab since we, like the rest of the industry, still have a long way to go to achieve equal gender distribution.



**Goal 8** includes work conditions and is highly topical since it comprises several of Peab's prioritized sustainable aspects such as a safe work environment, good conditions in our supply chain and the path for youths into the labor force.



**Goal 9** is relevant in part because of its connection to our industrial and civil engineering operations and our investment in sustainable innovation.



**Goal 11** in many ways sums up the core of Peab which is to build sustainable communities that are safe and accessible to all.



**Goal 12** has been added since the period 2018-2020 because of its connection to our environmental goal on resource efficiency.



**Goal 13**, fighting climate change, affects the future of the whole world and Peab, as a community builder, has a big responsibility in this.





## People come first – inside and outside Peab

Our employees are Peab's most important resource and their skills and engagement build the company. One of our strategic targets is to be the best workplace. This means that everyone in Peab should go to work every day feeling safe, included and involved. We want every employee to feel their work is meaningful and developing. Our social responsibility starts in Peab but spreads far out into the local community.

### We are a growing number of community builders

During the spring of 2020 we had the pleasure of welcoming almost 2,000 new employees into our organization after the acquisition of YIT's Nordic paving and mineral aggregates operations. Each of our new employees contributes to strengthening our business model with their local presence in all of our many locations throughout the Nordic region. Peab currently has more than 15,000 community builders.

### Challenging year for the work environment and health

No other industry has as many workplace injuries as the construction and civil engineering industry. We can never accept that people are injured or get sick because of their job. The work environment and healthy employees is, and will always be, one of our top priorities – which was definitely a challenge in 2020. COVID-19 required quickly establishing new ways of working. In addition to taking measures to stop the spread of the virus the pandemic entailed a significant responsibility for continually assessing the risks and creating action plans for working from home and remote working. Peab even established a specialist team to monitor, assess and manage the spread of the virus at our workplaces in the Group's four countries based on the recommendations of national authorities.

Parallel to our crisis management as a result of the pandemic we continued with our accident prevention work in which risk observations from employees are one of



### Sustainability aspects

- Health and the work environment
- Skills recruitment
- Equality, diversity and equal treatment
- Education for the young
- Peab Life

For the GRI index and sustainability data see [peab.inpublix.com/2020/en](https://peab.inpublix.com/2020/en)

several important factors. Monitoring this by executive management and requiring reporting on work environment risks is crucial, along with always resolving identified risks before work begins. In 2021 we will continue to strive to achieve our zero accident vision, in part by further developing our safety culture. Our zero vision, just like our systematic work environment work, comprises everyone at our workplaces.

In recent years we have focused on increasing reports on risks, incidents and accidents in order to prevent future events, and to be able to quickly take steps. After the past few years' downward trend, during the year we noted an increase in the number of serious accidents which were 51 (24) among our own personnel. At the same time accident frequency<sup>1</sup> dropped from 13.4 to 11.7 percent and the vital risk observations continued to increase and amounted to 61,238 for 2020 (39,300). All our employees as well as subcontractors and suppliers are encouraged to report risk observations, incidents and accidents at every level, in all workplaces via support systems or to their closest supervisors. We analyze these patterns, follow-up every event, resolve every reported risk and continue our systematic work environment work to prevent any kind of incident or accident as well as promote health and well-being. Operations continually receive feedback in order to generate continuous learning. All our employees and non-employed at our workplaces have the explicit right to refuse to do a job if it cannot be done safely.



The work environment and healthy employees is, and will always be, one of our top priorities.

One group of employees particularly vulnerable for risks in their daily work are road workers. One report from the union Seko made this abundantly clear. Lack of consideration, high speeds, threats and violence are examples of what occurs but which no one should have to endure at work. Peab takes this extremely seriously, investing in, among other things, our own traffic engineers in order to take the necessary steps to make our road workplaces safe. We are also involved in a collaboration in the industry for safer roadwork.

In 2020 we carried out another work environment evaluation where employees were given the opportunity to evaluate their work environment in the categories working hours, workload and equal opportunity. The result showed a positive experience of the work environment and generated a work environment index over national comparative figures. Equal opportunity had the highest rating. Nonetheless challenges remain, above all in workloads which is a prioritized area in 2021. Peab's annual health and work environment focus week was held in August and concerned health and the work environment in order to spotlight these crucial issues, this year in digital form.

**Important steps in achieving equal opportunity**

The construction and civil engineering industry continues to face major challenges in reflecting society in terms of gender balance. The problem is already noticeable in the education system which leads to a limited recruitment base for employers. Here we have a role to fill in making a change. The proportion of women in Peab is still way too low, 13.3 percent (13.4). Peab and the industry's diversity challenge requires further measures, especially regarding female managers and skilled workers.

<sup>1</sup> Accident frequency is defined as more than 8 hours absence, per million hours worked.



**Students and Minister for Housing discussed an inclusive construction industry**

During the year then Minister for Housing, Per Bolund, got in touch and wanted to know more about how Peab works with equal opportunity. In corona-safe conditions a meeting was held at the Peab School in Solna. There was a good discussion with the Head of Sustainability, interested students and teachers about how Peab works with diversity and equal opportunity, why harassment and victimization still occurs and what we have to do about it together.



**61,238**

During the year 61,238 risk observations were made.



At Peab the nature, performance and skills level of an employee's job decide their pay level. In accordance with Swedish law a salary survey is conducted every year in Swedish operations to ensure that all salaries are factually based. Peab's analysis of salaries paid in 2020 detected 16 (24) cases of subjectively set salaries between women and men for comparable professions, skills and positions. These salary differences were corrected.

Crucial to increasing diversity among employees is ensuring equal opportunity and inclusion. Peab works actively on equal opportunity and has taken a number of steps to ensure everyone is included at our workplaces. In 2020 Peab continued the work on education that has reached almost 11,000 employees, now in Norway as well where 200 Norwegian managers and HR specialists were trained in discrimination and work environment law. The aim is to increase knowledge about employers' legal responsibility, and how to investigate and handle these matters. We are observing more and more effects of the measures we take. Development discussions with our employees show that Peab's handling of victimization has improved and that employees are less afraid to report infringements.

The educational measures we have taken are an important factor as is Peab's Ethical Council which ensures that reports of victimization and discrimination are investigated by impartial expertise. In 2020 1,052 (1,586) employees were educated in diversity and equal opportunity. The proactive measures for equal opportunity will continue in 2021.

#### **Inclusive construction through partnership**

Peab has a number of ongoing initiatives to integrate newly arrived immigrants into the labor force and match more of them with our skills needs. A great example of this from 2020 is Inclusive Construction, where in a partnership between Peab, Alingsås Municipality and Alingsåshem newly arrived students were able to take a course in Swedish and construction that included internships at Peab's workplaces. At the same time Peab School instructors taught the receiving workplaces about integration and diversity.

#### **Digital shift for leadership and learning**

In challenging times good leadership is crucial for the future of an organization and its employees' well-being. Peab offers unique leadership programs on several levels suited to different roles. During the year 460 managers were able to develop within the framework of these programs and some other individuals took advantage of the available coaching and mentorship. As a result of the pandemic Peab has produced virtual courses and tools designed to help management lead remotely.

The crisis that marked 2020 also created opportunities for development. Peab had already begun producing digitalized competence development aimed at making flexible learning available to more people. The pandemic sped up the process and



### **Reading and writing aids for all employees**

During 2020 Peab has, together with the company Svensk Talteknologi, implemented a new digital tool that simplifies reading and text production for all our employees in Sweden, whether they have problems reading and writing or not. Several of the functions can also be accessed in the other countries we operate in. The tools can be downloaded to all Peab computers as well as onto the private computers and telephones of Peab employees.



by the second half of the year there was a broad range of virtual courses on the Group digital competence platform. Today, no matter where they are or what their role is, employees can easily meet for virtual education.

### More and more want to work at Peab

Peab strives continually to attract new employees and in 2020 Peab was declared by Universum to be one of the companies students found most attractive. Working together with the education system is a prioritized area and Peab continually tries to develop this through everything from internships and research projects to lectures, mentorship and tutorial help with master theses. A proper introduction to both our business and their role in it is essential for our new employees to get a good start. During the year we held a number of digital employee introductions and launched a digital introduction program for managers.



Today, no matter where they are or what their role is, employees can easily meet for virtual education.

### Continued commitment to Finnish construction course

Peab's Finnish operations are deeply committed to contributing to modern vocational education. For several years now Peab has participated in Metropolia University of Applied Sciences in Helsinki by contributing to the composition of the education and by leaders from Peab lecturing on the demands made on managers in the construction industry. In 2020 Peab also recruited our own construction teacher who will assist in the national education of young skilled workers by, among other things, teaching about dampness in buildings.

### Youths develop through the Peab School and Peab Life

Research has shown that there are huge social gaps when it comes to the opportunities Nordic youths have to participate in leisure activities, the education they dream of or entering the labor force. Our social responsibility in the local community is aimed at providing as many youths as possible with access to education and development.

### Fifteenth year of the Peab School

The Peab School, Peab's three independent upper secondary schools, concluded its fourteenth school year and in June 68 (76) students graduated. In 2020 there were about 220 (230) students in the construction and civil engineering program and 65 (50) in the introduction program for vocational training. This means that so far 1,336 youths have received their upper secondary education through us. The Peab School has been spotlighted for its quality and has once again flawlessly passed inspection by the Swedish Schools Inspectorate.

### Social responsibility in the local community via Peab Life

During 2020 we further developed the concept Peab Life where we combine sponsorship of local organizations with engagement from our 15,000 employees and our substantial expertise in youths, education and community building<sup>2</sup>. By making it possible for young people to participate in locally produced community building projects we want to build away inequalities and contribute to greater diversity, community and participation amongst Nordic youths. The past year entailed a number of challenges for Peab Life, which is based on meetings, but despite this 17 (40) projects were conducted with 880 young people. The goal is to increase this number in 2021.

<sup>2</sup> In 2020 Mentorship was discontinued as a disclosure and is now included in Peab Life.



### Platina Sprout School

Young people need to be made aware of the community building industry so the Platina Sprout School got high school students in Gothenburg involved. This is an initiative between Vasakronan, Peab and Gothenburg City. The assignment is to come up with creative proposals for the design of the Lilla Bommen area.

The project started with an instructor from Peab and an architect student talking about the place and its history. The students will work with moodboards, sketches and presentations and then visualize their ideas in the form of a model. There will be an exhibition in the fall and a jury will pick a winner.

Peab's Head of Sustainability Maria Hemroth thinks it's important to show the industry is serious about reflecting the diversity in society.

"Seeing the way things are today it doesn't look like it. The Sprout School is a way to make it known that there is room for diverse talents and interests, and gender is not an issue. I want students to feel that they are important and can contribute to how our communities are formed in the future," says Maria.



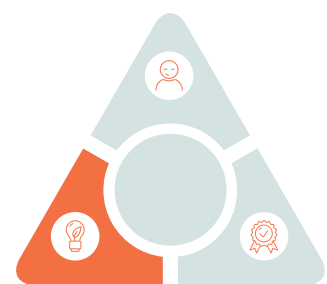


# Tough environmental goals require innovation and collaboration

Construction and civil engineering is one of the industries with the highest environmental impact. As one of the largest Nordic construction companies Peab has a big responsibility for environmental and climate impact. In 2020 the Group identified delimitations, KPIs and strategic improvement areas for Peab’s environmental work. Parallel with this we carried out a number of concrete measures aimed at aligning our operations with our long-term environmental goals.

## Climate neutrality 2045 requires innovation

The first of Peab’s three comprehensive environmental goals is to be climate neutral by 2045 (including Scope 1, 2 and 3). In 2020 one of our sub-goals was to halve greenhouse gas emissions (Scope 1 and 2) by 2030. As of 2021 we have honed the sub-goal and expanded it to include purchased products and services (Scope 3), (read more on page 11). Peab also stands behind the industry’s *Road map for fossil free competitiveness*. The production chain in the construction industry generates a great deal of carbon dioxide emissions in the world. In Peab’s own operations most of the carbon dioxide emissions are generated by fossil fuels used in transportation vehicles and construction equipment, heating workplaces and manufacturing products. The material and products we choose, how we manage waste and how we transport goods are examples of activities where the environmental impact is outside of our own operations but where the decisions we make have a huge effect. We therefore want to take responsibility for reducing climate impact throughout the entire value chain and based on a life cycle perspective as well as look for innovative ways to run our business. We work on energy conserving measures and phasing out and replacing fossil energy with renewable energy. For instance, in Sweden several quarries are going through the process of electrification.



### Sustainability aspects

- Climate impact
- Resource efficiency
- Phasing out environmentally and health hazardous products

For the GRI index and sustainability data see [peab.inpublix.com/2020/en](https://peab.inpublix.com/2020/en)

<h2 style="color: #e67e22;">2030</h2> <p style="color: #e67e22; font-size: small;">Year 2030 we will have phased out environmentally and health hazardous products</p>	<h2 style="color: #e67e22;">2040</h2> <p style="color: #e67e22; font-size: small;">Year 2040 our business will be 100 percent resource efficient</p>	<h2 style="color: #e67e22;">2045</h2> <p style="color: #e67e22; font-size: small;">Year 2045 we will be climate neutral</p>
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#### Innovative ECO-products offer customers sustainable alternatives

For years Peab has worked on developing our own ECO-products. The first one was ECO-Asfalt, which we continue to develop. Climate neutral biofuel is used for drying and heating the gravel material in manufacturing Peab's ECO-Asfalt, which is the process that requires the most energy. After the acquisition of YIT's paving operations our subsidiary Peab Asfalt has a total of 70 stationary and 20 mobile plants in the Nordic region. So far one mobile and 21 fixed plants have converted to biofuel in Sweden. At the end of 2020 ECO-Asfalt represented more than 95 percent of Peab's total production at stationary plants in Sweden. In 2020 the carbon dioxide savings was 41,000 tons (41,000), which is equal to approximately 31,500 cars, each driving 1,300 Swedish miles (100 g CO<sub>2</sub> equiv./km). We are currently mapping, analyzing and planning the launch of ECO-Asfalt in our other Nordic countries.

Another important step is recycling asphalt where there is considerable potential to increase the amount of reclaimed asphalt pavement (RAP) in new production. The portion in Peab's Nordic asphalt production in 2020 was 22 percent (compared to 14 percent 2015). The properties of the asphalt also have an impact on the environment. Peab Asfalt in Denmark was commissioned by the Danish Road Directorate to pave a stretch of road with a climate friendly wearing course. Lowering rolling resistance reduces fuel consumption in the vehicles traversing the stretch of road without impairing friction.

In ECO-Betong part of the cement is replaced with slag, a by-product in steel manufacturing. This reduces both carbon dioxide emissions from manufacturing and saves the extraction of virgin limestone. Depending on how it is utilized the concrete's climate impact can be cut by up to 50 percent. In addition, ECO-Betong has a longer lifetime. An example is the ETC Bygg apartment project in Västerås, where carbon dioxide emissions were reduced 45 percent by choosing ECO-Betong instead of traditional concrete. ECO-Betong is also easier to handle when wet and the result is denser with less porosity and longer durability.

#### Resource efficiency requires greater circularity

Peab's second environmental goal is to be completely resource efficient by 2040. The construction and civil engineering industry generates large amounts of waste. Building usually means claiming land, which can entail affecting ecosystems and biodiversity. Resource consumption is also a climate aspect, since producing material has a substantial climate impact. Our measures entail, for example, designing resource lean constructions, effective purchasing procedures, work methods that minimize waste, managing excavated soil effectively as well as reusing products and



#### The future of transportation – emission free and quiet

Peab's subsidiary Swerock will test drive a concrete mixer truck and a hook lift truck – both electric – in daily operations during two years. The concrete mixer truck will deliver to customers in the Gothenburg area while the hook lift truck will operate in the Källered quarry and infrastructure projects nearby. The test is a collaboration with Volvo Trucks and is part of an innovation project for electrical transportation solutions. The trucks have been produced to meet the growing demands for less noise and emissions, particularly in sensitive big city areas.



sorting material so that it can be recycled. We strive to utilize land responsibly in order to shield biodiversity and the local ecosystem.

#### Collaboration for reuse and waste management

Developing more resource efficient methods requires collaboration within the entire industry in order to form new, efficient solutions. Peab operates based on the industry's resource and waste guidelines for building and demolishing and EU's waste hierarchy. In addition to good sorting at the source circular loops need receivers of material. Peab therefore strives to strengthen collaboration with waste contractors and suppliers. In Sweden, for instance, we have added standardized specifications concerning recycling of residue from floor installations in our purchasing templates. In 2020 we also extended our collaboration with the waste contractors we have framework contracts with, focusing on recycling and reusing material to reduce the amount of waste sent to incineration or landfills and unsorted waste. We have increased material recycling alternatives in contracts and established more defined goals with more frequent follow-ups. Another example of circular material flows is our collaboration with an insulation supplier where residue can be returned to the supplier to become raw material in production.



To develop more resource efficient methods the entire industry has to work together so that new, efficient solutions can be created.

#### Recycling and C&D Recycling Wash Plant under our own roof enables reuse

Through electrification in production plants for recycling excavated soil, so-called C&D Recycling Wash Plants, Peab's subsidiary Swerock contributes to circular material flows by efficiently recycling surplus excavated soil. With this new technique the amount of surplus excavated soil from excavations and infrastructure projects that becomes landfill is reduced by 80 percent. In the summer of 2020 Swerock opened its second C&D Recycling Wash Plant.

#### Innovative design saves both the environment and money

How we design what we build can have a major impact on the environment and costs. One example is the construction of E6 in Trondheim, where optimized construction and a slight sideways shift of the road led to a significant reduction in excavation, transported mineral aggregates, asphalt and water and drainage installations.

#### Protecting biodiversity

Operations in business area Industry run, among other things, quarries that encroach on nature. Properly managed, however, they can give protection and life to species that otherwise get displaced. Normally before Peab opens a quarry we make a natural value assessment in order to determine with the help of experts if the location is suitable. In Sweden Peab has decided to draw up biodiversity plans in connection with new quarry permits in order to identify the best way to protect various species, and sometimes even add to the biodiversity. Other parts of Peab also contribute to biodiversity, for example by developing green infrastructure with fauna passageways where mice or frogs can safely pass, and fish passes at power stations to create unhindered passageways. Biodiversity is also a factor considered in environmental certification of buildings, for example Swan ecolabeling.

#### Phasing out environmental and health hazardous products is challenging

Peab's third environmental goal is to phase out environmentally and health hazardous products by 2030. We want to protect people and the environment from exposure



#### The first asphalt with binder from the forest

Peab has made the first Swedish tests of paving asphalt with lignin on a well trafficked stretch of road in Sundsvall. The oil-based binder bitumen has been partially replaced by lignin, the natural binder in wood, which has a number of positive effects. The circularity of the asphalt increases, climate impact decreases and there is also a certain positive climate effect when the biomass is bound in the asphalt. In addition, the asphalt is more durable and resistant to load damages.



#### NärBo provides sustainable housing

In order to fulfill the need for cost-effective and sustainable housing Peab developed a concept for modifiable, predesigned apartment buildings. The first one is a residential block tower, NärBo Block Tower. Examples of sustainable solutions included in NärBo are Swan ecolabeling for the environment, lower carbon dioxide emissions by using, for instance, ECO-Betong and healthy living environments.

to toxic substances in both production and usage. We also want to avoid mixing in toxic substances in material that will be reused several times. Therefore phasing out environmentally and health hazardous products is a prerequisite for circular material flows and achieving our goals of resource efficiency and climate neutrality. Peab's ambition is to work together with colleagues in our industry to find new alternatives that can replace chemical substances, products and materials that can have a hazardous effect. Examples of products we have already phased out are hydraulic oil, coolant and wax that contains candidate substances – i.e. substances that are on EU's list of particularly toxic substances.

#### Requirements and criteria for reducing risks and increasing traceability

We are sharpening the tools in our purchasing system in order to systematically steer purchasing towards selecting products that are better for the environment. For instance, we have integrated information concerning environmental assessments and eco-labeling of products into one of our purchasing systems. We strive to ensure that the products used in our projects meet Byggarubedömningen's acceptance level on content or BASTA's criteria, which means that the products cannot contain environmentally and health hazardous substances or only in very small quantities. Keeping a logbook on built-in material is one way of ensuring traceability. Traceability is crucial to future identification of substances we currently use but which may later prove to have negative effects on people or animals.

#### Environmental certification of buildings in the Nordic region

Buildings have a major impact on our environment, in production and in use. A third party assessed environmental certification provides us with a quality-ensured framework that creates comparability when it comes to how environmentally friendly a building is. Peab takes responsibility for the environmental impact of our own housing development by having Peab Bostad's newly produced apartment buildings in Sweden and Norway certified according to the Swan ecolabel and our own developed commercial buildings in Sweden along with some in Norway certified according to BREEAM. In Finland Peab's property development business has become specialized in LEED certified office buildings. Peab's construction business in Sweden has a service license to build Swan ecolabeled buildings, which makes the certification process for us and our customers more efficient. In order to meet legal requirements and our customers' growing focus on the climate, Peab has created an efficient work method for producing climate calculations for construction projects.

#### Peab needs everyone's knowledge to reach our environmental goals

Peab has set tough environmental goals and we have a long way yet to go. Every employee's efforts play a part. A couple of years ago we therefore began increasing knowledge about the environment and teaching our employees about how they can contribute to achieving our environmental goals.



#### Climate risks and opportunities according to TCFD

Peab works long lasting and systematically to reduce our climate impact and to accelerate climate transition to a fossil free society. Climate neutrality is a highly prioritized issue for our stakeholders and one of Peab's environmental goals is to be climate neutral in 2045.

We have begun to implement TCFD's recommendations. We consider them a good tool for structurally reporting how we work with our climate-related risks and opportunities as well as in identifying improvement areas. Many of these are reported in more detail in our annual CDP Climate Report, along with a number of them in our Annual and Sustainability Report 2020.

Read more about our work according to recommendations from TCFD at [peab.inpublix.com/2020/en](https://peab.inpublix.com/2020/en).







## Safe business through steering, monitoring and transparency

**Sustainable business is safe business. At Peab safe business entails tangible steering from executive management all the way out to every workplace as well as making demands on, and monitoring, the entire production chain. It means healthy workplaces, quality-ensured suppliers, fair conditions, collaboration and a high degree of transparency. Peab's Code of Conduct is the foundation of our sustainable business.**

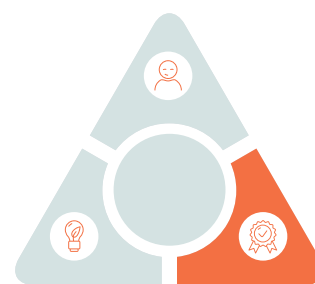
### **Ethics and anti-corruption through knowledge and consequences**

The construction and civil engineering industry is, with its decentralized operations and complex production chain, a sector full of risks, in particular regarding ethical violations and corruption. Peab has zero tolerance to any and all forms of corruption and ethical violations. Our work with ethical issues and anti-corruption is long-range, systematic and constant. To ensure our employees know the rules we continually hold e-learnings in ethics, anti-corruption and competition law and we trained 4,434 (1,208) employees in 2020. Expectations, support and consequences must be clear for everyone at Peab's workplaces and for anyone collaborating with us. These expectations are stated in, among other places, our Code of Conduct. If a violation should occur despite this we take immediate action.

### **Whistleblowing, monitoring and transparency**

Ethical business is built on transparency. Peab encourages all employees and partners to report any law infringements or ethical violations. We encourage open reporting but this is complemented by an external web-based whistleblower system that guarantees the anonymity of the reporter, whether or not the reporter is in Peab or external. Read more about our whistleblower function on page 20.

When Peab is made aware of an incident the matter is sent to the Ethical Council which ensures that all incidents in the Group are dealt with consistently.



### **Sustainability aspects**

- Customer and supplier cooperation
- Responsibility in the supply chain
- Ethics and anti-corruption

For the GRI index and sustainability data see [peab.inpublix.com/2020/en](https://peab.inpublix.com/2020/en)

During 2020 (0) 0 incidents of anti-competitive activities, breaches of the competition law or monopolistic behavior leading to legal action were discovered. In 2020 Peab discovered 2 (1) cases of suspected corruption and 1 (4) internal incident of suspected financial irregularity. The responsible manager handled the incidents with support from members of the Ethical Council. All of these incidents led to labor law measures.

#### Ethical responsibility in the community building sector

Peab's engagement in an ethical industry reaches much farther than our own business and we work together with our industry to fight corruption. In Sweden Peab is a partner in the Joint Initiative Against Bribes and Corruption (JIABC) which works to jointly counteract bribes and corruption in the publicly funded construction and real estate sector, and we are also represented on the board of the Community Builder Sector's Ethical Council. In 2020 Peab took the initiative to start a free e-learning in ethical construction for the whole industry. In Finland Peab is a member of the interest group Rakennusteollisuus (RT), where we sit on its board and support the organization's ethical principles.

#### Quality-ensured supplier chain

The community building sector consists of a large number of actors that together make up a complex production chain. Steering, control and monitoring are central components in our ability to guarantee sustainable business from beginning to end. Peab's four business areas collaborate with around 40,000 suppliers and subcontractors. Peab's purchases make up more than 70 percent of net sales which naturally involves risks. This makes the work to guarantee a sustainable supply chain critical to Peab's business.



Through decisiveness, transparency and open communication we want to ensure a production chain that safeguards quality, safety, human rights and sustainable development.

#### Requirements apply to all

Peab's Code of Conduct applies to all – our employees, suppliers, subcontractors and other partners. A contract with Peab includes an obligation to follow our Code of Conduct. This entails, for example, requirements concerning human rights in areas like child labor, forced labor and the right to organize, climate responsibility, non-discrimination and anti-corruption.

#### It starts with responsible purchasing steering

Responsibility in the supplier chain starts with responsible purchasing steering – an area where Peab has a comprehensive development program to ensure cost-effectiveness and sustainable work methods to minimize risks. Responsible purchasing begins when a supplier is first assessed and then continues via requirements, checks and monitoring. Peab's purchasing steering comprises both procedures and work methods as well as system support. Every month around a thousand receiver-customized auto-generated reports are produced. They pick up any deviations and monitor purchasing behavior. The purpose is to develop our collaboration with the suppliers that create the most value and monitor the supplier categories with a potential risk as well as target sustainable products and our own processing.

All the suppliers in Peab's supplier register go through a daily systematic control of both financial parameters and factors related to our Code of Conduct.

# 4,434

During the year 4,434 employees were trained in ethics and anti-corruption.



#### Continuous training builds a top notch crisis organization

For years Peab has been one of the foremost actors in crisis management and our crisis organization, consisting of around one hundred people, is top notch. On short notice crisis coordinators make their way to a workplace and provide crisis support when a serious workplace accident or crisis occurs. During 2020 several drills and courses were held to develop skilled crisis coordinators who, through communication and structure, can create a secure environment in a crisis so that employees can handle a crisis correctly from the start.





In the future we intend to include parameters for our subcontractors' supply chain as well.

The portion of purchasing in business area Construction that included the Code of Conduct in 2020 was 69 (66) percent.

#### **Cross-functional teams perform supplier audits**

In 2020 Peab further developed a method for systematically auditing suppliers by establishing and training cross-functional audit teams. Based on the Code of Conduct the teams perform audits onsite organized by supplier categories and areas of expertise. The suppliers are prioritized according to defined criteria such as the level of risk and purchasing volumes. Through decisiveness, transparency and open communication we want to ensure a production chain that safeguards quality, safety, human rights and sustainable development. In 2020 we conducted 6 (9) supplier audits. This work was made difficult by the pandemic but will be further developed in 2021 when we plan to increase the number of supplier audits.

#### **Sharing social responsibility is part of our business**

##### **Customers want to work together in the local community**

More and more our customers emphasize the importance of working together in the local community. Quite clearly expectations of a shared social responsibility as part of a business relationship are growing. For Peab, with our extensive local presence all over the Nordic region, this is a positive development and key to our business model. This development provides us with more opportunities to make a difference in the communities where we are active. It might be a matter of creating safe residential areas by providing internships and jobs for newly arrived immigrants or that we, in unique partnership projects for children and youths, promote local social development through Peab Life. See the section Social for more details.

##### **Stakeholder collaboration for greater social benefits**

As the Nordic Community Builder it is a given for Peab to contribute to developing a sound, safe and attractive construction and civil engineering industry not only through collaboration with customers but other stakeholders as well. In 2020 we continued to engage in, for instance, the industry's work on diversity, the work on Maintain Zero and a more secure ID06. Other examples are a project for a more attractive and inclusive vocational training program, The National Board of Housing, Building and Planning's project for a safe project culture and the work for healthy competition. We know that many of the current national and global challenges we face can only be solved by everyone working together. Collaboration is a natural part of our locally produced community building.



### **Checking ID06 at workplaces**

Peab is one of the initiators of ID06 – an entry system where all employees and subcontractors are checked for authorization, identity and employment conditions etc. The complexity has increased with the growing number of global actors. Therefore we are now increasing checks on our workplaces, in part to ensure that all our tools really function but also to learn about how we can develop them in order to be the best workplace in the industry.





## PAVING IN FINLAND

# “High degree of reclaimed asphalt”



INDUSTRY

CIVIL ENGINEERING

CONSTRUCTION

PROJECT DEVELOPMENT

5,240 kilometers. That is how much asphalt Peab paved in Finland during 2020. Most of these kilometers were commissioned by the Finnish Transport Infrastructure Agency. All of 3,770 kilometers of this asphalt contained reclaimed asphalt pavement.

After years of meager road investments in 2020 Finland pumped a large amount of funding into the national road network. This meant record volumes for Peab’s paving operations. The newly acquired paving operations ran at full capacity in Finland, paving from Enontekiö in the north to Hanko in the south. In addition to highways and country roads we paved other places such as airports and rally tracks.

Helsinki has made major investments to get good city streets and Peab Asphalt has been the sole paver. The city has also invested substantially in using reclaimed asphalt pavement.

“We’re really pleased about the growing use of reclaimed asphalt pavement. We’re tearing

up a lot of asphalt in the city and the fact that around half of it can be reused on our streets is of course fantastic. On top of that, 35 percent of the asphalt we ordered in 2020 was reclaimed asphalt pavement,” says Heikki Laristo, Project Manager at Helsinki City Construction Services, Stara.

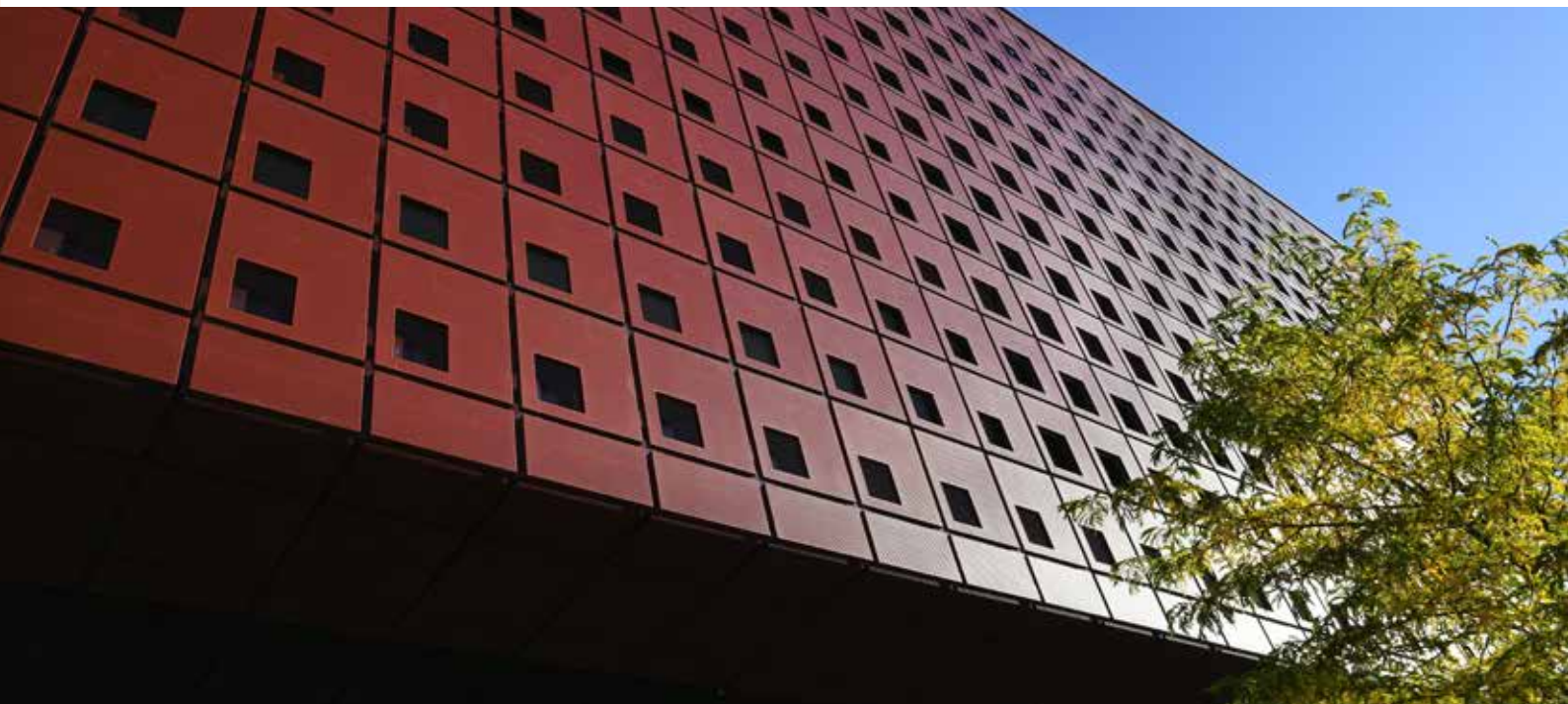
Peab has also continued the work to increase the portion of reclaimed asphalt pavement in production. In 2020 it amounted to almost 30 percent. This means that more than a fourth of the total asphalt volume comes from previously used asphalt which has been processed and then either been put back into production or mixed directly with new asphalt on roads.

“We usually say that almost all asphalt can be recycled. The higher degree of reuse, the less virgin resources we need to use. This leads to lower carbon dioxide emissions. A high level of recycling together with more environmentally friendly heating in production has a very positive effect on the environment,” says Markku Lilja, Head of Peab Asphalt in Finland.



“We’re really pleased about the growing use of reclaimed asphalt pavement. We’re tearing up a lot of asphalt in the city and the fact that around half of it can be reused on our streets is of course fantastic.”

HEIKKI LARISTO, PROJECT MANAGER AT HELSINKI CITY CONSTRUCTION SERVICES, STARA



## Board of Directors' Report

The Board of Directors and the Chief Executive Officer of Peab AB (publ), Corporate ID Number: 556061-4330, hereby submit the following annual report and consolidated accounts for the 2020 financial year.

### Translated comparative figures after changed accounting principles

As of the financial year 2020 Peab consolidates projects with Swedish tenant-owner associations at the time the final homebuyers take possession of their apartments. This means that Peab recognizes the projects on the balance sheet as work-in-progress under the asset item project and development properties, and as interest-bearing liabilities (project financing). Revenue and costs for the projects will be recognized as homebuyers take possession of their apartments. In conjunction with this change Peab now recognizes all our own housing development projects in Sweden, Norway and Finland according to the completion method. According to previous principles Peab did not consolidate projects with Swedish tenant-owner associations from the time land transfer and turnkey contracts were signed, and revenue and expenses were recognized over time as the projects were successively completed.

To create clarity and enable the market to follow Peab's development regarding our own housing development projects, in segment reporting revenue and expenses will continue to be recognized over time as the projects are successively completed. This applies to the business area Project Development and the unit Housing Development and refers to Swedish tenant-owner associations and own single homes, Norwegian condominiums and share housing and Finnish residential limited companies. Revenue and expenses for our own housing development projects in Norway and Finland along with our own single homes in Sweden were previously recognized at one point in time in segment reporting as well. Financial key ratios such as capital employed, the equity/assets ratio, net debt and the debt/equity ratio, cash flow before financing as well as earnings per share are presented in segment reporting taking into consideration the above prerequisites. Net debt in segment reporting includes the unsold portion of housing projects in ongoing production.



Brf Skidskytten in Östersund with its proximity to the ski stadium and city center consists of 54 Swan ecolabeled apartments.

In conjuncture with changing segment reporting for housing projects Peab has also changed the segment reporting of additional leases according to IFRS 16 (previously operational leases). The change means that leasing fees are recognized in operating profit as a cost linearly over the leasing period in segment reporting for all business areas and IFRS 16 for additional leases is only applied as a total for the Group.

Segment reporting is the model Peab believes best describes Peab's business regarding both internal steering and risk profile, and it is also how the Board and executive management monitor operations in the business areas and the entire Group. In the following sections comments are based on segment reporting if not otherwise specified.

All comparative figures for 2019 are translated if not otherwise specified. For more information concerning changed accounting principles and differences between segment reporting and reporting according to IFRS see note 1, note 2 and note 5.

#### **Distribution and listing of Annehem Fastigheter**

In February 2020 Peab's Board proposed, in addition to the ordinary dividend, an extra distribution of all the shares in a newly founded company, Annehem Fastigheter, containing all Peab's wholly owned, fully developed commercial properties. As a result of the spread of the coronavirus, its effects on external circumstances and on financial markets, Peab's Board decided to withdraw the proposal to the AGM. Based on market assessments as well as the developments presented in the second quarter report, Peab's Board decided in August 2020 to propose a new date for the distribution of Annehem Fastigheter. An Extra General Meeting was held on November 12, 2020 where Peab's shareholders adopted the proposal from the Board and the shares were distributed in December. December 11, 2020 was the first day of trading in Annehem Fastigheter's B shares on Nasdaq Stockholm.

Annehem Fastigheter has been reported as a separate unit apart from segment reporting. Previously Annehem Fastigheter was included in business area Project Development and the unit Property Development. The change applies per January 1, 2020 and no comparative figures have been translated. For more information, see the section Annehem Fastigheter.

#### **Acquisition of Nordic paving and mineral aggregates operations**

On July 4, 2019 Peab signed a contract to acquire YIT's paving and mineral aggregates operations in the Nordic region. The transaction was conditional on approval from competition authorities as well as the fulfillment of certain contractual conditions. At the end of March 2020 the transaction was approved by the competition authorities and the acquisition was finalized on April 1, 2020. Through the acquisition Peab expanded its presence in Sweden, Norway and Finland and was established in the paving business in Denmark. The operations are consolidated into the business area Industry as of April 1, 2020.

The transaction was a combination of an asset deal and a share purchase. The purchase price amounted to SEK 3,184 million for a debt-free business and was fully financed. The acquired business had net sales of SEK 5,878 million with an adjusted EBITDA of SEK 282 million in 2019.

For more information see the sections Business area Industry, Other information and appropriation of profits and note 6.

#### **Net sales**

Group net sales according to IFRS for 2020 increased by six percent to SEK 59,852 million (56,303). After adjustments for acquired and divested units net sales decreased by four percent. More completed own housing development projects than production-started affected net sales according to IFRS by SEK 2,491 million (954).



The Nest graces Ulriksdal in Solna with its innovative architecture and decisive presence. It contains the gym chain Actic's headquarters and a top modern gym. The property was completed and acquired by Annehem Fastigheter in 2020.

Group net sales according to segment reporting for 2020 increased by four percent to SEK 57,417 million (55,349), of which acquired operations within business area Industry were SEK 5,891 million. After adjustments for acquired and divested units net sales decreased by seven percent. Of the period's net sales SEK 17,005 million (11,260) were attributable to sales and production outside Sweden. Most of the increase is related to the acquired paving and mineral aggregates operations in business area Industry.

Net sales in business area Construction contracted by eight percent and the decrease was related to Swedish operations while net sales increased in Norwegian and Finnish operations. In business area Civil Engineering net sales declined by four percent compared to last year. Net sales in business area Industry grew by 40 percent. Not including the acquired operations net sales in business area Industry contracted by four percent. The reduction stems from Transportation and Machines, Rentals and Construction System. In business area Project Development net sales declined in both Property Development and Housing Development. The reduction in Housing Development stems from Swedish and Finnish operations.

### Profit/loss

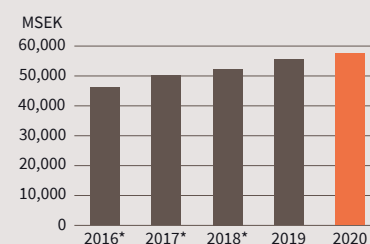
Operating profit for 2020 according to IFRS amounted to SEK 3,922 million (3,285). The operating margin was 6.6 percent (5.8). Adjustment to the completion method for own housing development projects affected operating income according to IFRS by SEK 331 million (652).

Operating profit for 2020 according to segment reporting amounted to SEK 3,541 million (2,610), of which the acquired operations net were SEK 250 million and the effect of the distribution of Annehem Fastigheter was SEK 952 million. The revaluation effect of SEK 952 million was divided between business area Project Development by SEK 896 million and the reverse of previously eliminated construction contract profit by SEK 56 million. Last year included an income contribution of SEK 170 million from the divestiture of property in the partially owned company Acturum. The operating margin was 6.2 percent (4.7). Without the effect of the distribution of Annehem Fastigheter the operating margin was 4.5 percent.

The acquisition of the paving and mineral aggregates operations was finalized on April 1, 2020, which meant the acquisition occurred when the season started. The underlying operations in the acquired companies contributed to the operating profit by SEK 494 million. Depreciation on surplus values for, among other things, customer contracts in the order backlog taken over and fixed assets amounted during the same period to SEK -189 million. Depreciation on surplus values for customer contracts in the order backlog taken over have been high throughout 2020 and will also affect part of 2021. In addition, acquisition costs and transfer tax in Finland have charged profits in total by SEK -55 million. All in all operating profit for the year was positively affected by SEK 250 million related to the acquired operations. Because the acquired operations have a very clear seasonal pattern the first quarter is characterized by considerable deficits since the season starts in the second quarter. If the acquisition had taken place on January 1, 2020 profit in the first quarter would have been affected by SEK -297 million and the underlying operations would have had an accumulated operating profit for January-December 2020 of SEK 197 million.

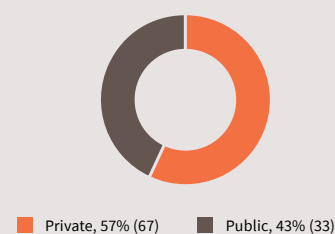
The operating margin in business area Construction was 2.5 percent (2.4) in 2020. In business area Civil Engineering the operating margin improved to 3.0 percent (2.8). The operating margin in business area Industry was 5.9 percent (7.0). Not including the acquired operations the operating margin was 6.7 percent. The lower operating margin in Industry is due to a lower margin in Rentals and Construction System. Operating profit in Project Development increased to SEK 1,669 million (1,015). However, without the effect of the distribution of Annehem Fastigheter of SEK 896 million, operating profit contracted. Last year an income contribution of SEK 170 million from

### Net sales, segment reporting

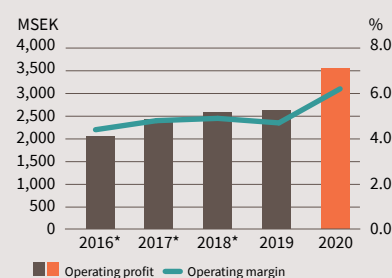


\* Not translated according to changed accounting principles for own housing development projects.

### Net sales per customer type, segment reporting, 2020



### Operating profit and margin, segment reporting



\* Not translated according to changed accounting principles for own housing development projects.

Acturum was included in Property Development. During the year some operations in Property Development were affected negatively by SEK -64 million due to the corona pandemic, where SEK -44 million was related to Ängelholm Helsingborg Airport, of which SEK -20 million refers to writing down goodwill. The operating profit in Housing Development decreased slightly during the year but the operating margin improved to 9.6 percent (8.6).

Eliminations and reversal of internal profit in our own projects have affected operating profit in segment reporting net by SEK 23 million (-142), of which the reversal of construction profits in connection with the distribution of Annehem Fastigheter was SEK 56 million. Last year several of our own major office projects were under construction. Elimination is reversed in connection with the external divestment of a project.

Depreciation and write-downs according to IFRS were SEK -1,734 million (-1,260) for the year.

Depreciation and write-downs according to segment reporting were SEK -1,412 million (-1,094) for the year, of which SEK -310 million is related to acquired operations in business area Industry.

Net financial items according to IFRS amounted to SEK -177 million (-58), of which net interest amounted to SEK -247 million (-262). A large part of the interest expenses refer to financing of own housing development projects, which are capitalized on the properties. Net interest included interest expenses attributable to Annehem Fastigheter of SEK -36 million.

Net financial items according to segment reporting amounted to SEK -108 million (-31), of which net interest amounted to SEK -56 million (-72). Net financial items from acquired operations amounted to SEK -27 million during the year. Net financial items included currency exchange rate differences of SEK -88 million (-2). Currency exchange rate differences have for the most part occurred on receivables in subsidiaries in Norway and Finland, and have no effect on cash flow.

Pre-tax profit according to IFRS was SEK 3,745 million (3,227). Tax for the year was SEK -564 million (-571) corresponding to a tax rate of 15 percent (18).

Pre-tax profit according to segment reporting was SEK 3,433 million (2,579). Tax for the year was SEK -485 million (-441) corresponding to a tax rate of 14 percent (17). The lower tax rate is due to non-taxable income from, among others, the profit/loss effect of the distribution of Annehem Fastigheter.

Profit for the year according to IFRS was SEK 3,181 million (2,656).

Profit for the year according to segment reporting was SEK 2,948 million (2,138).

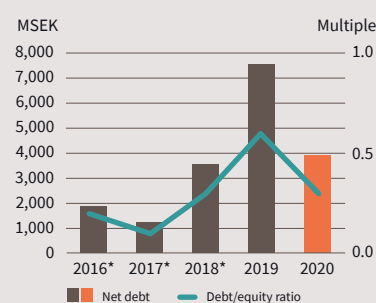
### Financial position

Total assets according to IFRS per December 31, 2020 were SEK 42,164 million (43,688). The adjustment of differences in accounting principles in relation to segment reporting has affected total assets according to IFRS by SEK 5,560 million (5,326). IFRS 16, additional leases increased during the year, while the adjustment for own housing development projects decreased. Equity according to IFRS amounted to SEK 12,443 million (11,559) which means the equity/assets ratio was 29.5 percent (26.5). The distribution of Annehem Fastigheter has affected equity by SEK -2,087 million, including transaction costs. Interest-bearing net debt according to IFRS amounted to SEK 9,682 million (13,174).

Total assets according to segment reporting per December 31, 2020 were SEK 36,604 million (38,362), of which approximately SEK 4,000 million is related to the acquired paving and mineral aggregates operations. Annehem Fastigheter was



Net debt and debt/equity ratio, segment reporting



\* Not translated according to changed accounting principles for own housing development projects.



included by SEK 2,077 million at the same time last year. Equity amounted to SEK 13,251 million (12,479) which means the equity/assets ratio was 36.2 percent compared to 32.5 percent at the end of 2019. Interest-bearing net debt decreased during the year and amounted to SEK 3,873 million compared to SEK 7,535 million at the same time last year. Net debt includes the unsold part of our own housing development projects in ongoing production. The unsold part decreased and was at the end of the year SEK 1,055 million (3,088). In addition, the positive effects of the distribution of Annehem Fastigheter have reduced net debt. The purchase price of the paving and mineral aggregates operations increased net debt by SEK 3,184 million on April 1, 2020. Since the acquisition took place at the start of the season positive cash flow effects have thereafter contributed to lowering net debt. The average interest rate in the loan portfolio, including derivatives, was 1.4 percent (1.5) on December 31, 2020.

Group liquid funds according to IFRS, including unutilized credit facilities, were SEK 8,822 million at the end of the year compared to SEK 5,013 million on December 31, 2019.

As a consequence of Peab consolidating Swedish tenant-owner associations per January 1, 2020 according to IFRS, surety for tenant-owner associations under production is not reported. When homebuyers take possession of their apartments and the tenant-owner association is no longer consolidated in Peab's accounts, Peab then reports the part of surety for unsold homes. Peab has a guarantee obligation to acquire unsold homes six months after completion. Comparative figures for 2019 have been translated. Group contingent liabilities, including joint and several liabilities in trading and limited partnerships, amounted to SEK 3,500 million at the end of the year compared to SEK 3,443 million on December 31, 2019. Surety for credit lines in tenant-owner associations regarding the unsold part after deconsolidation made up SEK 238 million of contingent liabilities compared to SEK 433 million on December 31, 2019.

#### Net debt

MSEK	Dec 31 2020	Dec 31 2019
Bank loans	2,135	1,864
Commercial papers	110	1,359
Bonds	2,249	2,248
Financial leasing liabilities	634	579
Project financing, unsold part of housing projects	1,055	3,088
Interest-bearing receivables	-1,342	-1,230
Liquid funds	-968	-373
<b>Net debt, segment reporting</b>	<b>3,873</b>	<b>7,535</b>
Additional leasing liabilities according to IFRS 16	1,808	764
Project financing, sold part of housing projects	4,001	4,875
<b>Net debt, IFRS</b>	<b>9,682</b>	<b>13,174</b>

#### Investments and divestments

Net investments have been adjusted for the acquisition of paving and mineral aggregates operations in business area Industry and the distribution of Annehem Fastigheter.

During the year tangible and intangible fixed assets and investment property according to IFRS were net invested for SEK 1,109 million (1,676).

During the year tangible and intangible fixed assets and investment property according to segment reporting were net invested for SEK 732 million (1,554). The investments refer primarily to investments in machines. In the comparable year a large part of the investments referred to building up properties on our own balance sheet and these have been transferred to Annehem Fastigheter during 2020.

Net divestitures in project and development properties according to IFRS totaled SEK 2,842 million (net divestitures SEK 444 million) during the year 2020. During the year more own housing development projects were completed than started up.

Net divestitures in project and development properties according to segment reporting totaled SEK 1,917 million (net divestitures SEK 434 million) during the year 2020. Project and development properties include the unsold part of ongoing own housing development projects. During the year this portion has contracted due to more homes sold than started up.

### Cash flow

Cash flow from current operations according to IFRS amounted to SEK 7,693 million (4,013), of which cash flow from changes in working capital was SEK 3,106 million (144). Having more of our own housing developments completed and sold than production-started had a positive effect on cash flow.

Cash flow from current operations according to segment reporting was strong during the year and amounted to SEK 6,749 million (1,628), of which cash flow from changes in working capital was SEK 2,886 million (-1,427). All business areas reported improved cash flows from changes in working capital except Construction where cash flow was slightly lower compared to 2019. A large part of the positive cash flows from changes in working capital comes from having sold more of our own housing developments than started production during the year.

Cash flow from investment activities according to IFRS was SEK -3,940 million (-787).

Cash flow from investment activities according to segment reporting was SEK -3,970 million (-603) of which the acquisition price of the paving and mineral aggregates operations was included with SEK -3,184 million. Most of the other investments during the year consisted of machine investments in business area Industry.

Cash flow before financing according to IFRS amounted to SEK 3,753 million (3,226).

Cash flow before financing according to segment reporting improved during the year and amounted to SEK 2,779 million (1,025).

### Order situation

The order situation is based on segment reporting which means that tenant-owner associations and housing companies are considered external customers regarding our own housing development projects.

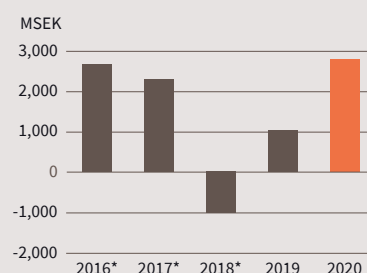
Orders received in 2020 increased by 13 percent and amounted to SEK 49,735 million compared to SEK 44,130 million last year. The acquired paving and mineral aggregates operations contributed by SEK 4,357 million in orders received. Orders received increased in Construction, Industry and Project Development. Without the acquired operations orders received contracted in business area Industry. Group orders received are well spread geographically and there is good product diversity.

Order backlog yet to be produced at the end of the year was SEK 42,709 million compared to SEK 42,494 million at the end of 2019. The order backlog includes order backlog of SEK 1,531 million from the acquired paving and mineral aggregates operations. Of the total order backlog, 32 percent (31) is expected to be produced after 2021 (2020). Swedish operations accounted for 78 percent (80) of the order backlog.

### Orders received

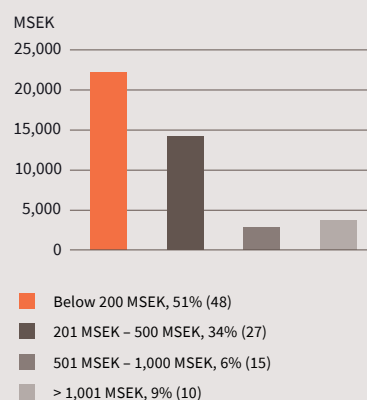
MSEK	2020	2019
Construction	26,597	26,155
Civil Engineering	12,752	13,108
Industry	9,893	6,174
Project Development	6,940	6,164
Eliminations	-6,447	-7,471
<b>Group</b>	<b>49,735</b>	<b>44,130</b>

### Cash flow before financing, segment reporting

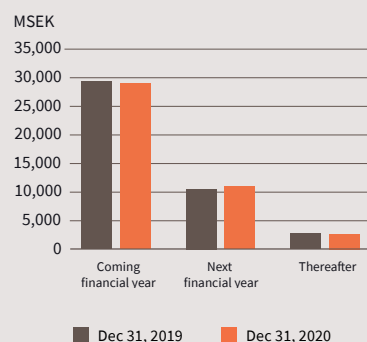


\* Not translated according to changed accounting principles for own housing development projects.

### Project allocation of order backlog, December 31, 2020



### Order backlog allocated over time



**Order backlog**

MSEK	Dec 31, 2020	Dec 31, 2019
Construction	26,558	26,928
Civil Engineering	13,075	13,446
Industry	3,921	2,548
Project Development	5,151	5,027
Eliminations	-5,996	-5,455
<b>Group</b>	<b>42,709</b>	<b>42,494</b>

**Overview business areas and Group functions**

The Peab Group is presented in four different business areas: Construction, Civil Engineering, Industry and Project Development. The business areas are also operating segments. For more information see note 5, Operating segments.

**Group functions**

In addition to the business areas, central companies, certain subsidiaries and other holdings are reported as Group functions. The central companies primarily consist of the parent company Peab AB, Peab Finans AB and Peab Support (Shared Service Center). Peab AB's operations consist of executive management and shared Group functions. The internal bank, Peab Finans AB, handles the Group's liquidity and debt management as well as financial risk exposure. The company is also a service function for the subsidiaries and works out solutions for loans and investments, project-related financing and hedging. Peab Support delivers services to all Group entities within the process-oriented personnel and systems intensive operational areas Accounting, Payroll/Systems and IT.

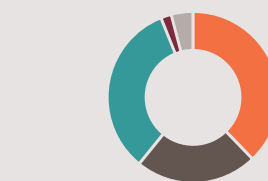
Operating profit for the year for Group functions was SEK -310 million (-278).

Read more about Peab's business areas in the coming sections.

**Net sales and operating profit per business area**

MSEK	Net sales		Operating profit		Operating margin	
	2020	2019	2020	2019	2020	2019
Construction	26,989	29,416	663	711	2.5%	2.4%
Civil Engineering	12,843	13,339	391	367	3.0%	2.8%
Industry	18,720	13,339	1,105	937	5.9%	7.0%
Project Development	7,500	9,125	1,669	1,015	22.3%	11.1%
– of which Property Development	375	786	982	300	261.9%	38.2%
– of which Housing Development	7,125	8,339	687	715	9.6%	8.6%
Group functions	1,206	1,176	-310	-278		
Eliminations	-9,841	-11,046	23	-142		
<b>Group, segment reporting</b>	<b>57,417</b>	<b>55,349</b>	<b>3,541</b>	<b>2,610</b>	<b>6.2%</b>	<b>4.7%</b>
Adjustment housing to IFRS	2,491	954	331	652		
IFRS 16, additional leases	-	-	34	23		
Annehem Fastigheter <sup>1)</sup>	171	-	30	-	17.5%	
Eliminations	-227	-	-14	-		
<b>Group, IFRS</b>	<b>59,852</b>	<b>56,303</b>	<b>3,922</b>	<b>3,285</b>	<b>6.6%</b>	<b>5.8%</b>

1) Refers to January-November 2020

**Employees December 31, 2020**

Construction, 38% (44)
Civil Engineering, 23% (25)
Industry, 33% (24)
Project Development, 2% (2)
Group functions, 4% (5)

On December 31, 2020 the total number of employees in the Group amounted to 15,252 (14,258). Some 2,000 employees were added in connection with the acquisition of the paving and mineral aggregates operations from YIT.

## BUSINESS AREA CONSTRUCTION

# Significant need for homes and community buildings

With local roots close to customers business area Construction does 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.

## Key ratios

	2020	2019
Net sales, MSEK	26,989	29,416
Operating profit, MSEK	663	711
Operating margin, %	2.5	2.4
Orders received, MSEK	26,597	26,155
Order backlog on 31 December, MSEK	26,558	26,928
Number of employees on 31 December	5,878	6,299

ALWALSSEK OLAN

Operations in business area Construction are run via some 150 local offices all over the Nordic region, organized in thirteen 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 organization in Sweden. Other regions are responsible for all types of construction projects in their geographic area.

### The Business 2020

In 2020 building construction in the private and public sectors continued to grow while housing construction continued to contract, particularly in Sweden. The trend has continued of more and more customers requesting sustainable products in which buildings are environmentally and climate certified. Operations have not been noticeably affected by COVID-19.

### Housing shortage

Housing represents a substantial part of net sales in the business area. During the year business area Construction has received a number of housing projects all over the Nordic region. Peab is building 144 apartments for AB Bostäder in Borås in the Regementstaden area. The project has a clear environmental profile that includes solar panel installation and individual measurement and billing of water and electricity consumption. This allows tenants to take an active part in their housing costs and help the environment. In Ängelholm Peab has been commissioned to build 65 new apartments for Backahill Bostäder AB. The project is being constructed according to Miljöbyggnad Silver and will be complemented with solar panels. In Karlstad Peab is building 132 apartments and premises for Karlstads Bostad AB with 250 square meters solar panels on the roof. During the year several apartment renovation projects were initiated in Helsinki. All in all around 400 apartments will become more energy efficiency. Peab's own developed project on Carl Berner Square in Oslo with over 100 homes, shops and restaurants was completed during the year. The project will be environmentally certified according to BREEAM Very Good and has district heating, green roofs, rain beds, climate walls and more.

### Climate smart office buildings

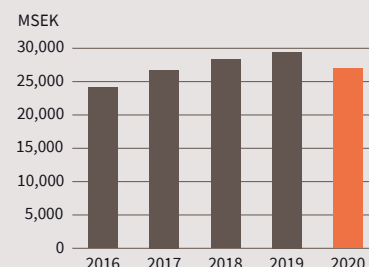
Several climate smart office buildings have been under construction in 2020. The office building Gårda Vesta for Platzer will be Gothenburg's highest when it is ready in the summer of 2021. The building will be certified according to BREEAM and the American standard Well Building. Peab is also building the big office block Platinan in Gothenburg for Vasakronan according to LEED certification with the goal of achieving the highest level, Platinum. In Linköping Peab is building LINK Business Center, a meeting place for business, according to LEED Green Building, level Gold. During the year Peab's own developed office building Peab Center in Malmö opened and was certified according to Miljöbyggnad Silver.

### Public investments in community buildings

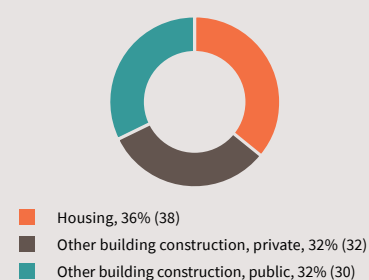
Peab is Sweden's largest school constructor and has also built a number of schools in Norway and Finland. In 2020 we reinforced this position in Sweden through a nationwide framework contract with The Swedish Association of Local Authorities and Regions for concept pre-schools made of wood. Peab's concept pre-schools are designed to be flexible and prioritize the children and activities they house. One example of locally produced building is Södra School in Grums where the wooden frame comes from the local factory. In Helsinki Peab is renovating Etu-Töölö High School sections of which are from the 1930s. At the end of the year Peab was commissioned to build New Vaksdal School in Bergen, which is the first construction project in the region for Peab.

The need for new public buildings continues to be considerable. Peab is participating in developing the new Kiruna City center, building a new culture house, a new

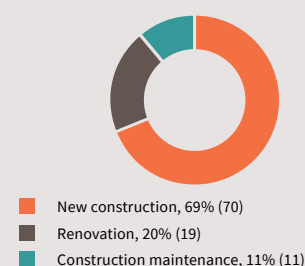
### Net sales



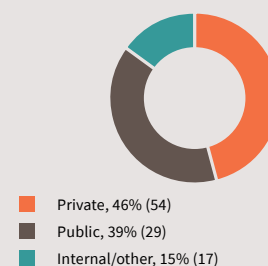
### Per product area, 2020



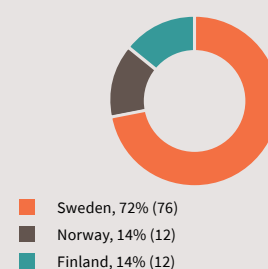
### Per type of operation, 2020



### Per customer type, 2020



### Per geographic market, 2020



police station and public pool facility. Peab is building a new courthouse according to Miljöbyggnad Gold in Malmö. Peab is participating in a number of construction projects in healthcare and nursing, a product category which is essential for communities. New psychiatric premises are being built in Kalmar for Region Kalmar County. Together with Västfastigheter Peab is rebuilding and extending Södra Älvsborg Hospital in Borås including a new infection unit, a new psychiatric ward and laboratories. Peab is also building an assisted living center in Borlänge that will gather municipal services such as a senior activity center, home care offices and a pre-school under one roof. In Northern Norway Peab has been commissioned to build a hospital and nursing home in Hamnvik in Ibestad Municipality in Troms. During the year we completed the construction of a new 5,000 square meter hospital wing at Martina Hansen Hospital in Oslo and we turned the Alta Assisted Living Center over in Northern Norway. Peab continued construction on the next hospital in Seinäjoki for the real estate company Seinäjoen Terveysteknologiakeskus and it is expected to be completed in 2021.

There is a substantial need for new swimming facilities in Sweden and during the year Peab signed contracts to build a number of new ones. One is being built for Solna City and Peab completed a new indoor pool and sports facility commissioned by Köping Municipality. Arena Älvhögsborg in Trollhättan is a pool and sports facility owned jointly by Peab and Trollhättan City and in the autumn of 2020 a new 25 meter pool, relaxation section and play and adventure areas were opened.



During the year business area Construction has received a number of housing projects all over the Nordic region.

#### Other projects

Peab began construction in Nurmijärvi of what will be one of the largest S-Market stores in Finland. S-Market is Finland's biggest grocery store chain and the new store will be two stories with a gross area of 10,600 square meters. In Northern Norway Peab has been commissioned in Senja to build a new land-based fish farm. The facility will be 16,000 square meters in total and includes the construction of a warehouse, workshops, laboratories, dining room and personnel housing.

#### Net sales and profit

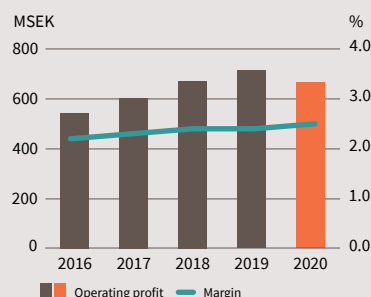
Net sales for 2020 decreased by eight percent and amounted to SEK 26,989 million (29,416). The decrease is attributable to Sweden while net sales in operations in Norway and Finland increased. The proportion of housing continues to contract while other building construction for the public sector has grown.

Operating profit for the year amounted to SEK 663 million (711) and the operating margin amounted to 2.5 percent (2.4).

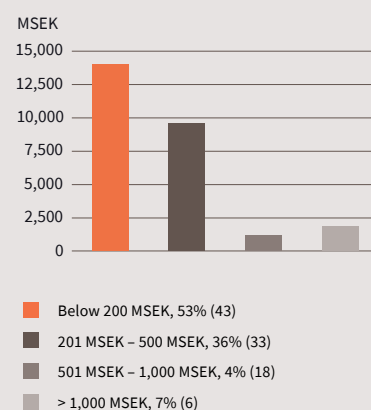
#### Orders received and order backlog

Orders received during 2020 increased slightly to SEK 26,597 million (26,155). The orders received are relatively well spread regarding products and location. Order backlog on December 31, 2020 was SEK 26,558 million compared to SEK 26,928 million at the end of December 2019.

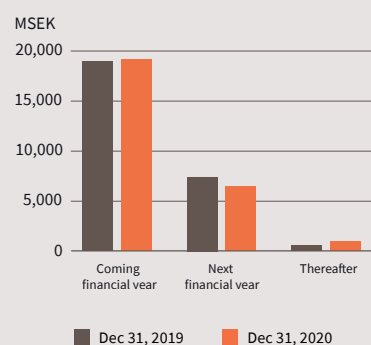
#### Operating profit and margin



#### Project allocation of order backlog, 31 Dec, 2020



#### Order backlog allocated over time



## BUSINESS AREA CIVIL ENGINEERING

# The need for infrastructure is positive for Civil Engineering

Business area Civil Engineering is a leading actor in Sweden with operations in Norway. Civil Engineering's operations in Finland became part of business area Industry in the autumn of 2020, which creates a better platform for developing Peab in Finland.

## Key ratios

	2020	2019
Net sales, MSEK	12,843	13,339
Operating profit, MSEK	391	367
Operating margin, %	3.0	2.8
Orders received, MSEK	12,752	13,108
Order backlog on 31 December, MSEK	13,075	13,446
Number of employees on 31 December	3,523	3,511

Civil Engineering works with landscaping and pipelines, builds and maintains roads, railroads, bridges and other infrastructure as well as does foundation work. Operations are organized in geographic regions and the three specialized product areas: Local market, Infrastructure and heavy construction and Operation and maintenance.

Local market works with landscaping and pipelines, foundation work and builds different kinds of facilities. Infrastructure and heavy construction builds roads, railroads, bridges, tunnels and ports. Operation and maintenance handles national and municipal highways and street networks, tends parks and outdoor property as well as operates water and wastewater networks. The business area collaborates over regional and country borders to share in the development of core skills and to create scale advantages in larger and more complex projects.

**The Business 2020**

The markets in Sweden and Norway developed well in both Infrastructure and Local market during the year. The level of orders received has been good in the business area with a well-balanced risk profile. Operations have not been noticeably affected by COVID-19.

**Local market**

Local market makes up about half of business area Civil Engineering's net sales and consists of many projects of various size in both Sweden and Norway. During the year a partnership contract was signed with Alingsås Municipality to build the Nolhaga wastewater treatment plant. The project will be carried out in close collaboration with our customer. A new logistics park connected to the Tunadal Port is being built in Sundsvall. The project entails construction of a new combi terminal with establishment surfaces, roads and railroads. The logistic park will be the first to be built according to environmental certification system Ceequal.



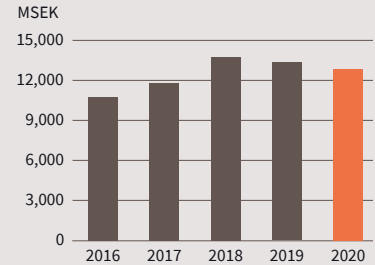
The markets in Sweden and Norway developed well in both Infrastructure and Local market during the year.

We are decontaminating and stabilizing contaminated soil in Norra Djurgård City in Stockholm. To avoid unnecessary transportation the majority of the soil will be decontaminated in place instead of being transported to a landfill. The decontaminated material will then be used as filling and become the foundation for future streets and housing in the area. During the year Returum, which is Kristianstad's new recycling center and sustainability park, was completed. Now it has a safer traffic flow, high accessibility and the capacity to handle larger volumes and more source-sorted fractions. The facility was paved with ECO-Asfalt.

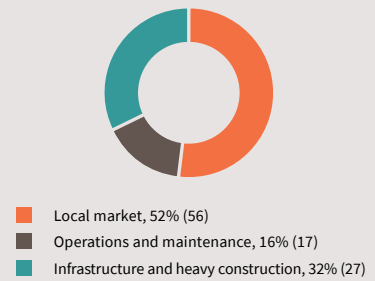
**Operation and maintenance**

Peab maintains 24 of 108 national road operation areas run by the Swedish Transport Administration. Contributing to roads that are safe for traffic with good passability is essential to a functioning society. A number of options on contracts for national road maintenance were extended during the year. A few examples of new contracts for municipal road operations are the maintenance of roads and parks in Norrmalm and Södermalm in Stockholm as well as operation and maintenance in Kävlinge and Burlöv municipalities in Skåne.

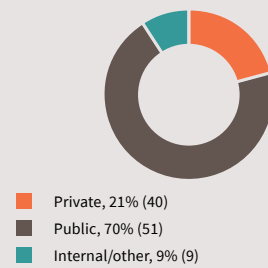
**Net sales**



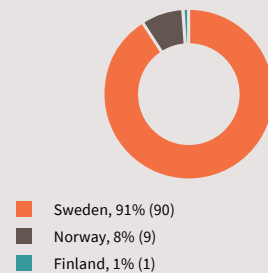
**Per product area, 2020**



**Per customer type, 2020**



**Per geographic market, 2020**





### Infrastructure

There is a substantial need for better infrastructure in the Nordic region. During the year we have received several new road projects from the Swedish Transport Administration, among them construction of ten kilometers of Highway 23 between Huseby and Marklanda in Småland and four kilometers on the existing stretch of E20 between Tollered and Ingared outside Gothenburg. During the year two major road projects were turned over to the Swedish Transport Administration six months ahead of schedule – E20 between Alingsås and Vårgårda and E22 between Sätaröd and Vä outside Kristianstad. Both roads were paved with ECO-Asfalt.

Our Norwegian operations received two major partnership projects during the year. A stretch of around seven kilometers of road south of Trondheim on E6 between Kvål and Melhus is being built with four lanes for Nye Veier and a new main street is under construction in Skårersletta in Lørenskog Municipality outside Oslo.

Civil Engineering's largest ongoing project is the overpass Olskroken in Gothenburg which will run until 2025. It is one of the most important junctions in the Swedish railroad system. The project is progressing in a complex and planning intensive environment. During the year we have done extensive groundwork, landscaping and bridge work. This is the foundation for next year's big train stop when several trunk lines, among others the Västa trunk line and the Bohus line, will be rebuilt. In October Swerock delivered ECO-Betong with a completely electric concrete vehicle for the first time.

At the end of the year Peab signed a contract with Trollhättan Municipality for the construction of Stridsberg Bridge. The Bridge spans over Göta River and will be 254 meters long with an openable part in the form of a double folding bridge.

For a number of years Civil Engineering has developed expertise in port and seaside contracts. We have developed methods for stabilizing contaminated sludge, our own technology through Peab Civil Engineering Technology, our own boats and prams through Peab Marine and our own sea measurement unit which was created in 2020. During the year several port projects were launched, for example in Trelleborg, Gothenburg, Norrköping, Karlshamn, Köping and Bergen.

### Net sales and profit

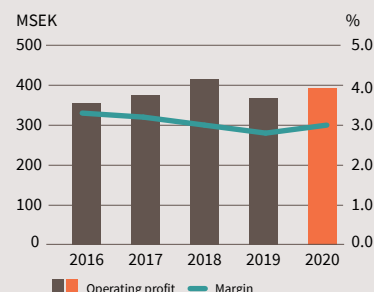
Net sales decreased during the year by four percent and amounted to SEK 12,843 million (13,339). Even after adjustments for acquired units net sales decreased by four percent. Net sales increased in Infrastructure during the year while net sales in Local market as well as Operations and maintenance were lower.

Operating profit for the year amounted to SEK 391 million (367) and the operating margin improved to 3.0 percent (2.8). Local market and Infrastructure have improved earnings during the year while Operation and maintenance have continued on a lower level.

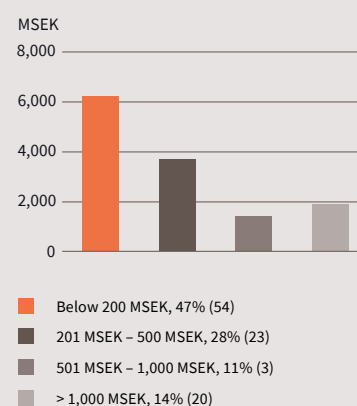
### Orders received and order backlog

Orders received during the year decreased to SEK 12,752 million (13,108). Order backlog on December 31, 2020 amounted to SEK 13,075 million (13,446).

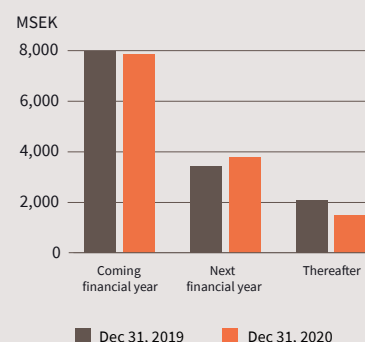
### Operating profit and margin



### Project allocation of order backlog, 31 Dec, 2020



### Order backlog allocated over time



## BUSINESS AREA INDUSTRY

# Acquisitions reinforce our Nordic position

Business area Industry has the products and services needed to carry out a sustainable and cost-efficient construction and civil engineering project on the Nordic market. With local roots our companies take on jobs big and small.

## Key ratios

	2020	2019
Net sales, MSEK	18,720	13,339
Operating profit, MSEK	1,105	937
Operating margin, %	5.9	7.0
Orders received, MSEK	9,893	6,174
Order backlog on 31 December, MSEK	3,921	2,548
Capital employed on 31 December, MSEK	8,822	6,799
Number of employees on 31 December	4,967	3,482
Concrete, thousands of m <sup>3</sup> <sup>1)</sup>	1,372	1,344
Paving, thousands of tons <sup>1)</sup>	8,396	2,718
Mineral Aggregates, thousands of tons <sup>1)</sup>	32,229	15,755

<sup>1)</sup> Refers to sold volume

Industry offers everything from mineral aggregates, concrete, paving and temporary electricity to prefabricated concrete elements. Business area Industry also assists with crane and machine rental, distribution of binder to the concrete industry, transportation as well as recycles production waste and excavated soil. The business area is run in six product areas: Mineral Aggregates, Paving, Concrete, Transportation and Machines, Rentals and Construction System.

Business area Industry contains strong brands that complement the Peab brand such as Lambertsson, Swerock, Peab Asphalt, Clifton, Swecem, Skandinaviska Byggelement, Smidmek Glacell, Rådasand, Virtanen and Kranor.

### The business 2020

On July 4, 2019 Peab signed a contract to acquire YIT's paving and mineral aggregates operations in the Nordic region. At the end of March 2020 the transaction was approved by the competition authorities and the acquisition was finalized on April 1, 2020. Through the acquisition Peab expanded its presence in Sweden, Norway and Finland and became established in the paving business in Denmark. The acquisition entailed taking over some 2,000 employees, around 200 strategically located quarries and 63 production asphalt plants in the Nordic region. The operations have primarily been integrated into the companies Peab Asphalt and Swerock. This gives Peab a unique and market leading position in paving and mineral aggregates in the Nordic region. The acquisition also provides conditions for further expansion and development in other operations such as Recycling and Concrete. The transaction was a combination of an asset deal and share purchase and the total purchase price on a debt free basis amounted to SEK 3,184 million. For more information see note 6.

Peab has worked to develop our own ECO-products for several years now. Our ECO concepts consist of products that are better for the climate and environment and we have added ECO-Ballast, ECO-Prefab and ECO-Stomme to the already existing brands of ECO-Asfalt and ECO-Betong. Read more under the section Environment.



The acquisition entailed taking over some 2,000 employees, around 200 strategically located quarries and 63 production asphalt plants in the Nordic region.

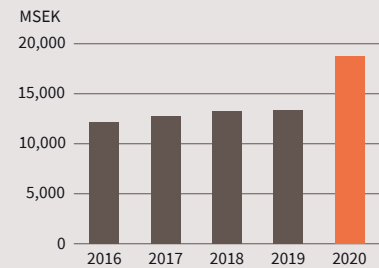
### Growing paving operations

During the year Peab Asphalt has had high volumes in Paving and the acquired operations have developed well. Its market position in the Nordic region continues to be strong with a growing number of contracts from municipalities while maintaining business with private and state customers on the same level. The amount of reclaimed asphalt pavement continues to grow in the Nordic countries. Finland is in the lead, where 28 percent of all asphalt production contains reclaimed asphalt pavement, followed closely by Denmark. The binder bitumen is a vital raw material in Paving. As a result of the uncertainty connected to deliveries from Nynas Peab has worked with replacements for bitumen as well as alternative suppliers.

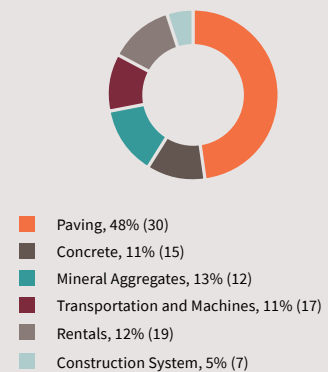
### Circular material

The work to ensure access to raw material has progressed in Mineral Aggregates. The synergies in establishing concrete and asphalt plants and recycling operations close to mineral aggregates are significant. With the C&D Recycling Wash Plants in Malmö and Sundsvall Swerock contributes to circular material flows by recycling up to 80 percent of surplus excavated soil.

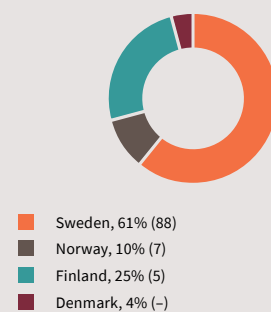
### Net sales



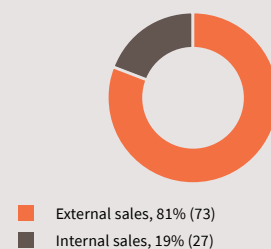
### Per product area, 2020



### Per geographic market, 2020



### Share of net sales, 2020



### Investment in ECO-Betong

Concrete production has been high in 2020, although it varied from region to region. We opened another climate smart concrete factory with state-of-the-art technology this year in Skara.

ECO-Betong combines good performance with up to 50 percent less carbon dioxide emissions. ECO-Betong, where part of the energy intense cement is replaced with slag, has been thoroughly tested internationally and has many technical advantages.

### Construction System develops new products

During the year Construction System launched the new climate improved products ECO-Prefab and ECO-Stomme. The concept of climate smart railroad carriage was expanded to include more factories. During the year Construction System started a manufacturing unit in Ängelholm for balconies and road blocks.

Smidmek, which delivers comprehensive solutions for frames made of steel, concrete and sheet metal, started up a new unit in Solna to be closer to the market in the middle of Sweden. At the end of 2020 it received a major contract for the delivery of frames to a new building at Danderyd Hospital in Stockholm.

### Environmentally friendly range in Rentals

Crane operations in Sweden (Lambertsson), Norway (Kranor) and Finland (Virtanen) developed well in 2020. In Sweden Lambertsson continued to invest in a more environmentally friendly offer with, for example, more electric machines.

### Net sales and profit

Net sales for 2020 increased by 40 percent and amounted to SEK 18,720 million (13,339), of which the acquired operations contributed by SEK 5,944 million. Adjusted for the acquired operations, net sales contracted by four percent to SEK 12,776 million. Net sales increased in Mineral Aggregates and Concrete while they decreased in Transportation and Machines, Rentals and Construction System.

Operating profit for the year increased to SEK 1,105 million (937) with an operating margin amounting to 5.9 percent (7.0). Not including the acquired operations, operating profit was SEK 855 million and the operating margin was 6.7 percent. The lower operating margin is due to a lower profit in Rentals and Construction System.

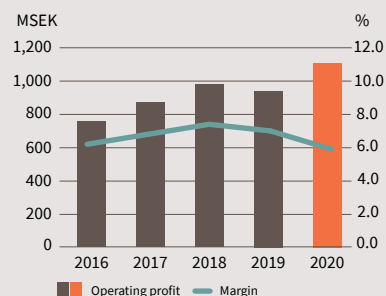
The underlying operations in the acquired companies contributed to operating profit by SEK 494 million. Depreciation on surplus values for, among other things, customer contracts in the order backlog taken over and fixed assets amounted to SEK -189 million. Depreciation on surplus values for customer contracts in the order backlog taken over have been high throughout 2020 and will also affect part of 2021. In addition, acquisition costs and transfer tax in Finland have charged profits in total by SEK -55 million. All in all operating profit for the year was affected by SEK 250 million related to the acquired operations. Because the acquired operations have a very clear seasonal pattern the first quarter is characterized by considerable deficits since the season starts in the second quarter. If the acquisition had taken place on January 1, 2020 profit in the first quarter would have been affected by SEK -297 million and the underlying operations would have had an accumulated operating profit per December 31, 2020 of SEK 197 million.

Capital employed in Industry was at the end of the year SEK 8,822 million compared to SEK 6,799 million at the end of last year. The increase is due to the acquired operations.

### Orders received and order backlog

Orders received during 2020 increased to SEK 9,893 million (6,174), of which orders received from the acquired operations amounted to SEK 4,357 million. Order backlog on December 31, 2020 amounted to SEK 3,921 million (2,548), of which order backlog related to acquired operations was SEK 1,531 million.

### Operating profit and margin



## BUSINESS AREA PROJECT DEVELOPMENT

# Strong development despite uncertain circumstances

Project Development, which comprises Housing Development and Property Development, creates sustainable and vibrant urban environments with residential, commercial and public property.

## Key ratios

	2020	2019
Net sales, MSEK	7,500	9,125
<i>of which Property Development</i>	375	786
<i>of which Housing Development</i>	7,125	8,339
Operating profit, MSEK	1,669	1,015
<i>of which Property Development</i>	982	300
<i>of which Housing Development</i>	687	715
Operating margin, %	22.3	11.1
<i>of which Property Development</i>	261.9	38.2
<i>of which Housing Development</i>	9.6	8.6
Capital employed on 31 December, MSEK	12,189	16,679
Orders received, MSEK	6,940	6,164
Order backlog on 31 December, MSEK	5,151	5,027
Number of employees on 31 December	248	343

Project Development 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.

Peab is one of the largest housing developers in Sweden and has a strong position on the market. Operations are spread throughout the country which provides good local and regional understanding about the various local market conditions. In Finland Peab is represented in Helsinki and a number of other large regional cities. In Norway operations are located in the Oslo area, Tromsø and Ålesund.

Property Development develops offices, premises and sometimes whole city boroughs in collaboration with municipalities and other partners. The business is primarily focused on the big city areas throughout the Nordic region.

### Net sales and profit

Net sales for the year 2020 in business area Project Development decreased to SEK 7,500 million (9,125). The decrease is primarily due to lower net sales in Housing Development. Operating profit was SEK 1,669 million (1,015), of which the effect of distributing Annehem Fastigheter was SEK 896 million. Last year included an income contribution of SEK 170 million from the divestiture of property in the partially owned company Acturum.

Capital employed in Project Development decreased and amounted to SEK 12,189 million (16,679) at the end of the year. Capital employed contracted in Housing Development as a consequence of more homes being sold than production-started. Annehem Fastigheter was included by SEK 1,927 million in Property Development at the end of last year.

### Capital employed

MSEK	Dec 31, 2020	Dec 31, 2019
Operations property	161	1,226
Investment property	112	500
Project and development property	9,060	11,850
<i>of which housing development rights</i>	4,819	5,674
<i>of which commercial development rights</i>	585	556
<i>of which unsold part of ongoing housing projects</i>	1,730	3,520
<i>of which ongoing rental projects in Sweden</i>	1,100	846
<i>of which ongoing commercial projects</i>	226	445
<i>of which completed property</i>	311	391
<i>of which other</i>	289	418
Participation in joint ventures	1,873	2,019
Loans to joint ventures	1,213	1,106
Working capital and other	-230	-22
<b>Total</b>	<b>12,189</b>	<b>16,679</b>

### Housing Development

There is still a housing shortage on the markets we are active in. Peab's range of housing forms on the Nordic market is broad; apartment buildings with tenant-owner apartments, condominiums and apartments for rent as well as homeowner or tenant-owner single homes.

Demand during 2020 was initially high in all three Nordic countries. When COVID-19 broke out the markets shutdown but have recovered during the summer and in the end development was good in all three countries.

Peab strives to be a forerunner in sustainable urban development which includes focusing on vibrant and safe neighborhoods with meeting places. Our new, own

### Net sales per geographic market, 2020



Sweden, 60% (65)  
Norway, 14% (10)  
Finland, 26% (25)



Brf Fyrskeppet in Malmö will be one of Peab's most climate smart residential blocks so far, aided by the Peab Group's own ECO-products.



In Tromsø Peab developed the project Norheim with a total of 122 homes. Environmental aspects are an important parameter in the project, which will be Swan ecolabeled. Construction began in 2020 and the whole project will be completed in 2023.

developed apartment buildings in Sweden are certified according to the Swan ecolabel. In 2020 operations in Norway decided to certify their new productions according to the Swan ecolabel and in Finland similar measures are being taken to increase energy efficiency and reduce climate impact.

Peab's position on the Swedish housing market is strong. The development rights portfolio is well spread geographically and every year Peab starts new projects all over the country. Several major housing projects in Sweden are urban development projects where collaboration between a number of partners is an important success factor.

In city development project Varvstaden in Malmö, which Peab owns together with Balder, around 2,500 new homes will be constructed. Peab is working closely with Malmö City on the project which has a clear sustainability and climate profile and reusing material is an important component. Among the project start-ups is Swan ecolabeled Brf Varvskajen with 128 apartments in total. Another housing project is Swan ecolabeled Vélo at Dockan in Malmö with 81 apartments where planning is based on bicyclists' perspective in order to promote the environment and wellbeing.

During the year we have noted a growing demand for housing in the Stockholm area and one of the larger project start-ups is Teleterassen in Farsta on the outskirts of Stockholm where 186 apartments are being built in three stages. Solvända and Solhatten with 143 apartments are being built in the centrally located Kvarnholmen in Nacka, close to the water and nature. All the projects are Swan ecolabeled and Trygg BRF labeled.

The Finnish housing market developed positively despite rather bleak forecasts, and the number of homes sold was almost on par with 2019. However, the total number of construction start-ups contracted somewhat in Finland. Peab sold more homes than ever in 2020. Construction on the development project Stuveri in Tikkurila in Vantaa began and project Spinnu continued in Tampere. Other project start-ups during the year were Sumppari, Avalon and Jousenportti in the Helsinki region, all in all 240 apartments. All the housing projects are being built with green electricity and their carbon dioxide footprint is measured.

The housing market in Norway developed well in 2020 with a good price development, especially in the Oslo area. Peab started up many new housing projects and a number were completed during the year. Environmental and sustainable aspects are prioritized when developing and carrying out these projects. One example is Carl Berner Square in Oslo with 111 homes and commercial premises that was completed and turned over during 2020. The entire project will be environmentally certified according to BREEAM Very Good. In 2020 Peab also developed the new city block Sandefjord Hageby where a total of 800 homes are planned with the ambition to create a forward-looking and environmentally friendly borough. In Tromsø Peab is building 180 apartments in the Skir project with focus on local input goods, local employees and local suppliers.

### Housing development rights

Number, approx.	Dec 31, 2020	Dec 31, 2019
Development rights on our own balance sheet	18,900	20,300
Development rights via joint ventures	4,400	4,600
Development rights via options etc.	9,700	9,500
<b>Total</b>	<b>33,000</b>	<b>34,400</b>

### Own housing development construction

	2020	2019
Number of housing starts during the year	2,291	2,067
Number of sold homes during the year	2,682	2,709
Total number of homes under construction, at year-end	4,014	4,616
Share of sold homes under construction, at year-end	73%	69%
Number of repurchased homes on the balance sheet, at year-end	222	253



As Oy Vantaas Stuveris' twelve floors provide a magnificent view and it is directly linked to the renovated sections of the city. The project consists of 72 apartments.



Brf Ängen in Vänersborg consists of 32 homes in small scale apartment buildings and townhouses. Construction began in August 2020 and the take over will be in the autumn of 2021.

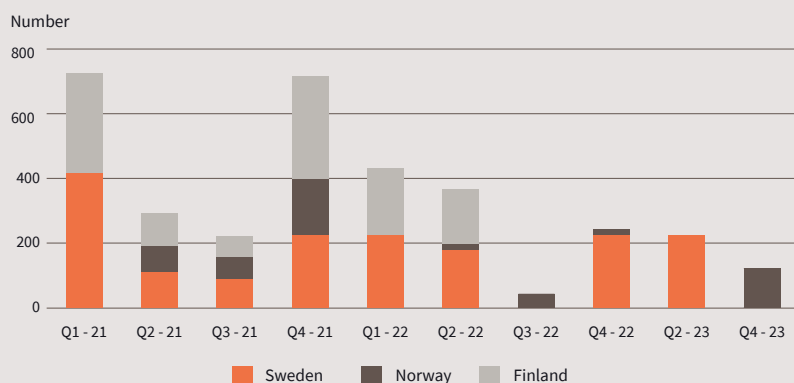
### Net sales and profit

Net sales decreased to SEK 7,125 million (8,339). The reduction is mainly related to Sweden. Operating profit amounted to SEK 687 million (715) and the operating margin improved to 9.6 percent (8.6).

The number of start-ups of our own developed homes amounted to 2,291 units (2,067), most of which were in Sweden. The start-ups are spread geographically in Sweden, Norway and Finland. The number of sold homes was 2,682 (2,709). Sales of homes were high during the beginning of the year but slowed down when the corona pandemic broke out in the spring. During the summer and in the beginning of autumn demand for our housing has grown and all together sales have been good during the year in all three countries. The number of own developed homes in production at the end of the year was 4,014 (4,616). The level of sold homes in production was 73 percent (69). The number of repurchased homes per December 31, 2020 was 222 (253) of which two thirds were in Sweden, a few were in Norway and the rest in 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.

The diagram below shows when in time our own housing development projects will be completed and will be handed over to the end customers.

### Ongoing own housing development projects <sup>1)</sup>



<sup>1)</sup> Refers to Swedish tenant-owner associations and own single homes, Norwegian condominiums and share housing and Finnish residential limited companies.

Capital employed has decreased at the end of the year compared to the corresponding point in time in 2019. The reduction is largely due to less capital tied up in unsold homes. In recent years we have completed more homes than production started which is why the amount has contracted. At the same time we have had a good rate of sales, which has reduced the amount of capital tied up in unsold homes. Capital employed also includes apartments for rent projects in Sweden that can be converted to tenant-owner homes or be sold on the investment market.

In October 2020 Peab signed contracts for the sales of three tenancy projects and an assisted living facility, all in all 280 apartments, which will be on Peab's balance sheet under construction and turned over during 2022-2024. The sales value is SEK 775 million. One apartment building project in Malmö and one in Partille are sold to Annehem Fastigheter, one apartment building project in Örebro is sold to a local actor and an assisted living facility is sold to SPP Fastigheter (publ). The projects will be recognized in profit/loss when they are turned over.

In December 2020 Peab signed contracts to sell four tenancy projects with a total of 312 apartments for a total value of SEK 824 million. The four projects consist of apartments in Botkyrka, Västerås, Eskilstuna and Trollhättan. The project Flottiljen in Botkyrka is sold to Niam, the project Poseidon in Västerås and Fristaden in Eskilstuna are sold to Podium Fastigheter AB and the project Traversen in Trollhättan is sold to Fortinova Fastigheter AB. All the tenancy projects will be on Peab's own balance sheet under construction and will be recognized in profit/loss when turned over in 2023.



## Property Development

Property Development refines and develops locations and land for commercial properties.

It is primarily geared to run development projects based on development rights on our own balance sheet. Collaboration with partners via joint ventures may occur at different times during a project or encompass long-term development of an area.

In 2020 the leasing market for office buildings in Swedish big city regions was despite COVID-19 relatively stable during the year. Rent levels have more or less remained on the same level as in 2019.

Development of the city borough Hyllie in Malmö continues and the year began by inaugurating the office building project The Point. In Hyllie the first of a total of five office buildings, where Peab has an office, in the project The Gate was completed. In Varvstaden in Malmö the project for rebuilding the 4,600 square meter historic building Gjuteriet, which Oatly will lease, started up during the year. The facades and steel construction will be preserved in the new design for the building, which is good for the environment. Ledvolten is ongoing in Solna, a 4,500 square meter office building project that is contracted to be sold to Annhem Fastigheter in 2021.

During the year Peab decided to distribute and list Annhem Fastigheter which was previously part of Project Development. The property portfolio consisted mainly of modern, environmentally friendly office buildings located in Nordic big city regions that Peab had developed and constructed in recent years.

### Net sales and profit

During the year 2020 net sales were SEK 375 million (786) and operating profit was SEK 982 million (300), of which the effect of distributing Annhem Fastigheter was SEK 896 million. Some operations connected to air travel and tourism have been negatively affected by the corona pandemic which has lowered operating profit by SEK -64 million, of which SEK -44 million is related to Ängelholm Helsingborg Airport. The amount includes a SEK -20 million write-down of goodwill. Ängelholm Helsingborg Airport was divested during the year. During the year Property Development divested its 50 percent ownership in Nya Bara Utvecklings AB to Brinova with a positive effect on profit of SEK 30 million. Last year included an income contribution of SEK 170 million from the sales of property in the partially owned company Acturum.

At the end of the year capital employed in Property Development has contracted due to the transfer of fully developed properties to Annhem Fastigheter. At the same time last year Annhem Fastigheter was included by SEK 1,927 million.

Capital employed in Property Development includes as of 2020 primarily commercial development rights, ongoing property projects, shares in partially owned companies as well as loans to partially owned companies.

During the second quarter 2020 property containing offices and parking space in Solna was divested to Annhem Fastigheter and in the fourth quarter another property was divested in Oslo. Peab has signed a contract with Annhem Fastigheter to divest two more property projects located in Solna and Helsingborg respectively during 2021. The table below presents the larger ongoing property projects per December 31, 2020.

### Property projects

Type of project	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	Helsingborg	2,900	88	92	106	Q2-2021	87
Office building	Solna	4,300	89	111	194	Q3-2021	57
Sports hall	Sundsvall	14,700	100	78	212	Q2-2022	37
<b>Total</b>				<b>281</b>			
				<i>of which operations property</i>	92		
				<i>of which project and development property</i>	189		



Ultimes Business Garden II in Helsinki is a seven story office building with 7,900 square meters office space for rent and 150 parking places. The property was completed and acquired by Annhem Fastigheter in 2020.



In Varvstaden in Malmö the iconic building Gjuteriet, where parts for ships were previously cast, is being turned into a modern and sustainable meeting place. The project will be completed in 2023 through Centur, a company jointly owned with Balder.

## 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.

### Tornet Bostadsproduktion AB

Develop, own 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, 2020<sup>1)</sup>:** SEK 5,019 million (4,300)

**Peab's portion of unrecognized fair value exclusive tax<sup>1)</sup>:** SEK 357 million (260)

**Major ongoing projects:** LP Parken, Gothenburg Rentable area 15,000 m<sup>2</sup>, Tallbohov, Järfälla Rentable area 10,500 m<sup>2</sup> and two other apartment building projects in Helsingborg

### 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, 2020<sup>1)</sup>:** SEK 7,103 million (6,621)

**Peab's portion of unrecognized fair value exclusive tax 1):** SEK 427 million (421)

**Major ongoing projects:** Gjuteriet Varvsstaden, Malmö, renovation of around 4,600 m<sup>2</sup> (tenant Oatley)

### 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, 2020:** SEK 1,956 million (1,870)

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

### Point Hyllie Holding AB

Own and manage the office property The Point as well as 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, 2020:** SEK 1,356 million (1,279)

**Major ongoing projects:** No major ongoing projects



### Key ratios 2020 significant joint ventures<sup>1)</sup>

MSEK	Fastighets AB Centur	Tornet Bostadsproduktion AB	Fastighets AB ML4	Point Hyllie Holding AB
Net sales	408	188	101	43
Profit for the year	179	282	16	-23
Total assets	7,332	5,163	2,180	1,426
– of which recognized value of properties	7,103	5,019	1,956	1,356
Peab's portion of unrecognized fair value exclusive tax	427	357		

<sup>1)</sup> Refers to the recognized value of joint venture companies for January – December 2020 and per December 31, 2020. Since Fastighets AB Centur and Tornet Bostadsproduktion AB apply the market value of properties, the values in the table above differ from the values presented in the Peab Group for joint venture companies in note 19.



## Annhem Fastigheter

### Background

In February 2020 Peab's Board proposed to the AGM an extra distribution of all the shares in a newly formed company holding Peab's wholly owned, fully developed commercial properties, earlier included in business area Project Development and the entity Property Development. As a result of the spread of the coronavirus and its effects on external circumstances and financial markets Peab's Board decided to withdraw the proposal to the Annual General Meeting. With the uncertain situation in the world it was not the right time to list the company. Based on market assessments as well as the development presented in the second quarter report Peab's Board decided in August 2020 to propose a new date for the distribution of Annhem Fastigheter. An Extra General Meeting (EGM) was held November 12, 2020 and Peab's shareholders adopted its proposal to distribute Annhem Fastigheter.

### Distribution and listing

The distribution ratio was 1:5 which meant that one share in Peab entitled to one share right of the same sort in Annhem Fastigheter, and five share rights entitled to one share of the same sort in Annhem Fastigheter. Distribution was carried out in December 2020 and the first day of trading in Annhem Fastigheters' B shares on Nasdaq Stockholm was December 11, 2020. The first trading price was SEK 35 per share.

The distribution corresponds to equity of around SEK 2 billion. The level of equity and borrowing in Annhem Fastigheter has been determined based on the current property portfolio and taking into consideration future growth.

### Distribution effects in the Peab Group

At the distribution of Annhem Fastigheter the difference between fair value and book values was recognized in the Group in Property Development at SEK 896 million. In addition, previously eliminated construction contract profit of SEK 56 million was reversed under Eliminations. All in all, operating profit in the Peab Group has been affected positively by SEK 952 million. At the time of the distribution the balance sheet total in Annhem Fastigheter in the Peab Group amounted to SEK 2,334 million. Additional IFRS 16, Leases for office rent increased by SEK 564 million and therefore the net effect on Peab's balance sheet total amounted to SEK -1,770 million at the time of the distribution, of which the effect on equity was SEK -1,054 million. In addition, distribution costs of SEK -22 million after tax have charged equity. For more information see note 46. For information on the effects in Peab AB see Report on changes in equity – the parent company.



### Business concept, board and management

Annehem Fastigheter will own and manage high quality commercial, community and residential property with a clear environmental profile and good connections to the Nordic growth areas Stockholm, Skåne, Gothenburg as well as Helsinki and Oslo. Annehem Fastigheter builds lasting relationships and value through management close to customers.

The board of Annehem Fastigheter consists of Göran Grosskopf, Pia Andersson, Jesper Göransson, Anders Hylén, Lars Ljungälv and Karin Ebbinghaus. Göran Grosskopf has been appointed chairman. In addition, Jörgen Lundgren has been appointed CEO, Jan Egenäs as CFO and Adela Colakovic as Group Accounting Manager for Annehem Fastigheter. Jörgen Lundgren leaves his position as CEO of Solnaberg Property AB (publ). Jörgen Lundgren has previously held positions such as President and CEO of Fastighetssaktiebolaget Norrporten and is, among other things, currently a board member of Aros Bostäder and vice chairman of Mäklarhuset.

### Net sales and profit

The property portfolio in Annehem Fastigheter is being built up. Revenue and profit will successively increase in the coming years as more property is taken over. The distribution of Annehem Fastigheter was completed at the beginning of December, which is why net sales and profits are included in Peab until November 2020.

Net sales for January-November 2020 amounted to SEK 171 million. Operating profit amounted to SEK 30 million and operating margin was 17.5 percent. Listing and separation costs of SEK 14 million were included in operating profit. Depreciation and write-downs for the period were SEK -46 million.

### Property portfolio

Annehem Fastigheter owns assets in the form of fully developed properties and on September 30, 2020 the market value of the properties was approximately SEK 3,300 million. During the second quarter it was decided not to include Peab's partially owned company Nya Bara Utvecklings AB in Annehem Fastigheter. During the third quarter it was decided that Peab's 50 percent ownership in the joint venture company, Point Hyllie Holding AB will not be owned by Annehem Fastigheter but remain in Peab.

During the second quarter Annehem Fastigheter acquired a property containing offices and parking space in Solna for a market value of SEK 290 million from Peab and during the fourth quarter a property in Oslo with a sales value of SEK 278 million. Annehem Fastigheter has also signed a contract in October 2020 with Peab to acquire further properties after they are completed. Two properties located in Solna and Helsingborg will be transferred in 2021 for a total sales value of SEK 406 million and two housing properties with a total sales value of SEK 385 million will be turned over in 2022 and 2024 respectively.

Wholly owned property	Location	Rentable area in m <sup>2</sup>	Degree rented, %
Business park	Ängelholm	51,500	93
Business park	Ljungbyhed	77,200	77
Office building	Solna	12,400	100
Office building	Solna	13,500	100
Office building	Helsinki	9,300	100
Office building	Helsinki	7,600	100
Retail and offices	Gothenburg	6,400	99
Office building	Malmö	4,900	100
Office building	Malmö	1,000	100
Retail	Oslo	3,600	100

# Risks and risk management

**The ability to systematically identify, assess and manage risks is crucial for Peab's business to be sustainable long-term and good risk management can also provide opportunities for value creation.**

Risk and risk management is an important part of Peab's governance. Peab's presence in four Nordic countries, operations in four business areas and customers in the private and public sectors provide the foundation for spreading risks well.

## **Risks and uncertainty factors**

Peab's business is exposed both to operative and financial risks as well as compliance risks and external and market risks. How much risks affect Peab's profit and position depends on how well the company handles daily operations. These four risk categories can also have a direct impact on confidence in Peab and our brand. Risks connected to sustainability can be found in each of the four risk categories.

External and market risks are events that are out of Peab's control but which affect the business environment. These are, for example, developments in the economy, customer behavior, climate impact and political decisions. Peab can, on the other hand, affect and manage operative risks. These are matters such as project steering, skills recruitment and product and method choices. Compliance risks concern following laws and regulations such as complying with policies and ethical principles. Financial risks are primarily associated with interest and credit risks and the company's need for capital, tied up capital and access to financing.

In the beginning of 2020 the coronavirus spread over a large part of the world. Governments and central banks are implementing different forms of crisis packages to reduce the negative financial effects. The entire global economy is affected but it is difficult to say how deeply and for how long. The corona pandemic is expected to continue in 2021 but the risks will diminish as more and more people are vaccinated. So far the effects of the coronavirus on Peab's operations have been limited. We closely follow developments in order to assess the effects in the long run. For more information see the section External circumstances and the market.

On December 13, 2019 Peab's supplier Nynas AB applied for a company reorganization and on March 12, 2020 Nynas AB

applied for a further extension of three months which was granted. Thereafter further extensions were applied for before Nynas AB received approval by their creditors of their composition proposal in November 2020. The decision to determine Nynas' composition became legal in Södertörn Court in January 2021. This meant that Nynas' company reorganization could be formally ended and that Nynas' creditors will be paid according to the composition agreement. Nynas AB is an essential supplier of bitumen which is used as a binder in the manufacture of asphalt. If Nynas AB had not been able to reach an agreement and could not fulfill its obligations it would have caused considerable disturbances in the Nordic paving market and affected all the companies involved in asphalt paving, including Peab which is a major actor. Peab has chosen to complement with other suppliers to ensure deliveries of bitumen.

Peab's business is largely project-related. There are a number of different contract forms where risk levels vary depending on the type of contract. However, with any type of contract ambiguities can arise concerning the terms, which can lead to delimitation issues that create a dispute with the customer. Regarding risks concerning the Mall of Scandinavia contract, see note 3.

The parent company is indirectly affected by the risks described in the section below.

## **Risk management**

Managing the identified risks is an ongoing process. Many of the risks are managed in our line organization and its various projects in each business area. Some of Peab's Group functions also manage risks such as the Group Finance and Treasury function which works with certain financial risks. Risk management is based on established procedures, processes and steering systems such as Peab Spirit and the company's core values. In daily operations our strategic targets and focus areas and the activities included in these are also important.

Peab conducts an annual Group review of the risks in every section of our business – in both the business areas and the supporting functions – to determine the relevance and probability of each identified risk. The work is led by a cross-functional group comprised of employees in Group functions and the result is processed by executive management and the Board. Work on risks and risk management is an integrated part of the business areas' business planning process.

Operative risks	Description	Action
<p><b>Information security</b></p>	<p>Peab's increasing digitalization raises demands for access to our IT system. Dependence on IT systems increases vulnerability to cyberattacks and shutdowns that can be extensive and have considerable financial consequences. Information can also be manipulated, erased or end up in the wrong hands.</p>	<p>Together with external experts in IT security Peab's IT function works systematically to map out IT risks based on accumulated information and routine follow-ups according to a review plan and continuity planning. Focus is on preventative actions to ensure access to information and IT tools from internal and external sources. External monitoring is continually analyzed in order to meet new threats and requirements.</p> <p>Peab is working to increase our employees' awareness and knowledge concerning information security risks.</p>
<p><b>Contract risks</b></p>	<p>Peab's business is largely contract and project related. Erroneous calculations can lead to incorrect tenders and losses in projects. There are a number of contract types and the risk level varies accordingly. Grey areas in the terms can lead to disputes with customers about where responsibility lies and thereby make it hard to assess the result of projects.</p> <p>Price risks can be unforeseen cost increases for materials or subcontractors. Other risks can be shortcomings in the use of technical solutions and wrong product choices.</p>	<p>Structured risk assessment is crucial to ensure that risks are identified and correctly priced in bids that are tendered and in the underlying calculations. The right resources in projects ensure that they will be carried out according to stipulated procedures, and with the right products and methods.</p> <p>Several years ago Peab established a Procurement Council in order to produce thoroughly processed calculations and tenders for projects over a certain size. The Council can also be consulted for smaller projects where needed.</p> <p>Price risks are managed through purchasing processes with the right suppliers, largely procured through central contracts.</p>
<p><b>Suppliers and subcontractors (SC)</b></p>	<p>Flaws in the supply chain or how the SCs are handled are one of Peab's greatest risks and can affect our profitability and brand. Choosing the wrong supplier/SC can lead to quality defects, delivery delays or no deliveries at all. Suppliers/SCs who do not conform to existing laws, conventions and Peab's contracts and regulations can have a negative effect on the environment, human rights, equal opportunity and the work environment. There are also risks connected to dependence on one or a few suppliers. Purchases outside of Peab's framework contracts can entail risk.</p> <p>Failure to ensure that information about Peab's regulations is received by every individual at a Peab workplace can also entail a risk. Insufficient monitoring of suppliers or shortcomings in audits and analyses before a contract is signed are other risk factors.</p>	<p>The Code of Conduct and the ethics clause for suppliers are attached to all contracts Peab signs with suppliers/SCs. Peab has developed procedures in the work environment, work conditions, reliable supplier chains and the environment. These include using a blocking system that makes it possible to stop rogue suppliers and SCs, and in Sweden Peab has initiated third party checks of workplaces. Peab also works with audits of certain suppliers.</p> <p>One example of dependence on a supplier is the raw material bitumen, where future deliveries to Peab have been in question. To ensure deliveries of bitumen Peab has, among other things, complemented with other suppliers and drawn up strategic supply plans.</p>
<p><b>Skills recruitment and development</b></p>	<p>Peab is dependent on attracting and keeping competent employees in order to fulfill customers' expectations. There is a risk that Peab will not have qualified personnel in sufficient numbers due to strong competition or because so few youths are interested in the industry or because the industry will fail in increasing diversity.</p>	<p>Peab works strategically with short and long term skills recruitment and our attraction as an employer through practical measures like establishing new supply channels in cooperation with the education system, active integration work, extensive internal training and running our own high school, the Peab School. We believe being a social actor and displaying our important role as a community builder is crucial to attracting the right skills.</p> <p>We have launched a new recruitment system and career map aimed at clarifying development paths for our employees. Employees' skills development is planned and documented with the aid of a competence platform. Peab's goal-oriented work with diversity and equal opportunity is also important.</p>
<p><b>Work environment</b></p>	<p>Work related accidents at Peab's workplaces can lead to employees or suppliers/SCs getting hurt or, in the worst case, killed. In addition to injuries to individuals, this can lead to fines, legal sanctions and damage confidence in the company. A crucial risk area is the organizational and social work environment, which includes risks concerning stress and victimization.</p>	<p>To prevent incidents and accidents at workplaces Peab continuously develops quality-ensured work methods and trains personnel. Focus is on planning and risk assessment early on as well as monitoring and learning from reported risk observations, incidents and accidents. Efforts to increase the number of risk observations have been very effective and observations have redoubled. This generates important organizational learning about where, when and why risks occur.</p> <p>Peab teaches employees about equal treatment to prevent discrimination and victimization and to promote equal opportunity.</p>

External and market risks	Description	Action
<b>Macro factors</b>	<p>Peab's profitability is affected by circumstantial factors such as the general economy and interest rates, unemployment and demographic developments that can influence customers' willingness to buy, the demand and other market conditions.</p>	<p>Peab's broad geographic presence and our mix of operations and products has a dampening effect on declining economies and markets. This was evident in our most recent acquisition in paving and mineral aggregates that contributes to spreading risks from both perspectives. In general, we work continually to augment flexibility in our overhead to better handle external and market risks.</p> <p>In business area Project Development, for example, we reduce sales risks through set requirements for advance sales before production starts in housing projects. The requirement for a certain level of rented space before production start is the corresponding risk management for commercial property developments.</p>
<b>Market</b>	<p>Customer behavior and demands can change creating the risk of Peab not being able to follow these changes. Peab can also risk investing in the wrong markets, market segments or not being able to handle the competition.</p>	<p>Peab's broad geographic presence and our mix of operations and products has a dampening effect on declining economies and markets.</p> <p>Peab also continues to develop our dialogue with customers, we work with so-called market navigators that map ongoing projects in sub-markets and make continuous checks on our customers' ability to pay.</p>
<b>Political factors</b>	<p>Political decisions and currents influence Peab's business. This is true for politics in the Nordic region as well as international politics, among them those generated in the great powers such as the USA.</p> <p>Public investments in community building have direct consequences for Peab's business.</p> <p>For example, laws and regulations concerning buying homes, like requiring a capital investment from private persons, affect Peab's project development operations. There are also zoning risks in development operations for exploitation land where decisions by authorities can impact land values and thereby the project's future profitability.</p>	<p>Peab's broad geographic presence and our mix of operations and products contributes to dampening political risks as well.</p> <p>Project development operations, for example, work with short lead times from land acquisition to finished project in view of the risk for changed market prerequisites.</p>
<b>Environment and climate</b>	<p>Peab is exposed to environmental and climate related risks, which can damage people and our business as well. A lack of competence and adjusting too slowly can lead to Peab's products and services not meeting the demands and expectations of customers.</p> <p>Based on known climate scenarios global warming will likely create physical risks such as extreme weather, floods and material and energy shortages, which can affect ongoing projects and our own property and facilities. Climate change also leads to transition risks such as shifts in demand, higher raw material prices and new laws.</p> <p>Other identified risks are, for example, suppliers/SCs that do not hold a sufficiently high environmental standard, the use of prohibited or unsuitable material and products as well as the improper use of material. This can be hazardous to people's health and the environment as well as give rise to compensation demands and damage Peab's brand.</p>	<p>Risk prevention comes under the Group's three prioritized environmental areas; climate neutrality, resource efficiency and phasing out environmentally and health hazardous products. We have also begun climate analyses according to TCFD (read more on page 28).</p> <p>Our environmental work starts locally and is run systematically based on a business management system that is for the most part environmentally certified. These procedures comprise, for example, how monitoring laws and compliance is conducted but also enable practical support of environmental steering in a project and regulate environmental delegation in order to ensure responsibility.</p> <p>Employees continuously receive education and training to ensure the right environmental competence. Preventively we perform operation specific in-depth analyses. We have also taken measures to adjust operations to climate change, for example by developing new products with a lower climate footprint.</p>

Compliance risks	Description	Action
<b>Ethics</b>	Ethical risks can entail Peab employees not following our Code of Conduct and involving themselves in irregularities, bribes or corruption. Ethical risks can also be connected to transgressions of human rights in our own company or the supply chain. This can lead to fines, legal sanctions and brand damage and Peab's exclusion from public procurements. There are even ethical aspects concerning discrimination and victimization.	Peab conducts systematic ethical work focused on preventive education and strict consequences for transgressions. Supplier checks and audits prevent risks in the supply chain. A whistleblower system ensures the right to anonymously point out ethical risks, internally and externally. Peab's Ethical Council ensures that infractions of the Code of Conduct and laws, as well as matters concerning discrimination and victimization are investigated and dealt with consistently and impartially.
<b>Steering</b>	Steering related risks refer to both overriding Group governance and project steering. This includes everything from applying internal regulations, defining roles and collaboration to our ability to meet higher customer demands and more formalization.	Peab strives to clarify steering through targets. We have even created a new strategy organization tasked with working for effective governance. Peab also works with skills development, particularly in strategic positions, dialogue with our customers and advising them, where the latter can require a different project organization than previously at Peab.

Financial risks	Description	Action
<b>Financial risk-taking</b>	Financial risk-taking is connected to the business' capital and investment needs which are different for each of Peab's four business areas. Contract construction in Construction and Civil Engineering normally have a positive working capital that contributes to financing the other operations. Industry binds capital in fixed assets with an ongoing need for investments. Project Development binds capital when investing in land and development rights.	Peab's financial targets are the overriding means by which the Group governs financial risk-taking. For business areas Industry and Project Development tied-up capital is managed through set frameworks. Investments in Peab follow a set investment procedure in which an investment group decides on all investments. Tied-up capital in business areas Construction and Civil Engineering is managed through payment balance requirements.
<b>Financial risks</b>	The Group is exposed to financial risks, such as interest rate risks, liquidity risks, refinancing risks, raw material risks, currency risks and credit risks.	Peab's Finance Policy is adopted by the Peab AB Board and creates a framework for risk mandates and limits within the Peab Group. The Finance and Treasury function is centrally organized. For further information on financial risks, see note 36.
<b>Financial reporting</b>	Since Peab applies recognition over time as a project is completed for most of our ongoing projects, erroneous project forecasts can entail that recognition and monitoring can be misleading. A number of balance items, including project and development property, are valued based on estimations and assessments. This value can be affected by, for example, the current market, interest rates and customers' preferences, which can lead to impairment.	A prerequisite for correct recognition over time is reliably forecasting the outcome. Well-developed procedures and system support for monitoring and forecasting each project is crucial to limiting the risk of erroneous revenue recognition. The recognized value of project and development property has been calculated as the lowest of the purchase price and the net sales price based on current price levels in the respective locations. Peab is continuously testing the values of project and development property through an internal model. As a complement to this valuation external market values are annually reviewed for some of the properties.

## Sensitivity analysis

Peab's operations are sensitive to changes in, among other things, volumes and margins. The sensitivity analysis below describes how pre-tax profit is affected by changes in some of the important Group variables.

MSEK	Calculation basis	Change	Pre-tax profit effect
<b>Segment reporting</b>			
Volume (operating margin constant)	57,417	+/- 10 %	+/- 258
Operating margin (volume constant) <sup>1)</sup>	4.5%	+/- 1 percentage point	+/- 574
Production costs	40,537	+/- 1%	+/- 405
<b>Financial</b>			
Average effective interest rate <sup>2)</sup>	1.4%	+/- 1 %	+/- 57

<sup>1)</sup> Excluding the effect of the distribution of Annehem Fastigheter of SEK 952 million.

<sup>2)</sup> The sensitivity analysis shows the effect of a change in interest on Group pre-tax profit based on an assumption of unchanged net debt. The calculated net debt amount of SEK 5,657 million is based on net debt according to IFRS reduced by liabilities for Swedish tenant-owner associations and additional leases according to IFRS 16. It is further assumed that a change in interest would directly affect the interest Peab pays respectively receives on liabilities and receivables with a floating interest rate. Activating interest is not taken into account in the sensitivity analysis. For more information about net debt, see note 36.





## Other information and appropriation of profit

### Peab's sustainability work

As a community builder and a major employer Peab's operations have an impact on society and those living and working in it, both long and short term. Therefore we put great effort into ensuring that what we plan and carry out is ethical and sustainable throughout an entire life cycle. Our aim is to run our company sustainability and responsibly encompassing Social (employees and society), Environmental and Economic aspects. Peab's strategic sustainability work is primarily focused on preventing risks, working with continuous improvement and monitoring as well as driving development and contributing to innovation. As of 2021, we have an external target that claims we will lead in social responsibility. In accordance with the Annual Reports Act chapter 6 paragraph 11 Peab has chosen to present the statutory sustainable report outside of the Board of Directors' Report. The required parts of a sustainable report can be found under sections Targets and strategies, Our take on sustainable business, Social, Environment, Economic, Risks and risk management and Corporate governance report.

### Operations with permit and notification obligations

Operations required to have permits or to notify the authorities according to the environmental code are found in the Swedish sub-groups Swerock, Skandinaviska Byggelement, Peab Asfalt, Peab Anläggning and Peab Bostad.

Operations with permit in Sweden are land remediation, intermediate storage and recycling of excavated soil, work in /next to protected areas/objects, water operations/management, extraction of mineral aggregates, transportation of waste and hazardous waste as well as production of polymer modified bitumen (PMB). These operations primarily affect the environment through the extraction of finite resources, future land use, emissions and noise.

Operations required to notify authorities are concrete manufacturing, production of prefabricated concrete elements, permanent and mobile asphalt plants, measures taken in contaminated areas, intermediate storage of excavated soil and waste, recycling of excavated soil, water operations/management and transportation of waste and hazardous waste.

There are also operations in the other Nordic countries with an environmental impact that must be approved by authorities. They are production of asphalt in Finland, Norway and Denmark as well as extraction of mineral aggregates and concrete manufacturing in Finland and Norway.

Renewal and supplementation of permits as well as submitting notifications is continuous.

### Research and development

The purpose of Peab's research and development is to provide society, our customers and ourselves with added value and sustainable development by using new discoveries to improve or develop new products, services and production processes. Research and development is run close to operations in the different business areas in order for it to be steered by current needs. Therefore Peab does not have a central unit for research and development. Peab collaborates with universities, colleges and trade organizations and is an active participant in many trade organization projects.

Development focused on the environment is a pervading theme that Peab has worked with in recent years and which we will continue to develop. In 2020 we worked with the EU project REWOFUEL – where lignin replaced part of the binder in asphalt. Lignin is a renewable product which in this case was produced from forest residue. Other projects spotlighted environmental product declarations EPD, for both asphalt, concrete and rock material as well as an initiative that looks into the possibility to productify circular stone material. In order to realize the way forward for climate-improved concrete we have worked to produce new material and methods in the project Betcrete 2.0.

Productivity is another important area we are focused on. In part we are researching how, through digitalization, we can work with better production planning and increase comprehension of what a finished product will look like before it is built and in part how future leaps in technology will increase quality in our production and make it more efficient. Measurement and layout robotics are examples of how we can sharpen precision and information feedback, which contributes to better quality and higher productivity.

To enable infrastructure investments research is being done aimed at finding methods for the foundation work in high speed railroads and uncertainty models for optimizing infrastructure projects. These are two examples in this field but there are a great number of ongoing initiatives focused on infrastructure investments.

The environment and productivity are pervading themes as well as how we can use new methods to ensure sustainable community building and in this case and many other this includes a higher degree of digitalization – as an enabler and not a standalone phenomena.

### Important events during the year

#### Dividend proposals and carried out distribution of Annehem Fastigheter

In conjuncture with the year-end report 2019 Peab's Board decided to propose to the AGM an unchanged ordinary dividend of SEK 4.20 per share and an extra distribution of the

shares in a newly founded real estate company (Annehem Fastigheter).

When the decision was made the global spread of the coronavirus had not yet begun. It has thereafter developed into a pandemic, which in turn has created enormous uncertainty concerning global financial developments.

On March 24, 2020 the Board reviewed the decision of an extra distribution of all the shares in Annehem Fastigheter. The Board put off the decision to actually distribute and list the company until there was less uncertainty and circumstances improved. The strategy to create the company, distribute and list it did not change.

On April 7, 2020 Peab's Board also decided to withdraw in its entirety the proposal to the AGM for an ordinary dividend of SEK 4.20 per share. The Board and executive management have reviewed the situation focusing on identifying measures needed to be taken for different scenarios on the Nordic construction market. Their main purpose is to be able to create the prerequisite conditions to handle overhead in a contracting business and at the same time safeguard long-term production capacity. Examples of measures are furloughs and training.

The Board's ambition have been to regularly evaluate the dividend capacity and depending on developments make a decision on both an ordinary dividend and when distribution of all the shares in Annehem Fastigheter can take place. Based on market assessments and the development presented in the second quarter report Peab's Board decided in August 2020 to propose a new date for the distribution of Annehem Fastigheter. Peab's Board further decided not to put forth a new dividend proposal but let the AGM's decision of no cash dividend for 2019 remain unchanged.

On October 19, 2020 the Board summoned an Extra General Meeting on November 12, 2020 and Peab's shareholders adopted its proposal to distribute Annehem Fastigheter. Distribution was carried out in December 2020. The distribution ratio was 1:5 which means that one share in Peab entitled to one share right of the same sort in Annehem Fastigheter, and five share rights entitled to one share of the same sort in Annehem Fastigheter. The first day of trading was December 11, 2020 and the first trading price was SEK 35 per share. For more information see the section Annehem Fastigheter and note 46.

#### Coronavirus

In the beginning of the year the coronavirus spread to a large part of the world. Countries are still putting different measures to limit the spread of the infection, for example entry and quarantine regulations. Governments and central banks are introducing different forms of crisis packages to reduce the financial effects. This will affect the global economy but to what extent is still difficult to say.

Peab is a major employer with many employees and many people at our workplaces. As employer we care about our employees but naturally we also care about our customers, subcontractors, suppliers and other partners. For Peab it is important from a societal perspective that we do everything we can to thwart the spread of infection and keep our operations going.

Peab's measures to limit the spread of the infection are founded on The Public Health Agency of Sweden's guidelines and instructions as well as those that correspond in the other countries we work in. Since the situation and instructions from the authorities are constantly changing, we closely follow developments and adopt to them. Above all they affect the directives we give our employees.

The short-term effects of the coronavirus on Peab's operations are limited at the moment but naturally we closely follow developments so that we can continually assess possible effects in a longer perspective. Under the current circumstances we see what a strength it is for us to be the local company with the big group resources. Peab has four business areas – Construction, Civil Engineering, Industry and Project Development that collaborate locally and a large part of input goods and personnel are our own. This gives us good control over the construction process and makes us therefore less vulnerable to production disruptions.

#### **Acquisition of Nordic paving and mineral aggregates operations**

On July 4, 2019 Peab signed a contract to acquire YIT's paving and mineral aggregates operations in the Nordic region. The transaction was conditional on approval from competition authorities as well as the fulfillment of certain contractual conditions. At the end of March 2020 the transaction was approved by the competition authorities and the acquisition was finalized on April 1, 2020. The operations are consolidated into the Peab Group as of that date.

Through the acquisition Peab expands its presence in Sweden, Norway and Finland and become established in the paving business in Denmark and this gives Peab a unique and market leading position in this business in the Nordic region. The acquisition entails taking over some 2,000 employees, around 200 strategically located quarries along with 63 production asphalt plants in the Nordic region. The deal also increase the importance of industrial operations for the Group.

Greater geographic proliferation in areas that are normally less sensitive to the business cycle increases stability in the Group. It also provides a platform 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 amounted to SEK 3,184 million for a debt-free business and is fully financed. In 2019 the acquired operations had net sales of SEK 5,878 million with an adjusted EBITDA of SEK 282 million.

For more information, see section Business area Industry and note 6.

#### **Changes in Peab's executive management**

In the spring of 2020 Peab's acquisition of YIT's paving and mineral aggregates operations in the Nordic region was finalized. As a result of the acquisition the importance of operations in Industry in the Group have grown at the same time Peab has increased its presence in Sweden, Norway and Finland and established itself in paving in Denmark. Peab has thereby transitioned from being a Swedish company with operations in Norway and Finland to becoming a Nordic company based in Sweden.

Today Peab has 15,000 employees. We now have a greater geographic spread and our local presence is stronger, which makes it possible for us to develop within the framework of what we call locally produced community building. Through Peab's four collaborating business areas we can, as far as possible, ensure that we use local resources in the form of our own employees, our own input goods and subcontractors.

#### **Business area Industry changes**

Business area Industry consists of a number of companies that deliver input goods and services to the construction industry. Due to the acquisition from YIT our operations have grown extensively and therefore need to be steered and led at company level rather than business area level. The industrial companies will continue to report externally as one business area. Operatively they will be led by MDs that report to two members of executive management responsible for them, Roger Linnér and Niclas Winkvist. Karl-Gunnar Karlsson will leave his role as Business Area Industry Manager and therefore executive management. Karl-Gunnar has been appointed MD for Swerock.

#### **Chief Strategic Officer appointed**

In order to ensure scale advantages, effectiveness and sustainable products, at the same time we develop our local business, we have to streamline the way we lead and steer. Digitalization will continue to enable this work going forward. In order to support executive management's work with these matters Johan Dagertun has been appointed CSO.

Johan Dagertun was most recently MD for Construction System in business area Industry and has previously been a business controller in Finance and Treasury at Peab.

After these changes have been made Peab's executive management will consist of the following members:

- Jesper Göransson, President and CEO
- Niclas Winkvist, CFO, part of business area Industry
- Roger Linnér, COO, part of business area Industry
- Stefan Danielsson, Business Area Construction Manager
- Lotta Brändström, Business Area Civil Engineering Manager
- Göran Linder, Business Area Project Development Manager
- Camila Buzaglo, CCO
- Johan Dagertun, CSO

#### **The Nomination Committee proposes new auditors**

Peab AB's Nomination Committee proposes that the accounting firm EY be elected new auditor with Authorized Public Accountant Jonas Svensson as lead auditor. The proposal is made in compliance with the obligatory auditor rotation. KPMG has been Peab's auditor until and including the financial year 2020

#### **Important events after the end of the year**

##### **New financial and non-financial targets**

Through the strategic transactions in recent years Peab has more clearly become a community builder that, through four collaborating business areas and local presence, is active throughout the Nordic region. Our business model provides us with unique opportunities to, with our own resources and



control over the entire value chain, meet our customers' needs and the expectations of the world around us. In order to further promote value creation we have revised everything from our mission, business concept and strategic target areas to internal and external financial and non-financial targets.

Both the internal and external financial and non-financial targets are categorized under the previous strategic targets; Most satisfied customers in the industry, Best workplace in the industry and Most profitable company in the industry as well as the new, fourth strategic target, Leader in social responsibility in the industry. We consider the external targets particularly important and they are a subset of our internal targets and action plans. As of 2021 Peab will externally report the performance of the business by monitoring nine targets, of which three are financial and based on segment reporting.

Revised mission: We improve everyday life where it's lived.

Revised business concept: Peab is the Nordic Community Builder with a local presence. Focusing on our own resources and local partners we develop, do the groundwork and build everyday life where it's lived.

#### **Peab's external targets as of 2021:**

- Most satisfied customers in the industry; SCI > 75
- Best workplace in the industry; eNPS > Benchmark, Serious accidents: Zero vision for serious accidents through a continuously contracting trend
- Most profitable company in the industry; Operating margin > 6 %, Net debt/equity ratio 0.3 – 0.7, Dividend > 50 % of profit for the year
- Leader in social responsibility in the industry; Carbon dioxide intensity, own production: 60 % reduction by 2030, Carbon dioxide intensity, input goods and purchased services: 50 % reduction by 2030, Equal opportunity recruitment: Number of women recruited should always exceed the education market

#### **The Nomination Committee's proposed Board members**

The Nomination Committee of Peab AB proposes reelection of Board members Fredrik Paulsson, Malin Persson, Karl- Axel Granlund, Liselott Kilaas, Lars Sköld, Kerstin Lindell and Anders Runevad as well as election of Magdalena Gerger. Mats Paulsson and Göran Grosskopf have both declined reelection for age reasons. Anders Runevad is proposed to be elected Chairman of the Board.

#### **The Peab share**

At the end of 2020 Peab's share capital amounted to SEK 1,583,866,056 divided among a total of 296,049,730 shares, resulting in a nominal value of SEK 5.35 per share. Of the shares, 34,319,957 are A shares with ten votes per share, and 261,729,773 are B shares with one vote per share. All shares carry equal rights to participation in the company's assets, profits and dividends. There are no restrictions in the articles of association concerning transferring shares or the disposal of votes at the AGM. On December 31, 2020 there were approximately 53,000 shareholders in Peab. As part of the generation shift, in the spring of 2017 the Paulsson families merged the majority of their indirect holdings into a holding company, Ekhaga Utveckling AB, which is controlled by Mats Paulsson's son Fredrik Paulsson. Ekhaga Utveckling AB has 48.2 percent of the votes. At the end of 2019 the collective ownership connected to the Paulsson families amounted to a total of 25.7 percent of the capital and 57.7 percent of the votes. The company has no knowledge of any agreements between shareholders that can result in restriction of the right to transfer shares.

Peab's AGM decided on 6 May 2020 to authorize the Board to decide, during the period up to the next AGM, on new issues of B shares with rights for current shareholders to participate in the issue or without preferential rights for current shareholders to participate in the issue in connection with acquisitions. The authorization may be used on one or more occasions and correspond to, at the most, a total of 10 percent of the registered share capital at the time of the authorization. During the year the Board has not decided to issue any new shares.

In 2007 Peab established a profit-sharing foundation. According to the foundation's placement policy its capital should be placed primarily in Peab shares. On December 31, 2020 the foundation owned 12,019,000 B shares in Peab, corresponding to 4.1 percent of the total number of shares.

#### **Holdings of own shares**

At the beginning of 2020 Peab's own B shareholding was 1,086,984 which corresponds to 0.4 percent of the total number of shares. Peab's AGM on 6 May 2020 resolved to authorize the Board to, during the period until the next AGM, acquire shares so that the company would have at most 10 percent of the total shares in Peab. No own shares were purchased nor divested during 2020

which means that Peab's own shareholding was 1,086,984 B shares at the end of 2020. For more information see note 29.

### Corporate governance

For a detailed description of the work of the Board of Directors, corporate governance and systems for internal control see, Corporate governance report.

### Remuneration Policy for executive management

For information on the latest adopted Remuneration Policy containing guidelines for determining salaries and other compensation to senior officers, see note 10.

The Board hereby proposes that the AGM adopt the following changes in the Remuneration Policy regarding guidelines for remuneration to senior officers:

#### Short-term incentives (STI)

From time to time executive management may be offered STIs. A STI may not exceed 60 percent of basic pay and is based primarily on the Peab Group's profitability and, at each time, other material Group goals. In the current program result measurements are connected to the company's strategy in the form of profitability, customer focus, work environment and sustainability.

STIs are determined for each fiscal year and are settled the year after being earned. They may either be paid out as salary or be invested as a pension savings in a financial instrument connected to the Peab share.

#### Long-term incentive programs (LTI)

Every year the Board of Directors must consider whether or not to propose a share-based incentive scheme to the AGM. From time to time the CEO, other members of executive management and key personnel may be offered participation in a LTI program. The maximum annual amount in a LTI program (excluding social security costs) may not exceed 40 percent of annual basic pay. The programs are performance-based and only deliver an outcome if predefined goals are met. The outcome of a LTI program is invested as a pension savings in a financial instrument connected to the Peab share.

#### Expectations concerning future development

The recovery in Sweden's economy has been surprising and

many forecasts have been adjusted upward. Unemployment is expected to continue to rise in 2021, pressure from inflation will probably be weak for several years and therefore the repo rate is expected to remain around zero over the next two to three years. Housing construction is expected to develop horizontally during the period 2021-2022. After the dramatic drop in 2020 private premises are expected to turn during 2021. Public building construction is expected to increase in 2021. The forecast for civil engineering indicates greater investments in 2021 with a particular focus on public spending.

The Norwegian economy has made a good recovery after falling in the spring and growth forecasts have been adjusted upwards. Recovery has been driven by domestic demand where private consumption has been a particularly strong force. Development on the construction market is somewhat fractured. Housing construction is expected to develop horizontally during the period 2021-2022. Other building construction is expected to decline in 2021. Investments in industrial and commercial premises are expected to contract while public sector construction is expected to grow. The government's economic policy is expected to continue to be expansive next year and there is room for investments in civil engineering construction, which is expected to continue to grow in 2021.

Finland's economy has so far shown strong resistance to the global economic downturn created by the pandemic. Housing construction is expected to develop horizontally during the period 2021-2022. Other building construction is expected to remain unchanged where investments in industry are expected to drop while public sector construction is expected to grow. Civil engineering construction is expected to have had a positive development in 2020 but decline in 2021.

#### Parent company

The parent company's business consists of executive management and Group functions. Net sales in 2020 were SEK 346 million (348) and consisted primarily of internal Group services. Operating profit for the year was SEK -199 million (-160). Profit after net financial items amounted to SEK 243 million (-98). Net financial items included dividends from subsidiaries of SEK 500 million (200). Of the appropriations, Group contributions were SEK 1,587 million (2,130). Profit for the year amounted to SEK 1,304 million (1,263).

## Proposed appropriation of profit

The following amounts in SEK are at the disposal of the Annual General Meeting;

Share premium reserve	2,308,208,948
Profit brought forward	2,828,123,757
Profit for the year	1,303,951,553
<b>Total</b>	<b>6,440,284,258</b>

The Board of Directors propose the following appropriation of disposable profit and non-restricted reserves;

Dividend, 296.049.730 shares at SEK 4.50 per share	1,332,223,785
Carried forward <sup>1)</sup>	5,108,060,473
<b>Total</b>	<b>6,440,284,258</b>
<sup>1)</sup> Of which to share premium reserve.	2,308,208,948

## Income statement – the Group

MSEK	Note	2020	2019
Net sales	4,5	59,852	56,303
Production costs	12	-53,711	-50,312
<b>Gross profit</b>		<b>6,141</b>	<b>5,991</b>
Sales and administrative expenses	12	-3,359	-2,879
Distribution of Annehem Fastigheter	46	952	-
Other operating income	7	229	280
Other operating costs	8	-41	-107
<b>Operating profit</b>	5,9,10,11,19,37	<b>3,922</b>	<b>3,285</b>
Financial income		96	130
Financial expenses		-273	-188
<b>Net finance</b>	13	<b>-177</b>	<b>-58</b>
<b>Pre-tax profit</b>		<b>3,745</b>	<b>3,227</b>
Tax	15	-564	-571
<b>Profit for the year</b>		<b>3,181</b>	<b>2,656</b>
<b>Profit for the year attributable to:</b>			
Shareholders in parent company		3,182	2,656
Non-controlling interests		-1	0
<b>Profit for the year</b>		<b>3,181</b>	<b>2,656</b>
Profit per share before and after dilution, SEK		10.79	9.00

## Statement of comprehensive income – the Group

MSEK	Note	2020	2019
<b>Profit for the year</b>		<b>3,181</b>	<b>2,656</b>
<b>Other comprehensive income</b>			
<b>Items that have been reclassified or can be reclassified to profit for the year</b>			
Translation differences when translating foreign operations for the year		-172	49
Translation differences transferred to profit for the year		-22	-
Change for the year in fair value of cash flow hedges		2	13
Change in fair value of cash flow hedges carried over to profit for the year		3	-4
Shares in joint ventures' other comprehensive income		0	0
Tax referring to items that have been reclassified or can be reclassified to profit for the year	15	-21	6
<b>Other comprehensive income for the year</b>		<b>-210</b>	<b>64</b>
<b>Total comprehensive income for the year</b>		<b>2,971</b>	<b>2,720</b>
<b>Total comprehensive income for the year attributable to:</b>			
Shareholders in parent company		2,972	2,720
Non-controlling interests		-1	0
<b>Total comprehensive income for the year</b>		<b>2,971</b>	<b>2,720</b>

## Balance sheet – the Group

MSEK	Note	Dec 31, 2020	Dec 31, 2019	Jan 1, 2019
<b>Assets</b>				
Intangible assets	16	3,679	2,334	2,250
Tangible assets	17, 37	7,571	6,811	5,741
Investment property	18,37	130	558	589
Participation in joint ventures	19	1,813	1,884	1,076
Securities held as fixed assets	22,35,36	60	82	114
Interest-bearing long-term receivables	21,31,35,36	1,257	1,086	1,445
Deferred tax recoverables	15	164	201	346
Other long-term receivables	23	143	131	107
<b>Total fixed assets</b>		<b>14,817</b>	<b>13,087</b>	<b>11,668</b>
Project and development properties	24,37	14,074	16,948	17,219
Inventories	25	1,269	533	441
Accounts receivable	26,35,36	7,482	8,893	9,339
Interest-bearing current receivables	21,35,36	85	144	456
Tax assets		102	101	118
Worked-up not invoiced income	27	2,038	2,387	2,312
Prepaid expenses and accrued income	28	514	544	529
Other current receivables	23	815	678	732
Liquid funds	35,36	968	373	1,376
<b>Total current assets</b>		<b>27,347</b>	<b>30,601</b>	<b>32,522</b>
<b>Total assets</b>		<b>42,164</b>	<b>43,688</b>	<b>44,190</b>
<b>Equity</b>				
	29			
Share capital		1,584	1,584	1,584
Other contributed capital		2,576	2,576	2,576
Reserves		-214	-4	-68
Profit brought forward including profit for the year		8,496	7,401	5,984
<b>Equity attributable to shareholders in parent company</b>		<b>12,442</b>	<b>11,557</b>	<b>10,076</b>
Non-controlling interests		1	2	1
<b>Total equity</b>		<b>12,443</b>	<b>11,559</b>	<b>10,077</b>
<b>Liabilities</b>				
Interest-bearing long-term liabilities	30,35,36	4,289	3,803	3,970
Interest-bearing long-term liabilities, project financing	30,35,36	75	326	213
Other long-term liabilities	33,35	88	72	161
Deferred tax liabilities	15	183	148	123
Provisions	32	1,481	866	707
<b>Total long-term liabilities</b>		<b>6,116</b>	<b>5,215</b>	<b>5,174</b>
Interest-bearing current liabilities	30,35,36	2,647	3,011	1,310
Interest-bearing current liabilities, project financing	30,35,36	4,981	7,637	10,963
Accounts payable	35,36	4,687	4,295	5,177
Tax liabilities		194	111	69
Invoiced income not worked-up	27	3,954	4,859	4,907
Accrued expenses and deferred income	34	4,345	4,007	4,046
Other current liabilities	33,35	2,608	2,780	2,201
Provisions	32	189	214	266
<b>Total current liabilities</b>		<b>23,605</b>	<b>26,914</b>	<b>28,939</b>
<b>Total liabilities</b>		<b>29,721</b>	<b>32,129</b>	<b>34,113</b>
<b>Total equity and liabilities</b>		<b>42,164</b>	<b>43,688</b>	<b>44,190</b>

## Report on changes in equity – the Group

MSEK	Equity attributable to owners in parent company					Total	Non-controlling interests	Total equity
	Share capital	Other contributed capital	Translation reserve	Hedging reserve	Profit brought forward including profit for the year			
<b>Opening balance equity 2019-01-01</b>	<b>1,584</b>	<b>2,576</b>	<b>-51</b>	<b>-17</b>	<b>7,255</b>	<b>11,347</b>	<b>1</b>	<b>11,348</b>
Adjustment consolidation Swedish tenant-owner housing associations					-1,271	-1,271		-1,271
<b>Adjusted equity on January 2019-01-01</b>	<b>1,584</b>	<b>2,576</b>	<b>-51</b>	<b>-17</b>	<b>5,984</b>	<b>10,076</b>	<b>1</b>	<b>10,077</b>
<b>Total comprehensive income for the year</b>								
Profit for the year					2,656	2,656		2,656
Other comprehensive income for the year			57	7		64		64
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>57</b>	<b>7</b>	<b>2,656</b>	<b>2,720</b>	<b>0</b>	<b>2,720</b>
<b>Contribution from, and value transferred to, owners</b>								
Cash dividends					-1,239	-1,239		-1,239
Shareholder contribution						-	1	1
<b>Total contribution from, and value transferred to, owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-1,239</b>	<b>-1,239</b>	<b>1</b>	<b>-1,238</b>
<b>Closing balance equity 2019-12-31</b>	<b>1,584</b>	<b>2,576</b>	<b>6</b>	<b>-10</b>	<b>7,401</b>	<b>11,557</b>	<b>2</b>	<b>11,559</b>
<b>Opening balance equity 2020-01-01</b>	<b>1,584</b>	<b>2,576</b>	<b>6</b>	<b>-10</b>	<b>7,401</b>	<b>11,557</b>	<b>2</b>	<b>11,559</b>
<b>Total comprehensive income for the year</b>								
Profit for the year					3,182	3,182	-1	3,181
Other comprehensive income for the year			-214	4		-210		-210
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-214</b>	<b>4</b>	<b>3,182</b>	<b>2,972</b>	<b>-1</b>	<b>2,971</b>
<b>Contribution from, and value transferred to, owners</b>								
Distributions costs					-22	-22		-22
Distribution Annehem Fastigheter					-2,065	-2,065		-2,065
<b>Total contribution from, and value transferred to, owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-2,087</b>	<b>-2,087</b>	<b>-</b>	<b>-2,087</b>
<b>Closing balance equity 2020-12-31</b>	<b>1,584</b>	<b>2,576</b>	<b>-208</b>	<b>-6</b>	<b>8,496</b>	<b>12,442</b>	<b>1</b>	<b>12,443</b>



## Cash flow statement – the Group

MSEK	Note	2020	2019
<b>Current operations</b>	44		
Pre-tax profit		3,745	3,227
Adjustments for non-cash items		1,147	980
Income tax paid		-305	-338
<b>Cash flow from current operations before working capital changes</b>		<b>4,587</b>	<b>3,869</b>
<b>Cash flow from changes in working capital</b>			
Increase (-) /Decrease (+) project and development properties		2,243	337
Increase (-) /Decrease (+) inventories		-108	-89
Increase (-) /Decrease (+) current receivables		1,571	315
Increase (+) /Decrease (-) current liabilities		-600	-419
<b>Cash flow from changes in working capital</b>		<b>3,106</b>	<b>144</b>
<b>Cash flow from current operations</b>		<b>7,693</b>	<b>4,013</b>
<b>Investment operations</b>			
Acquisition of subsidiaries/businesses, net effect on liquid funds		-2,384	-22
Redemption of loan to seller upon acquisition of business		-746	-
Sale of subsidiaries/businesses, net effect on liquid funds		20	163
Acquisition of intangible assets		-94	-124
Acquisition of tangible assets		-848	-1,330
Sale of tangible assets		90	186
Acquisition of investment property		-9	-62
Sale of investment property		-	180
Acquisition of financial assets		-348	-409
Sale of financial assets		379	631
<b>Cash flow from investment operations</b>		<b>-3,940</b>	<b>-787</b>
<b>Cash flow before financing</b>		<b>3,753</b>	<b>3,226</b>
<b>Financing operations</b>			
Raised loans		4,024	2,087
Loan amortization		-2,637	-1,532
Raised bonds		751	200
Bond amortization		-750	-200
Leasing liabilities amortization		-524	-408
Raised loans Swedish tenant-owner associations		3,034	3,126
Loan amortization Swedish tenant-owner associations		-5,674	-6,903
Change in issued commercial papers		-1,248	629
Dividend distributed to shareholders in parent company		-	-1,239
Distribution Annehem Fastigheter <sup>1)</sup>		-55	-
Distribution costs		-28	-
Shareholder contribution holding with non-controlling interest		-	1
<b>Cash flow from financing operations</b>		<b>-3,107</b>	<b>-4,239</b>
<b>Cash flow for the year</b>		<b>646</b>	<b>-1,013</b>
Cash at the beginning of the year		373	1,376
Exchange rate differences in cash		-51	10
<b>Cash at year-end</b>		<b>968</b>	<b>373</b>

<sup>1)</sup> Refers to liquid funds in distributed operations

## Income statement – the parent company

MSEK	Note	2020	2019
Net sales	5	346	348
Administrative expenses	10,11	-545	-513
Other operating income		0	5
<b>Operating profit</b>		<b>-199</b>	<b>-160</b>
<b>Profit/loss from financial investments</b>	13		
Profit/loss from participation in Group companies		499	130
Profit/loss from securities and receivables held as fixed assets		1	0
Interest expenses and similar profit/loss items		-58	-68
<b>Profit/loss after financial items</b>		<b>243</b>	<b>-98</b>
Appropriations	14	1,266	1,656
<b>Pre-tax profit</b>		<b>1,509</b>	<b>1,558</b>
Tax	15	-205	-295
<b>Profit for the year <sup>1)</sup></b>		<b>1,304</b>	<b>1,263</b>

<sup>1)</sup> Profit/loss for the year corresponds to comprehensive profit/loss for the year and therefore only one income statement is presented without a separate one for comprehensive profit/loss.

## Balance sheet – the parent company

MSEK	Note	2020	2019
<b>Assets</b>			
<b>Fixed assets</b>			
<b>Intangible assets</b>	16	<b>43</b>	<b>51</b>
<b>Tangible assets</b>	17	<b>1</b>	<b>1</b>
<b>Financial assets</b>			
Participation in Group companies	42	12,109	12,050
Other securities held as fixed assets	22,35,36	0	0
Deferred tax recoverables	15	125	119
<b>Total financial assets</b>		<b>12,234</b>	<b>12,169</b>
<b>Total fixed assets</b>		<b>12,278</b>	<b>12,221</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Accounts receivable	26,35,36	0	1
Receivables from Group companies	35	1,655	2,479
Current tax assets		86	60
Other current receivables	23	30	44
Prepaid expenses and accrued income	28	10	10
<b>Total current receivables</b>		<b>1,781</b>	<b>2,594</b>
Cash and bank	35	0	0
<b>Total current assets</b>		<b>1,781</b>	<b>2,594</b>
<b>Total assets</b>		<b>14,059</b>	<b>14,815</b>
<b>Equity and liabilities</b>			
<b>Equity</b>	29		
<b>Restricted equity</b>			
Share capital		1,584	1,584
Statutory reserve		300	300
Fund for development costs		14	17
<b>Non-restricted equity</b>			
Share premium reserve		2,308	2,308
Profit brought forward		2,828	3,585
Profit for the year		1,304	1,263
<b>Total equity</b>		<b>8,338</b>	<b>9,057</b>
<b>Untaxed reserves</b>	43	<b>2,724</b>	<b>2,403</b>
<b>Provisions</b>			
Other provisions	32	43	41
<b>Total provisions</b>		<b>43</b>	<b>41</b>
<b>Long-term liabilities</b>			
Liabilities to Group companies	30,35	2,697	2,791
<b>Total long-term liabilities</b>		<b>2,697</b>	<b>2,791</b>
<b>Current liabilities</b>			
Accounts payable	35	36	32
Liabilities to Group companies	35	129	404
Other current liabilities	33	8	12
Accrued expenses and deferred income	34	84	75
<b>Total current liabilities</b>		<b>257</b>	<b>523</b>
<b>Total liabilities</b>		<b>2,954</b>	<b>3,314</b>
<b>Total equity and liabilities</b>		<b>14,059</b>	<b>14,815</b>

## Report on changes in equity – the parent company

MSEK	Restricted equity			Non-restricted equity			Total equity
	Share capital	Statutory reserve	Fund for development costs	Share premium reserve	Profit brought forward	Profit for the year	
<b>Opening balance equity, 2019-01-01</b>	<b>1,584</b>	<b>300</b>	<b>21</b>	<b>2,308</b>	<b>2,011</b>	<b>2,809</b>	<b>9,033</b>
Profit and comprehensive income for the year						1,263	1,263
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,263</b>	<b>1,263</b>
Allocation of profit					2,809	-2,809	-
Change in fund for development costs			-4		4		-
Cash dividends					-1,239		-1,239
<b>Closing balance equity, 2019-12-31</b>	<b>1,584</b>	<b>300</b>	<b>17</b>	<b>2,308</b>	<b>3,585</b>	<b>1,263</b>	<b>9,057</b>
<b>Opening balance equity, 2020-01-01</b>	<b>1,584</b>	<b>300</b>	<b>17</b>	<b>2,308</b>	<b>3,585</b>	<b>1,263</b>	<b>9,057</b>
Profit and comprehensive income for the year						1,304	1,304
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,304</b>	<b>1,304</b>
Allocation of profit					1,263	-1,263	-
Change in fund for development costs			-3		3		-
Distribution costs					-22		-22
Distribution Annehem Fastigheter					-2,001		-2,001
<b>Closing balance equity, 2020-12-31</b>	<b>1,584</b>	<b>300</b>	<b>14</b>	<b>2 308</b>	<b>2,828</b>	<b>1,304</b>	<b>8,338</b>

## Cash flow statement – the parent company

MSEK	Note	2020	2019
<b>Current operations</b>	44		
Pre-tax profit		243	-98
Adjustments for non-cash items		12	80
Income tax paid		-231	-276
<b>Cash flow from current operations before working capital changes</b>		<b>24</b>	<b>-294</b>
<b>Cash flow from changes in working capital</b>			
Increase (-) /Decrease (+) current receivables		19	-50
Increase (+) /Decrease (-) current liabilities		2	22
<b>Cash flow from changes in working capital</b>		<b>21</b>	<b>-28</b>
<b>Cash flow from current operations</b>		<b>45</b>	<b>-322</b>
<b>Investment operations</b>			
Shareholder contributions		-2,098	-51
Acquisition of intangible assets		0	-4
Sale of financial assets		0	22
<b>Cash flow from investment operations</b>		<b>-2,098</b>	<b>-33</b>
<b>Cash flow before financing</b>		<b>-2,053</b>	<b>-355</b>
<b>Financing operations</b>			
Received Group contribution		2,423	2,699
Paid Group contribution		-293	-1
Loan amortization		-49	-1,104
Distribution costs		-28	-
Dividend distributed		-	-1,239
<b>Cash flow from financing operations</b>		<b>2,053</b>	<b>355</b>
<b>Cash flow for the year</b>		<b>0</b>	<b>0</b>
Cash at the beginning of the year		0	0
<b>Cash at year-end</b>		<b>0</b>	<b>0</b>

## Notes

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## Note 1 Accounting principles

### Compliance with standards and legislation

The consolidated accounts have been drawn up in accordance with those International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) which have been adopted by EU. In addition, the Swedish Financial Reporting Board recommendation RFR 1 Supplementary accounting rules for groups has also been applied.

The parent company applies the same accounting principles as the Group except in the cases stated in the section below on Parent company accounting principles.

The Annual Report and the consolidated accounts have been approved of by the Board and CEO for publication on March 23, 2021. The Group consolidated income statement and balance sheet and parent company income statement and balance sheet will be presented for adoption by the AGM on May 6, 2021.

### Valuation basis

Assets and liabilities are recognized at historical acquisition values except for certain financial assets and liabilities which are assessed at fair value. Financial assets and liabilities valued at fair value consist of derivatives, contingent considerations and shares and holdings that are not subsidiaries, joint arrangements or associated companies.

### Functional currency and reporting currency

The parent company's functional currency is the Swedish krona, which is also the currency in which the accounts of the parent company and the Group are reported. Unless otherwise indicated all amounts are rounded off to the nearest million.

### Assessments and estimates in the financial reports

Preparing the financial reports requires on the one hand making assessments concerning the application of accounting principles and on the other hand estimating the value of assets, liabilities, revenues and costs. Estimates and assumptions are based on historical experience and other factors considered relevant. Estimates and assumptions are regularly reviewed and compared to the actual outcome. Important assessments and estimates are described in more detail in note 3.

### Amended accounting principles

#### Changed accounting principles concerning projects with Swedish tenant-owner associations

As of the financial year 2020 Peab consolidates projects with Swedish tenant-owner associations from the time the final homebuyers take over their apartments. According to previous accounting principles consolidation of projects with Swedish tenant-owner associations ended when land transfer and turnkey contracts were signed.

The new accounting principles mean that projects are reported as work-in-progress in the asset item project and development property and as interest-bearing liabilities (project financing) until the time homebuyers take over. Revenue and costs for the projects will be recognized as homebuyers take over. Costs for loans are included in the acquisition value of the project and development property. As of the change Peab recognizes all own housing development projects in Sweden, Norway and Finland according to the completion method. According to previous principles revenue and costs were recognized over time based on the degree of completion of the project for projects with Swedish tenant-owner associations. The change was implemented as of January 1, 2020 with retroactive translation of the comparative year 2019. See note 2.

In segment reporting projects for Swedish tenant-owner associations continue to be recognized over time as the projects are successively completed. As of fiscal year 2020 the principles changed for segment reporting of our own housing development projects in Sweden, Norwegian condominiums and share housing and Finnish residential limited companies so that they are reported over time instead of previously at one point in time. The change was implemented as of January 1, 2020 with retroactive translation of the comparative year 2019.

Segment reporting is the model Peab uses for its internal steering.

### Changed IFRSs applied as of 2020

Changes in IFRS 9 Financial instruments and IFRS 7 Financial instruments: Disclosures due to reforms of reference rates (such as STIBOR and LIBOR) are applied retroactively for hedging relationships that existed as of January 1, 2020 or are designed thereafter and for which there is a direct effect from the reference rate reforms. These changes are also applicable to profit/losses accumulated in the hedging reserve as of January 1, 2020. The related accounting principles are described below in the section on financial instruments and hedging accounting. See also note 36 for information concerning risks and hedging accounting.

Other amended IFRSs applied as of 2020 have not had any material effect on Group accounting.

### Coming changes in accounting principles

#### New IFRSs and interpretations that have not yet been applied

Changes in IAS 37 Provisions, contingent liabilities, and contingent assets entails an adjustment of the costs to be included in the valuation of loss contracts, i.e. specific costs and an allocation of directly referable costs. For Peab the requirement to allocate directly referable costs is a change that can affect the Group's profit and financial position. The changes will be applied as of January 1, 2022 without translation of comparable periods but with translation of open contracts per January 1, 2022. The changes in IAS 37 have not yet been approved by EU.

Other new or amended IFRSs together with interpretations that have been adopted by IASB are not expected to have any material effect on Group accounting.

### Operating segments and segment accounting

An operating segment is a section of the Group engaged in similar business activities that generates revenues and costs and the result of which is regularly reviewed by executive management. In operating segment reporting to a certain extent accounting principles other than IFRS are used. Under IFRS, revenue and costs for projects for Swedish tenant-owner associations and our own housing development in Sweden, Norwegian condominiums and share housing and Finnish residential limited companies are recognized when homebuyers take over their apartments. In segment reporting our own housing development is not consolidated and revenue and costs are recognized over time based on the degree of completion of the project.

In segment reporting leasing fees for the lessee are recognized linearly over the leasing period for leasing contracts that by the counterparty (lessor) are classified as operational leasing contracts. IFRS 16 Leases is applied in the consolidated accounts according to IFRS which entails that the lessee recognizes depreciation and interest attributable to leasing assets respectively leasing liabilities. Leasing contracts that by the counterparty (lessor) are classified as financial leasing contracts are recognized in Peab's segment accounting according to the principles that correspond with those for the lessee according to IFRS 16.

### Financial key ratios in segment reporting

Financial key ratios such as capital employed, balance sheet total, equity, equity/assets ratio, net debt, debt/equity ratio, cash flow before financing and earnings per share are reported in segment reporting taking into consideration the above prerequisites. Net debt according to segment reporting includes the unsold portion of housing projects in ongoing production.

### Differences in segment reporting and reporting according to IFRS

The Group reports in the four business areas Construction, Civil Engineering, Industry and Project Development. The business areas are also operating segments. Segment reporting is the model Peab believes best describes Peab's business concerning both internal steering and risk profile, and it is also how the Board and executive management monitors the business.

In Peab's construction contract operations Construction and Civil Engineering revenue and profit are recognized over time in both segment reporting and reporting according to IFRS. In business area Industry

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revenue and profit are both recognized over time and at one point in time and the accounting is the same in both segment reporting and reporting according to IFRS. In business area Project Development in the unit Housing Development revenue and profit are recognized as the housing projects are successively completed in segment reporting, regarding Swedish tenant-owner associations and own single homes, Norwegian condominiums and share housing and Finnish residential limited companies. In reporting according to IFRS housing projects are recognized at the point in time the final homebuyers take over their apartments. In business area Project Development in the unit Property Development revenue and profit are recognized at one point in time in both segment reporting and reporting according to IFRS.

In addition to the four business areas, central companies, some subsidiaries and other holdings are reported under Group functions. Central companies primarily consist of the parent company Peab AB, Peab Finans AB and Peab Support (Shared Service Center). In Group functions there is no difference in reporting between segment reporting and reporting according to IFRS.

#### Classification

Fixed assets consist of amounts which are expected to be recovered or paid more than twelve months after the balance sheet date. Long-term liabilities consist of amounts which are due for payment more than twelve months after the balance sheet date as well as other amounts the company has an unconditional right to defer payment on until a point in time more than twelve months after the balance sheet date. Other assets and liabilities are recognized as current assets and current liabilities. Inventories in the form of project and development properties with a normal operating cycle that is longer than twelve months are also recognized as current assets. Liabilities attributable to our own developed property projects with a normal operating cycle that is longer than twelve months are recognized as current assets.

#### Consolidation principles

##### Subsidiaries

Subsidiaries are entities over which Peab AB exercises a direct or indirect controlling interest. Controlling interest exists if the parent company has direct or indirect influence over an investment object, is exposed to or has the right to variable yields from its interest in an investment object and can use its influence over an investment object to affect the size of its yield.

Subsidiary financial reports are recognized in the consolidated accounts from the day controlling interest occurs until it no longer exists.

Tenant-owner associations and our own housing development in Sweden, Norwegian condominiums and share housing and Finnish residential limited companies are consolidated up to the time the final homebuyers take over their apartments. During this period the criteria above is met regarding controlling interest over the relevant activities in the projects.

##### Joint ventures

For accounting purposes, joint ventures are entities where the Group through cooperation agreements with one or more parties exercises a joint controlling interest, where the Group has the indirect right to net assets.

Associated companies and joint ventures are consolidated in accordance with the equity method. The equity method means that the recognized value of shares corresponds to the Group's share of the company's equity as well as Group goodwill and any other Group deficit and surplus values. The Group's share of the profit/loss in companies after tax, adjusted for depreciation, write-downs or dispersal of acquired deficit and surplus values are recognized in consolidated profit/loss. Received dividends reduce the recognized value of the investment.

The equity method is applied until the time the joint controlling interest ceases.

##### Joint operations

Joint operations, usually run as a company, are joint arrangements where Peab and one or more partners have the right to all the financial

advantages related to the assets of the operations. How the liabilities of the operations are settled depends on the partners' purchases of output from them or capital infusions to them. Joint operations are recognized according to the proportional method which means each party in a joint operation recognizes their respective share in assets, liabilities, income and expenses.

##### Associated companies

Associated companies are those companies in which the Group has a significant but not controlling interest over operating and financial governance usually through shareholdings of between 20 and 50 percent. Associated companies are recognized according to the equity method.

##### Business combinations

Business combinations are recognized using the purchase accounting method. The method is applied from the point in time the Group has a controlling interest over the acquisition. The purchase accounting method means acquisitions are regarded as transactions through which the Group indirectly acquires the assets of the subsidiary and takes over its liabilities. The consolidated acquisition value is calculated in an acquisition analysis in conjunction with the acquisition. The analysis establishes the acquisition value of the participations or the business and the fair value on acquisition date of the acquired identifiable assets and the liabilities taken over. If ownership and controlling interest is successive a remeasuring of previous holdings to fair value at the point in time the company gets controlling interest over the acquisition is performed and this change in value is recognized in profit/loss.

Goodwill is calculated as the sum of payment for the participations or the business in step acquisitions together with the fair value of previously acquired shares less the fair value of the subsidiary's identifiable assets and overtaken liabilities. When the difference is negative this is recognized directly in profit/loss for the year. Transaction costs for business combinations are charged upon acquisition.

Contingent considerations are measured at fair value at the time of acquisition and subsequent changes in fair value are recognized in profit/loss as they occur.

Net assets attributable to holdings of non-controlling interest (the minority) are recognized either as the fair value of all net assets excluding goodwill or the fair value of all assets including goodwill. The choice of principle is made for each acquisition individually.

Issued sales options referring to participations held by holdings of non-controlling interest are recognized according to the "Anticipated Acquisition Method". According to the method no holdings of non-controlling interest are recognized in the Group's total equity. Instead a financial liability is recognized that corresponds to the current estimated exercise price. The consequent changes in the value of the liability are recognized in profit/loss for the year, attributable to parent company owners.

When controlling interest has been achieved the change in ownership is recognized as a transfer in equity between the parent company and the non-controlling interest, without remeasuring the subsidiary's net assets.

If partial disposal of a subsidiary results in the loss of controlling interest any residual holding is revalued to fair value and the amount of the change is recognized in profit/loss.

##### Asset acquisition

A transaction where the fair value of the acquired assets in essence consists of one asset or a group of similar assets is recognized, through a simplified estimation, as an asset acquisition. When acquisitions of subsidiaries involve the acquisition of net assets without significant processes, the acquisition cost of each identifiable asset and liability is divided up based on its fair value at the time of acquisition. The fair value initially includes contingent consideration as well. Transaction costs are added to the purchase price of the acquired net assets when assets are acquired. Changes of the estimated value of contingent consideration after acquisition are added to the purchase price of the acquired assets. If the acquisition of a subsidiary is successive and is an asset acquisition



no remeasuring of previous acquisitions is performed when controlling interest occurs. If the holding diminishes through partial divestiture of shares in subsidiaries and is an asset divestiture, unlike a transfer of operations, the remaining holdings are not remeasured if the remaining holdings constitute a joint venture or associated company. Holdings of non-controlling interest in subsidiaries recognized as asset acquisitions are recognized according to the same principles as for business combinations but without the inclusion of goodwill.

#### Transactions eliminated upon consolidation

Internal Group receivables and liabilities, revenues or costs or unrealized gains or losses stemming from internal Group transactions are eliminated completely when preparing the consolidated accounts.

Unrealized gains arising from transactions with joint ventures, joint operations and associated companies are eliminated to the extent these refer to the Group's ownership in the company. Unrealized losses are eliminated in the same way as unrealized gains but only to the extent there is no impairment requirement. When subsidiaries considered to be operational become joint ventures or associated companies the residue holding is remeasured to fair value according to the principles above about recognition when controlling interest ceases.

#### Foreign currency

##### Transactions in foreign currency

Transactions in foreign currency are converted to the functional currency at the exchange rate on the transaction date. The functional currency is the currency of the primary financial bases the company operates in. Monetary assets and liabilities in foreign currency are converted to the functional currency at the exchange rate applying on the balance sheet day. Exchange rate differences arising during translation are recognized in profit/loss for the year. Non-monetary assets and liabilities which are recognized at their historical acquisition value are converted to the exchange rate at the time of the transaction. Non-monetary assets recognized at fair value are recalculated to the functional currency at the exchange rate at the time of valuation at fair value.

##### Foreign company financial reports

Assets and liabilities in foreign entities including goodwill and other Group deficit and surplus values are converted from the foreign company's functional currency to the Group's reporting currency, Swedish krona, at the exchange rate on balance sheet day. Revenue and costs in a foreign entity are converted to Swedish krona at an average rate that approximates the rates on the respective transaction dates. Translation differences arising when converting the currency of foreign companies are recognized in other comprehensive income and are accumulated in a separate component in equity as a translation reserve.

##### Net investment in a foreign company

Translation differences arising from the translation of a foreign net investment are recognized via other comprehensive income in the translation reserve in equity. Translation differences also comprise exchange rate differences from loans which form a part of the parent company's investment in foreign subsidiaries (so-called extended investment). When a foreign subsidiary is divested, the accumulated translation differences attributable to the company are reclassified from equity to profit/loss for the year.

#### Revenue

The Group recognizes revenue when the Group meets a performance obligation, which happens when a promised good or service is delivered to the customer and the customer takes control over the good or service. Control of a performance obligation can be transferred over time or at a certain point in time. The revenue consists of the amount the Group expects to receive as compensation for the transferred goods or services. The Group's revenue primarily consists of the following revenue flows: Construction contracts, Sales of goods, Sales of property projects, Transportation services, Rent revenue and Other revenue.

Revenue recognition requires assessing the facts and relationships in each contract at the same time legal aspects must be taken into account. These assessments primarily concern identification of one or more performance obligations, any variable compensation and whether or not the revenue is recognized over time or at one point in time and at what point in time the revenue is recognized.

The following principles are applied on each revenue flow.

##### Construction contracts

Revenue from construction contracts comes from business areas Construction, Civil Engineering and from parts of business area Industry and to a slighter extent from business area Project Development and the unit Property Development.

A contract exists when enforceable rights and obligations occur for the Group as well as the customer. These rights and obligations normally occur when both parties sign the contract. In the case of a framework agreement without guaranteed volumes a contract exists with a customer first when the customer places an order or makes a call-off based on the framework agreement's terms since it is at that point in time enforceable rights and obligations occur for the Group and the customer. In certain situations two or more contracts are combined into one contract if they are negotiated as a package with a single commercial purpose, if the price in one contract is dependent on the price or performance in the other contract or if the goods and services promised in the contracts constitute a single performance obligation.

Recognition of revenue due to contract changes related to changes or additional work, compensation for shortcomings in procurement conditions and such does not begin until enforceable rights and obligations occur between the Group and the customer. This normally occurs when both parties have agreed on a change in the contract and there is a legal right to payment. Contract changes are normally recognized as if they were a part of the existing contract.

A determination is made for every contract or combined contract on whether one or more performance obligations exist. This can vary from contract to contract. Normally a construction contract constitutes only one performance obligation.

In certain transactions two contracts are signed between Peab and the customer at the same time, a sale of land contract and a construction contract. Both these contracts are contingent on each other and treated in accounting as a single contract. The combined contract comprises a single performance obligation where land and construction are input in the process of delivering a completed new building.

The transaction price in each contract with the customer consists normally of fixed amounts, variable amounts or a combination thereof. To the extent that the transaction price includes variable compensation amounts the transaction price consists of an estimated anticipated value. Variable compensation is only recognized when it is very likely that a material reversal of accumulated income will not occur when uncertainty ceases and the compensation sum becomes definite.

Revenue from construction contracts is recognized over time since Peab performs the work on the customer's land or the asset or service does not create any alternative use for Peab and where Peab has the right to compensation including a margin for the performance reached at specific points in time. This means that control is transferred over time which is why the income is recognized over time. In addition to construction contracts some other contracts for services such as operation contracts exist. Control is also transferred over time in these contracts since the customer consumes the service at the same time it is received. This revenue is recognized through the input method based on the worked-up rate in each project. This means that expenses are recognized as costs when they occur and the worked-up rate is determined on the basis of project costs in relationship to the project's calculated total expenses, which mirrors how control is transferred to the buyer and how the Group's lowest right to compensation including a margin from customers is worked-up. This is the basis of revenue recognition.

Recognition over time entails some uncertainty since unforeseen

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1 events can occur leaving the final level of profit/loss higher or lower  
2 than expected. The degree of uncertainty is higher at the start of a pro-  
3 ject, particularly in projects spanning over a long period of time.

4 Reviews of a project's total estimated revenue and expenses are per-  
5 formed regularly during the entire production period.

6 Feared losses are charged to income as soon as they become known,  
7 and these amounts charge profit/loss.

8 Construction contracts are recognized on the balance sheet project by  
9 project either as Worked-up not invoiced revenue under current assets  
10 or as Invoiced revenue not worked-up under current liabilities. Projects  
11 with higher worked-up revenue than invoiced are recognized as assets  
12 while projects which have been invoiced in excess of the worked-up rev-  
13 enue are recognized as liabilities. The not worked-up part of a feared  
14 loss is recognized as a provision.

#### 11 Sales of goods

12 Revenue from the sales of goods comes primarily from business area Industry  
13 and is recognized at the point in time the good is transferred to the customer.

#### 14 Sales of property projects

##### 15 *Own housing development projects*

16 Own housing development projects are tenant-owner associations and  
17 our homes in Sweden, Norwegian condominiums and share housing  
18 and Finnish residential limited companies that are consolidated in  
19 Group accounting until the construction contracts are completed, the  
20 final inspection conducted and the final homebuyers take over their  
21 apartments. Consolidation means that expenses in the housing projects  
22 are recognized as work-in-progress on the Group's balance sheet under  
23 Project and development property and loans to finance housing pro-  
24 jects are recognized as interest-bearing liabilities. When consolidation  
25 ends revenue is recognized based on the sold, and by the final customer,  
26 taken over apartments. By gaining access to an apartment acquired  
27 from Peab the final customer takes control over it. Revenue is therefore  
28 recognized at the point in time each final customer takes over their  
29 apartment. Apartments not sold or repurchased by Peab according to  
30 contracted guarantees regarding repurchasing are recognized as Project  
31 and development property at the Group cost.

#### 28 Sales of property

29 In this revenue flow revenue is recognized from project and develop-  
30 ment property, operations property and investment property, primarily  
31 in business area Project Development. These sales are either direct sales  
32 of the asset or via the sale of shares. The underlying sales value of pro-  
33 ject and development property sold in the form of a company via shares  
34 is recognized as net sales. The net profit effect from the sales of opera-  
35 tions property or investment property is recognized as Other operating  
36 income or Other operating costs.

37 Revenue from the sales of property is recognized at one point in time,  
38 normally on the takeover date when control is transferred to the cus-  
39 tomer. The transaction price is fixed although there can be instances of  
40 variable compensation such as rent guarantees in the case of unrented  
41 space and operation guarantees.

#### 38 Transportation services

39 Revenue from transportation services comes primarily from business  
40 area Industry and is recognized at the point in time the transportation/  
41 service is carried out.

#### 42 Rent revenue

43 Rent revenue from investment property as well as from cranes and machinery  
44 is recognized linearly according to IFRS 16 Leases. Rent rebates are spread  
45 linearly as a reduction in rent over the contract period, except for rebates  
46 given because certain factors temporarily curtail a renter's ability to fully  
47 utilize an already rented premise (for example, delayed customization to a  
48 renter). These rebates are recognized during the period the curtailment exists.

#### Other revenue

Other revenue refers to administrative revenue as well as various other  
revenue. This revenue is recognized both over time and at one point in  
time based on when control is transferred from Peab to the customer.

#### Financial income and expenses

Financial income and expenses consist of interest income on cash in bank,  
receivables and interest-bearing securities, interest expenses on liabilities,  
dividend revenues, changes in fair value of financial investments and  
changes in fair value of derivatives used within the financial business.

Interest income on receivables and interest expenses on liabilities are  
calculated in accordance with the effective interest rate method. The effective  
interest rate is the exact discount rate for estimated future payments and  
disbursements during the expected life of the financial instrument at  
the recognized gross value of a financial asset or the accrued acquisition  
value of a financial liability. Interest income and interest expenses in-  
clude accrued transaction costs as well as possible discounts or premiums.

Dividend income is recognized when the right to payment is established.  
The results of sales of financial investments are recognized on the trade date.

Interest costs are charged to profit/loss during the period to which  
they refer except to the extent that they are included in an asset's acqui-  
sition value. An asset for which interest is included in the acquisition  
price is an asset which must necessarily require considerable time to  
prepare for the intended use or sale.

#### Taxes

Income tax consists of current tax and deferred tax. Income tax is recognized  
in profit/loss for the year except when the underlying transaction is recog-  
nized in other comprehensive income or equity, in which case the rel-  
evant tax is recognized in other comprehensive income respectively in equity.

Current tax is tax that will be paid or received during the current year.  
This also includes current tax attributable to earlier periods. Current and  
deferred tax is calculated applying the tax rates and tax rules valid on or  
in practice valid on the balance sheet day.

Deferred tax is calculated according to the balance sheet method based  
on temporary differences between the reported and fiscal values of assets  
and liabilities. Valuation of deferred tax is based on how the underlying  
value of assets or liabilities is expected to be realized or regulated. Tem-  
porary differences for the difference generated by recognition of consoli-  
dated goodwill or the temporary difference from the acquisition of sub-  
sidiaries that are so-called asset acquisitions are not taken into account.

When shares in subsidiaries are acquired such acquisitions are either  
business combinations or an asset purchase. An asset purchase refers  
to, for example, acquiring a company that only owns one or more prop-  
erties with tenancy agreements but the acquisition does not comprise  
the processes required to operate a business. In business combinations  
deferred tax is recognized at the nominally valid tax rate with no dis-  
count according to the principles presented above. When an asset is  
acquired deferred tax is not recognized at the time of acquisition.  
Instead the asset is recognized at a purchase value corresponding to the  
asset's fair value after deductions for a discount received in the transac-  
tion for the current value of the fiscal value of future fiscal deductions  
regarding the difference between recognized and fiscal value that do not  
materialize. After the acquisition only deferred tax on temporary differ-  
ences that occur after the acquisition is recognized.

Deferred tax assets in the form of deductible temporary differences  
and tax loss carry-forwards are recognized only when use of them is  
probable. The value of deferred tax assets is reduced when use of them  
is deemed no longer probable.

#### Financial instruments

Financial instruments recognized on the balance sheet include on the  
assets side liquid funds, short-term investments, accounts receivable,  
securities holdings, loan receivables and derivatives. On the liabilities  
side, they include accounts payable, borrowing and derivatives.

**Recognition on and removal from the balance sheet**

Financial assets and financial liabilities are recognized on the balance sheet when Peab becomes involved according to the instrument's contractual terms. Receivable are recognized when Peab has performed and the other party has a contractual responsibility to pay, even if the invoice has not yet been sent. Accounts receivable are recognized on the balance sheet when the invoice has been sent. Liabilities are recognized when the counterparty has performed the service and there is a contractual payment obligation even if the invoice has not been received. Accounts payable are recognized when the invoice is received.

Financial assets and financial liabilities are offset and recognized at a net amount on the balance sheet when the rights in the agreement have been realized, fall due or Peab loses control of them. The same applies to parts of financial assets. Financial liabilities are removed from the balance sheet when contractual obligations have been met or otherwise extinguished. The same applies to parts of financial liability.

Financial assets and financial liabilities are offset and recognized at a net amount on the balance sheet only where there is a legal right to offset the amounts and the intention is to clear the items with a net amount or to at the same time capitalize the asset and settle the liability.

On-demand acquisitions and on-demand sales of financial assets are reported on the transaction date, which is the date Peab undertakes to acquire or sell the asset.

**Valuation at initial recognition**

Financial instruments are initially recognized at fair value with the addition/reduction of transaction costs except for instruments current recognized at fair value via profit/loss for which transaction costs are instead expensed as they occur. Accounts receivables (without any material financing components) are initially valued at the transaction price determined according to IFRS 15.

**Classification and following valuation of financial assets**

Financial assets are initially classified as valued at accrued acquisition value, at fair value via other comprehensive income or fair value via profit/loss. How the Group's various holdings of financial assets are classified is described below.

**Holdings of unlisted funds**

The Group has participations in unlisted funds. The fund participations do not meet the criteria for an equity instrument and cash flows from the funds do not consist solely of payments of principal and interest. The funds are therefore valued at fair value via profit/loss.

**Holdings of shares and participations in unlisted companies**

The Group's holdings of shares and participations in unlisted companies (that are not subsidiaries, associated companies or joint ventures) are valued at fair value via profit/loss.

**Derivatives not used for hedge accounting**

Derivatives that for Peab have a positive fair value on the balance sheet day are recognized as assets in the report on financial position. Derivatives that are not used for hedge accounting are valued at fair value via profit/loss.

**Other financial assets**

All other financial assets are recognized at accrued acquisition value. This is because they are held within the framework for a business model aimed at receiving the contractual cash flows at the same time that cash flows from the assets consist solely of payments of principal and interest.

**Classification and following valuation of financial liabilities**

Financial liabilities are classified as valued at accrued acquisition value or valued at fair value via profit/loss. The financial liabilities valued at fair value via profit/loss consist of contingent considerations for business combinations and derivatives that for Peab have a negative fair value and are not hedged. All other financial liabilities are recognized at accrued acquisition value by applying the effective interest rate method.

**Hedge accounting**

Peab holds interest, currency and raw materials derivatives utilized to hedge risks of changes in exchange rates, interest rate changes and changes in the price of raw materials.

**Hedging interest risks (cash flow hedging)**

Interest rate swaps and hedge accounting (cash flow hedging) are used to hedge against interest risks connected to Group loans. Interest rate swaps are valued at fair value in the balance sheet. The coupon rate part is recognized on a current basis as a correction of the interest expense in net financial items. Unrealized changes in the fair value of interest rate swaps are recognized in other comprehensive income and are part of the hedging provision until the hedged item (i.e. payment of interest on the hedged loan) affects profit/loss and as long as the criteria for hedge accounting is met.

In order to evaluate whether or not a financial relationship exists between the hedged item and the hedge instrument it is assumed that reference interest reforms will not change the reference interest (in Peab's case STIBOR). It is further assumed that reference interest reforms will not change the reference interest upon the assessment that a predicted transaction is very probable and exposes the Group for variations in cash flow that have the potential to affect profit/loss. These special principles for managing reference interest reforms will cease to be used when the reforms no longer entail uncertainties concerning the timing of reference interest based cash flows respectively the assessment that predicted cash flows are very probable.

**Hedging raw materials price risks (cash flow hedging)**

The Group uses derivatives to hedge the price risk of purchasing bitumen as well as hedge the value of stored bitumen. All derivative instruments are recognized at fair value on the balance sheet. Peab applies hedge accounting for some of the bitumen purchase hedges. These hedges are identified as cash flow hedging and the unrealized value changes for the period are recognized in the hedging reserve via other comprehensive income. Hedge accounting is not applied on other bitumen price hedging which means that changes in the fair value of the derivative are directly recognized in profit/loss for the period they occur.

**Hedging currency risks (cash flow hedging)**

From time to time the Group uses forward exchange contracts to hedge currency risks when purchasing foreign currency. The forward exchange contracts are valued at fair value on the balance sheet and the period's unrealized value changes are recognized in the hedging reserve via other comprehensive income.

**Hedging net investments**

To a certain extent measures have been taken to reduce currency risks connected to investments in operations abroad. This has been done by taking out loans in the same currency as the net investments. At closing these loans are recognized at the translated rate on balance sheet day. The effective part of changes in the period's exchange rate in relation to hedge instruments is recognized in other comprehensive income and the accumulated changes in a separate component of equity (the translation reserve), in order to meet and partly match the translation differences that affect other comprehensive income concerning net assets in the hedged operations abroad. In cases where the hedge is not effective, the ineffective part is recognized directly in profit/loss as a financial item.

**Liquid funds**

Liquid funds consist of cash, immediately available balances at banks and equivalent institutes and current liquid investments that mature less than three months from the acquisition date and which are exposed to only insignificant value fluctuation risks.

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**Property**

Group property holdings are recognized as follows:

- Operations property among fixed assets
- Investment property among fixed assets
- Project and development properties as inventory among current assets

**Operations property**

Properties used in the Group's own operations consisting of office buildings, production buildings and other operations properties are recognized as buildings and land among tangible assets. They are measured at cost minus accumulated depreciation and possible write-downs.

The accounting principles involved are described below under "Tangible assets".

**Investment property**

Investment properties are property classified as fixed assets held to earn rentals or for capital appreciation or a combination of both. Even properties under development and redevelopment which are intended to be used as investment property when completed are classified as investment property. Like operations property, investment property is recognized at cost less accumulated depreciation and possible write-downs. Other accounting principles are presented under "Tangible assets".

Information is presented regarding the fair value of investment property. The valuation is based on an internal valuation model. As a complement to this valuation annual external market valuations are obtained for a number of objects. External valuation of properties is performed every third year.

**Project and development property**

Project and development property is recognized under current assets and consists of undeveloped land and redeveloped tracts for future development, developed investment properties for project development, improvement and subsequent sale, ongoing work attributable to our own housing development projects as well as indirect holdings. The property is expected to be realized during our normal operational cycle. Valuation is made in accordance with IAS 2, Inventories, at the lowest of either acquisition value or net sales value, see below under "Inventories".

**Tangible assets**

Tangible assets are recognized in consolidated accounts at acquisition value minus accumulated depreciation and any write-downs. The acquisition value consists of the purchase price and costs directly attributable to putting the asset in place in the condition required for utilization in accordance with the purpose of the acquisition.

The value of a tangible asset is derecognized from the balance sheet upon scrapping or divestment or when no future financial benefits are expected. Any recognized values of exchanged components, or parts of components, that are not depreciated are scrapped and expensed in connection with the exchange.

Gains and losses arising from divestment or disposal of an asset consist of the difference between the sale price and the asset's recognized value less direct sales costs.

Write-downs are described in separate section below.

**Additional costs**

Additional costs are only added to the acquisition value if it is likely that the future financial benefits associated with the asset will benefit the Group and the acquisition value can be reliably estimated. Additional costs include the cost of exchanging entire, or parts of, identifiable components as well as the cost of creating new components. Costs that do not meet asset criteria are recognized as costs as they occur.

**Borrowing costs**

Borrowing costs which are directly attributable to the purchase, construction or production of an asset and which require considerable time to complete for the intended use or sale are included in the acquisition value of the

asset. Borrowing costs are included in the purchase price of our own developed real estate.

**Depreciation principles**

Depreciation is based on the original acquisition value minus the calculated residual value. Depreciation is linear over the assessed useful life of the asset.

Buildings (operations property and investment property)	25–100 years
Land improvements	25–50 years
Asphalt and concrete factories	10–15 years
Vehicles and construction machinery	5–10 years
Other equipment and inventories	3–10 years

The useful life and residual value of assets are assessed annually.

Gravel and rock quarries are written down based on substance depletion, i.e. the amount of gravel and rock removed in relation to the calculated total amount of substance deemed recoverable in the gravel and rock quarry.

**Intangible assets****Goodwill**

Goodwill is valued at acquisition value minus any accumulated write-downs. Goodwill is divided between cash-generating units and is tested at least once a year for write-down needs. Goodwill stemming from the acquisition of joint ventures and associated companies is included in the recognized value of participations in joint ventures and associated companies.

**Balanced development costs**

Development costs are primarily derived from developing IT systems and are reported as an asset on the balance sheet, if the application is technically or commercially useful and the Group is believed to have adequate resources for completing development and then applying the intangible asset. The recognized value includes all directly attributable expenses, for example for software, purchased services, personnel and, in cases where projects run for more than twelve months, loan costs. Other development costs are reported in profit/loss for the year as costs as they arise. Balanced development costs are recognized on the balance sheet at cost less accumulated depreciation and possible write-downs.

**Other intangible assets**

Other intangible assets refer to acquired assets recognized at acquisition value less accumulated depreciation and write-downs. These intangible assets consist of:

- Brands
- Customer relations and customer contracts
- Utilization rights, primarily gravel and rock quarries
- Others

**Depreciation policies**

Depreciation is linearly recognized in profit/loss for the year over the estimated useful life of the intangible asset. Goodwill and other intangible assets with an indeterminate useful life is not depreciated but is tested for impairment annually or as soon as there are indications that the asset in question has declined in value. Depreciable intangible assets are depreciated from the date when the asset became available for use.

The estimated useful lives are:

Brands that refer to business area Industry when repurchased by Peab 2008	20 years
Brands, other	5–10 years
Customer relations	3–5 years
Customer contracts / order backlog	Remainder of contract period
Balanced development costs	5–10 years
Rights of use	Correspond to contract period

The useful life of assets are assessed annually.

## Leases

Described below are Peab's principles for reporting leases as a lessee.

An agreement is, or contains, a leasing agreement if the agreement transfers during a period the right to decide over the use of an identified asset in exchange for compensation. Peab's leases primarily refer to rent for vehicles, offices and other premises, leaseholds and land leases.

A right of use asset and a leasing liability are recognized on the commencement date of the leasing agreement, which is the date Peab acquires access to, and can begin to use, the underlying asset. The right of use is initially valued at acquisition cost, which consists of the leasing liability's initial value and the leasing fees paid before or on the commencement date plus any initial direct costs. The right of use is amortized linearly from the commencement date normally until the end of the leasing period. In cases where the acquisition cost for the right of use reflects that an option to buy the underlying asset will be used, the asset is amortized over the period the underlying asset is used.

Leasing liabilities – which are divided into long-term and current parts – are initially valued at the remaining leasing fees during the assessed leasing period. The leasing period is made up of the period that cannot be terminated and additional periods under the agreement if, on the commencement date, it is probable these will be used. The calculations for leaseholds are based on a never ending leasing period, in cases where the lessee (Peab) cannot terminate the leasehold agreement.

The leasing fees are normally discounted with the Group's marginal borrowing interest rate, which in addition to the Group's credit risk reflects the respective agreement's leasing period, currency and the quality of the underlying asset which is the intended collateral. In cases where the implicit interest rate of the leasing agreement is easily determined this interest rate is used instead, which is the case for parts of the Group's leases for vehicles.

The value of the liability increases with the interest rate cost for the respective period and is reduced by leasing payments. The interest rate cost is calculated as the value of the liability multiplied by the discount rate.

Variable leasing fees that are not index or interest rate based are expensed in the period they occur.

Leasing liabilities for premises or land with rent subject to indexation are calculated on the rent at the end of the respective report period. When the rent level has been raised according to the index the liability is adjusted, based on the new rent level, with a corresponding adjustment of the reported asset value of right of use. The value of the liability and asset is adjusted in the same way in connection with a reevaluation of the leasing period. This occurs when the final termination date within the previously assessed leasing period for a premise rental contract has passed or when significant events occur or circumstances change materially in a way that is under the control of the Peab Group and affects the existing assessment of the leasing period.

The Group recognizes right of use assets together with the same type of owned assets as the underlying leased asset on the balance sheet. The leased assets are specified per asset type in the note about leases.

Right of use assets and lease liabilities are not recognized for leases with a leasing period of 12 months or less or that have an underlying asset of low value. Leasing fees for these leases are expensed linearly over the leasing period.

Principles for revenue recognition are applied to determine if a sale and leaseback transaction should be recognized as a sales. If the transaction meets the criteria for being considered a sales the right of use stemming from the leaseback transaction is valued at the portion of the previously recognized value of the asset that remains in the Group. Thereby only the profit or loss that refers to the rights transferred to the buyer/lessor are recognized.

## Inventories

Inventories are comprised of raw materials and consumables, products in progress, finished products and goods for resale. Project and development properties are recognized according to the principles for inventories but are presented as a separate item on the balance sheet under current assets.

Inventories are valued at the lowest of acquisition value and net sale value. The acquisition value of stock is calculated using the first-in, first-out method and includes expenses connected to the acquisition of the stock assets and transportation to their current location and condition. For manufactured goods the acquisition value includes a reasonable share of the indirect costs based on a normal capacity.

The net sale value is the estimated sales price in the current business minus estimated costs for completion and bringing about the sale.

## Impairment losses

The recognized value of Group assets is checked every balance sheet day to assess whether there is a write-down requirement.

## Impairment tests of tangible/intangible assets, investment property and participation in subsidiaries, joint ventures and associated companies

If an impairment is indicated, the recovery value of the asset is estimated according to IAS 36. Moreover, the recovery value of goodwill, other intangible assets of indeterminate useful life and intangible development assets which are not yet ready for use is estimated each year. If it is not possible to establish materially independent cash flows for a certain asset, when testing for impairment the assets are grouped at the lowest level where it is possible to identify materially independent cash flows – a so-called cash-generating unit.

Write-downs are recognized when the recognized value of an asset or a cash-generating unit exceeds its recovery value. Write-downs are expensed in profit/loss for the year. Write-downs of assets attributable to a cash-generating unit, or a group of units, are first allocated to goodwill, followed by a proportional write-down of the other assets in the unit (or group of units).

The recovery value is the highest of fair value minus sales costs and useful value. When calculating useful value, future cash flows are discounted by a discount factor that takes into consideration the risk-free interest rate and the risks which are associated with the specific asset.

When calculating useful value leasing payments have been handled as cash flows in operations. This means that leasing liabilities do not affect the discount rate. The cash-generating unit's reported value includes right of use assets. Leasing liabilities are deducted from the cash-generating unit's reported value since the useful value is reduced by future leasing payments.

A write-down is reversed if there are both indications that impairments no longer exist and assumptions which the calculation of the recovery value were based on have changed. However, write-downs of goodwill are never reversed. Reversing is only performed to the extent that the recognized value after reversing of the asset does not exceed the recognized value which would have been recognized deducted for depreciation where applicable, if a write-down had not been made.

## Impairment tests for financial assets

The Group recognizes loss reserves for anticipated credit losses on financial assets valued at accrued acquisition value. The loss reserve for receivables is valued at an amount that corresponds to the anticipated losses for the remaining time to maturity. For other receivables the loss reserve is valued at an amount that corresponds to 12 months anticipated credit losses, given that the credit loss has not significantly increased from when the receivable was originally recognized. If the credit loss has significantly increased from when the receivable was originally recognized the loss reserve is valued at an amount that corresponds to the anticipated losses for the remaining period time to maturity.

The loss reserve is calculated as the current value of all deficits in cash flows (i.e. the difference between cash flows according to a contract and the cash flows the Group anticipates receiving). Current receivables are, however, not discounted. Assets are recognized in the balance sheets net after any write-downs. Write-downs are recognized in profit/loss.

The reserve for anticipated credit losses regarding accounts receivables is calculated by, for receivables where no individual impairment has been identified, making a further reserve for anticipated credit losses

1 based on the Group's history of credit losses in the different business  
2 areas. The model is updated regularly to take into account changes in  
3 loss statistics over time.

4 The loss reserve for other receivables is calculated by the Group  
5 assessing the probability of default in the counterpart based on avail-  
6 able statistics from rating institutes as well as the loss the Group would  
7 suffer in the eventuality of a loss given default.

8 The gross value of a financial asset is written off when the Group no  
9 longer has any feasible expectations of recovering part of or the entirety  
10 of a financial asset.

#### 11 Impairment tests for other assets

12 The principles for write-downs of inventories and deferred tax recover-  
13 ables are presented in the respective sections above.

#### 14 Equity

##### 15 Repurchase of own shares

16 Holdings of own shares and other equity instruments are recognized as  
17 a reduction in equity. Liquid funds from the divestment of such equity  
18 instruments are recognized as an increase in equity. Any transaction  
19 costs are charged directly to equity.

##### 20 Dividends

21 Dividends are recognized as liabilities after they have been approved by  
22 the AGM.

23 When value transfers of non-cash assets occur through dividends to  
24 owners a liability is recognized in the consolidated accounts corre-  
25 sponding to the fair value of the net assets subject to distribution at the  
26 point in time the AMG approves of the value transfer. The reported  
27 amount of the dividend liability corresponds to an equally sized reduc-  
28 tion of Group equity. During the time between approval and distribution  
29 of the dividend the dividend liability is revalued to the current fair value  
30 with a corresponding revaluation recognized in equity. At the point in time  
31 the dividend is distributed to the owners the dividend liability is derecog-  
32 nized while a revaluation profit (loss) is recognized in consolidated prof-  
33 it/loss corresponding to the realized difference between the fair value  
34 distributed to the owners and the recognized value of distributed net assets.

35 The purpose of this accounting application is to equate distribution in  
36 kind with cash dividends by reporting as if the net assets were first sold  
37 at fair value and then the received purchase price was distributed in  
38 cash to the owners.

39 Transaction fees directly due to distribution are recognized directly in  
40 Group equity after any tax. Transaction fees primarily comprise costs for  
41 producing preparation documents to support shareholders in the deci-  
42 sion on dividends and for information in general to the market concern-  
43 ing the distribution.

##### 44 Earnings per share

45 The calculation of earnings per share is based on consolidated profit/  
46 loss for the year attributable to the shareholders of the parent company  
47 and on the weighted average number of outstanding shares during the  
year. There have been no effects from diluting potential shares since 2012.

#### 48 Employee benefits

##### 49 Defined contribution pension plans

50 Pension plans are only classified as defined contribution pension plans  
51 when the Group's obligations are limited to the contributions the Group  
52 has undertaken to pay to an insurance Group or to another independent  
53 legal entity. In such cases the size of an employee's pension depends on  
54 the size of the contributions the company pays to this legal entity and  
55 the yield it generates on the capital. The Group's obligations concerning  
56 contributions to defined contribution plans are expensed in profit/loss  
57 for the year as they are earned by the employee performing work for the  
58 company during the period.

##### 59 Defined benefit pension plans

60 Pension plans that are not defined contribution plans are defined bene-  
61 fit plans, which means the employer is obligated to pay pension fees on  
62 a certain benefit level. The Group's defined benefit plans consist of the  
63 Swedish ITP 2 Plan for Salaried Staff which is managed through insur-  
64 ance with Alecta. The ITP 2 pension plan, which is secured through  
65 insurance from Alecta, is recognized as a defined benefit plan that  
66 encompasses several employers. However, the plan is recognized as a  
67 defined contribution plan since Alecta cannot provide the necessary  
68 information required for each member company to report its propor-  
69 tional share of the plan obligations, assets and expenses. There are no  
70 other defined benefit pension plans.

##### 61 Pension plans with endowment insurance

62 There are pension plans where the Group has acquired endowment  
63 insurance which is hedged in favor of employees through pledges. The  
64 employees in question only have the right to compensation equal to the  
65 value of the endowment insurance at redemption. The endowment  
66 insurance is valued at its current fair value while the pension liability is  
67 revalued to the corresponding value of the endowment insurance.  
68 Endowment insurance and pension liability have been reported net.  
69 Provisions for special payroll tax are reserved calculated on the fair val-  
70 ue of the endowment insurance, except in cases where the contract stip-  
ulates that the endowment insurance covers special payroll tax.

##### 62 Remuneration upon dismissal

63 A reserve for remuneration relating to the dismissal of staff is only estab-  
64 lished if the company is demonstrably subject to, without any realistic  
65 opportunity for avoidance, the termination of employment prior to the  
66 normal time and the affected groups of employees have been informed  
67 about the dismissal plan. Reserves are made for severance compensa-  
68 tion which will be paid without requiring any service from the employee.

##### 63 Short-term remuneration

64 Short-term remuneration to employees is calculated without a discount  
65 and reported as an expense when the related services are received.

66 The expected costs of participations in profits and bonus payments  
67 are recognized as an accrued cost when the Group has a valid legal or  
68 informal obligation to make such payments for services rendered from  
69 employees and the obligations can be reliably estimated.

##### 64 Provisions

65 Provisions are recognized on the balance sheet when the Group has a  
66 legal or informal obligation due to events that have occurred and it is  
67 likely that financial resources will be required to meet the obligation,  
68 and a reliable estimate of the amount can be made.

##### 65 Contingent liabilities

66 Contingent liabilities are provided when there is a possible obligation  
67 attributable to events that have occurred, the occurrence of which can  
68 only be confirmed by one or more uncertain future events out of the  
69 control of the Group, or when there is an undertaking not recognized as  
70 a liability or provision because it is not likely that the use of resources  
will be required or the amount cannot be calculated with sufficient reli-  
ability.

##### 66 Fixed assets held for sale/distribution and discontinued operations

67 The reason why a fixed asset or divestment group is classified as a hold-  
68 ing for sale or value transfer to owners is that their reported value will be  
69 recuperated primarily through divestment or distribution and not  
70 through use. An asset or divestment group that comprises all the assets  
and liabilities subject to divestment is classified as a holding for sale or  
distribution if it is available for immediate divestment in its existing  
state, and that it is very likely divestment or distribution will take place.

These assets or divestment groups are recognized as separate items  
as a current asset respectively current liability on the balance sheet. The

comparable year's assets and liabilities are not translated. Depreciation on depreciable assets ends after they are reclassified as assets held for sale.

The reported value of the assets, and all the assets and liabilities in a divestment group, is decided according to applicable standards immediately before reclassification as a holding for sale or distribution. At the first classification as a holding for sale or distribution the fixed assets and divestment groups are recognized at the lowest of the reported value and fair value with a deduction for divestment costs respectively transaction costs attributable to distribution.

Certain assets, alone or included in a divestment group, are exempt from the valuation rules described above. For the Group, financial assets and deferred tax recoverables are exempt and are instead valued according to principles applicable to assets that are not classified as a holding for sale or distribution.

A discontinued operation is an operation that represents an independent material operational area, an operation within a geographical area or a subsidiary acquired with the sole purpose of reselling it. Profit/loss after tax from discontinued operations is recognized as a separate item in the income statement, and the same is done for the comparable year.

#### Parent company accounting principles

The parent company has prepared its annual report in accordance with the Swedish Company Accounts Act (1995:1554) and Swedish Financial Reporting Board recommendation RFR 2 Accounting rules for legal entities. RFR 2 requires that the parent company, in the annual report for the legal entity, use all EU adopted IFRSs and interpretations as far as possible within the framework of the Swedish Company Accounts Act, the Job Security Law and with due regard for the relationship between accounting and taxes. The recommendation states which exceptions and additions must be made to the IFRSs.

#### Changed accounting principles

The parent company's accounting principles are unchanged compared to the Annual Report 2019.

New or amended IFRSs including interpretations that have been adopted by IASB but not yet applicable are not expected to have any material effect on parent company accounting.

#### Differences between the Group's and parent company's accounting principles

##### Classification and presentation

The parent company's income statement and balance sheet are presented according to the structure in the Swedish Company Accounts Act. The departure from IAS 1 Presentation of financial statements, which is used in structuring the consolidated financial reports is primarily regarding presenting financial income and expenses, fixed assets, equity and provisions reported under a separate heading on the balance sheet.

##### Subsidiaries, joint ventures and associated companies

Participations in subsidiaries, joint ventures and associated companies are recognized in the parent company according to the acquisition value method. This means that acquisition costs are included in the reported value of the holding in the subsidiary. In Group accounting acquisition costs are recognized directly in profit/loss as they occur.

##### Financial guarantees

The parent company's financial guarantee agreements mainly consist of sureties for the benefit of subsidiaries and joint ventures. The parent company recognizes financial guarantee agreements as provisions on the balance sheet when the company has an obligation for which payment is likely to be required to settle the obligation.

##### Taxes

Untaxed reserves including deferred tax liabilities are recognized in the parent company. In the Group accounting however, untaxed reserves are divided into deferred tax liabilities and equity.

#### Shareholder contributions

Paid shareholder's contributions are activated in shares and participations in the provider after taking into consideration any impairments.

#### Group contributions

Group contributions are recognized as appropriations whether or not the Group contribution has been given or received.

#### Leases

The parent company does not apply IFRS Leasing in accordance with the exception in RFR2. As a lessee leasing fees are expensed linearly over the leasing period and therefore right of use assets and lease liabilities are not recognized on the balance sheet.

#### Fixed assets held for sale/distribution and discontinued operations

Fixed assets held for sale or distribution and discontinued operations are not recognized separately in the parent company's income statement and balance sheet since the parent company follows the format for income statements and balance sheets in the Annual Accounts Act. Information on fixed assets held for sale or distribution and discontinued operations is instead provided as note information. Furthermore, fixed assets held for sale or distribution are depreciated according to the Annual Accounts Act.

#### Fund for development costs

Amounts that are activated through internally generated development costs among intangible assets are transferred from non-restricted equity to the fund for development costs in restricted equity. The fund contracts as the activated costs are depreciated or written down. Provisions to the fund for development costs were first actualized in 2017 to develop IT systems.

## Note 2 Changed accounting principles

As of fiscal year 2020 Peab consolidates projects with Swedish tenant-owned housing associations at the time the final homebuyers take possession of their apartments. This means that Peab recognizes the projects on the balance sheet as work-in-progress under the asset item project development properties, and as interest-bearing current liabilities (project financing). Revenue and costs for the projects will be recognized as homebuyers take possession of their apartments. Costs for loans are included in the acquisition value of the properties. In conjunction with this change Peab now recognizes all our own housing development projects in Sweden, Norway and Finland according to the completion method. According to previous principles Peab did not consolidate projects with Swedish tenant-owned housing associations from the time land transfer and turnkey contracts were signed, and revenue and expenses were recognized over time as the projects were successively completed.

The changed accounting principle has been applied retroactively from January 1, 2019. The tables below show translated figures to the new accounting principle and opening balances on January 1, 2019. All comparative figures for 2019 are translated if not otherwise specified.

	Jan 1, 2019		
	Reported balance sheet	Changed accounting principle	Group IFRS
<b>1</b>	<b>Jan 1, 2019</b>		
<b>2</b>	<b>Group, MSEK</b>		
<b>3</b>	<b>Assets</b>		
	Intangible assets	2,250	2,250
	Tangible assets	5,741	5,741
	Investment property	589	589
	Participation in joint ventures	1,076	1,076
	Securities held as fixed assets	109	5
	Interest-bearing long-term receivables	1,445	1,445
	Deferred tax recoverables	-	346
	Other long-term receivables	107	107
	<b>Total fixed assets</b>	<b>11,317</b>	<b>351</b>
	Project and development properties	9,685	7,534
	Inventories	441	441
	Accounts receivable	10,166	-827
	Interest-bearing current receivables	640	-184
	Tax assets	118	118
	Worked-up not invoiced income	2,312	2,312
	Prepaid expenses and accrued income	529	529
	Other current receivables	732	732
	Securities held as current assets	0	-
	Liquid funds	1,376	1,376
	<b>Total current assets</b>	<b>25,999</b>	<b>6,523</b>
	<b>Total assets</b>	<b>37,316</b>	<b>6,874</b>
	<b>Equity and liabilities</b>		
	<b>Equity</b>	<b>11,348</b>	<b>-1,271</b>
	<b>Liabilities</b>		
	Interest-bearing long-term liabilities	5,194	-1,224
	Interest-bearing long-term liabilities, project financing	-	213
	Other long-term liabilities	161	161
	Deferred tax liabilities	123	123
	Provisions	816	-109
	<b>Total long-term liabilities</b>	<b>6,294</b>	<b>-1,120</b>
	Interest-bearing current liabilities	1,818	-508
	Interest-bearing current liabilities, project financing	-	10,963
	Accounts payable	5,177	5,177
	Tax liabilities	69	69
	Invoiced income not worked-up	6,841	-1,934
	Accrued expenses and deferred income	4,046	4,046
	Other current liabilities	1,457	744
	Provisions	266	266
	<b>Total current liabilities</b>	<b>19,674</b>	<b>9,265</b>
	<b>Total liabilities</b>	<b>25,968</b>	<b>8,145</b>
	<b>Total equity and liabilities</b>	<b>37,316</b>	<b>6,874</b>
	<b>Jan-Dec 2019</b>		
	<b>Group, MSEK</b>		
	Net sales	54,008	2,295
	Production costs	-48,734	-1,578
	<b>Gross profit</b>	<b>5,274</b>	<b>717</b>
	Sales and administrative expenses	-2,879	-2,879
	Other operating income	280	280
	Other operating costs	-107	-107
	<b>Operating profit</b>	<b>2,568</b>	<b>717</b>
	Financial income	130	130
	Financial expenses	-188	-188
	<b>Net finance</b>	<b>-58</b>	<b>-</b>
	<b>Pre-tax profit</b>	<b>2,510</b>	<b>717</b>
	Tax	-418	-153
	<b>Profit for the year</b>	<b>2,092</b>	<b>564</b>
	<b>Profit for the year, attributable to:</b>		
	Shareholders in parent company	2,092	564
	Non-controlling interests	0	-
	<b>Profit for the year</b>	<b>2,092</b>	<b>564</b>



<b>Dec 31, 2019</b>				<b>1</b>
<b>Group, MSEK</b>	<b>Reported balance sheet</b>	<b>Changed accounting principle</b>	<b>Group IFRS</b>	<b>2</b>
<b>Assets</b>				<b>3</b>
Intangible assets	2,334		2,334	4
Tangible assets	6,811		6,811	5
Investment property	558		558	6
Participation in joint ventures	1,884		1,884	7
Securities held as fixed assets	77	5	82	8
Interest-bearing long-term receivables	1,086		1,086	9
Deferred tax recoverables	8	193	201	10
Other long-term receivables	131		131	11
<b>Total fixed assets</b>	<b>12,889</b>	<b>198</b>	<b>13,087</b>	<b>12</b>
Project and development properties	11,407	5,541	16,948	13
Inventories	533		533	14
Accounts receivable	9,285	-392	8,893	15
Interest-bearing current receivables	144		144	16
Tax assets	101		101	17
Worked-up not invoiced income	2,387		2,387	18
Prepaid expenses and accrued income	544		544	19
Other current receivables	678		678	20
Securities held as current assets	388	-388	-	21
Liquid funds	373		373	22
<b>Total current assets</b>	<b>25,840</b>	<b>4,761</b>	<b>30,601</b>	<b>23</b>
<b>Total assets</b>	<b>38,729</b>	<b>4,959</b>	<b>43,688</b>	<b>24</b>
<b>Equity and liabilities</b>				<b>25</b>
<b>Equity</b>	<b>12,266</b>	<b>-707</b>	<b>11,559</b>	<b>26</b>
<b>Liabilities</b>				<b>27</b>
Interest-bearing long-term liabilities	5,617	-1,814	3,803	28
Interest-bearing long-term liabilities, project financing	-	326	326	29
Other long-term liabilities	72		72	30
Deferred tax liabilities	148		148	31
Provisions	942	-76	866	32
<b>Total long-term liabilities</b>	<b>6,779</b>	<b>-1,564</b>	<b>5,215</b>	<b>33</b>
Interest-bearing current liabilities	3,493	-482	3,011	34
Interest-bearing current liabilities, project financing	-	7,637	7,637	35
Accounts payable	4,295		4,295	36
Tax liabilities	111		111	37
Invoiced income not worked-up	5,618	-759	4,859	38
Accrued expenses and deferred income	4,007		4,007	39
Other current liabilities	1,946	834	2,780	40
Provisions	214		214	41
<b>Total current liabilities</b>	<b>19,684</b>	<b>7,230</b>	<b>26,914</b>	<b>42</b>
<b>Total liabilities</b>	<b>26,463</b>	<b>5,666</b>	<b>32,129</b>	<b>43</b>
<b>Total equity and liabilities</b>	<b>38,729</b>	<b>4,959</b>	<b>43,688</b>	<b>44</b>
				<b>45</b>
				<b>46</b>
				<b>47</b>

### Note 3 Important estimates and assessments

Executive Management has together with the Board of Directors discussed developments, selections and information regarding the Group's important accounting principles and assessments, as well as the application of these principles.

Certain important accounting estimates made when applying the Group's accounting principles are described below.

The sources of uncertainty in the assessments given below refer to those that entail a risk that the value of assets or liabilities may have to be significantly adjusted in future financial years.

Peab's operative business is sensitive to changes in, among other things, volume and margins. The financial risks are connected to the business' tied-up capital, capital needs, interest risk and currency risk. For more information about how the changes in important variables affect Group profit/loss, see the section Risks and risk management under the Sensitivity Analysis.

#### Construction contracts recognized over time

Profit/loss recognized for construction projects in progress is calculated over time based on the degree of completion of the project. This requires that project revenue and expenses can be calculated in a reliable manner. A prerequisite is a well functioning system for calculation, forecasting and project monitoring. Forecasts regarding the final outcome of the projects are critical estimates crucial to profit/loss recognition during the project. Project forecasts are evaluated on a regular basis as each project progresses and if necessary adjusted. There is a risk that the final profit/loss of a project may deviate from the profit/loss recognized over time.

#### Impairment tests of goodwill

Total Group goodwill amounts to SEK 3,068 million (1,836). The acquisition of YIT's Nordic paving and mineral aggregates operations in the business area Industry added SEK 1,397 million in goodwill.

When calculating cash generating units' recoverable amount in order to assess the need to write-down goodwill several estimations and assessments about the future have been made. They are presented in note 16. As is apparent in the description in note 16, changes beyond what can reasonably be expected during 2021 in these estimations and assessments could have an effect on goodwill. Regarding the acquired paving and mineral aggregates operations in the business area Industry the difference between recoverable values and booked values is lower than in older acquisitions. It is, however, common that differences between recoverable values and booked values are lower in new acquisitions. The acquired operations have developed well and according to plan in 2020 which is why Peab does not believe there is any major risk for a material write-down of goodwill in the coming fiscal year. The risk

for write-downs of other goodwill values is very low since the recoverable values for the most part exceed the booked values in cases where the goodwill values are significant amounts.

#### Project and development property

Project and development property amounts to SEK 14,074 million (16,948), of which SEK 13,670 million (16,781) refers to owned assets and SEK 404 million (167) refers to leased assets. The recognized value for owned assets has been calculated as the lowest of the purchase price and the net sales price based on current price levels in the respective locations. Changes in supply and demand may alter recognized values and write-downs may be required. Peab is using an internal model to test the value of project and development property. As a complement to this valuation external market values are annually reviewed for some of the properties. For more information on project and development property, see note 24.

#### Disputes

Peab's business is largely project-related. There are a number of different contract forms where risk levels vary depending on the type of contract. However, with any type of contract ambiguities can arise concerning the terms, which can lead to delimitation issues that create a dispute with the customer.

The construction contract for the production of the Mall of Scandinavia in Solna was signed at the end of 2011. Major changes in the project during production together with insufficient dialogue with our customer led to significantly higher costs. The original contract was SEK 3.5 billion. The project was reviewed after the mall was inaugurated in November 2015 and then written down by SEK -800 million in the fourth quarter 2015. Negotiations with the customer have not yet reached a final agreement. Peab's assessment of the financial situation is the same as what has previously been communicated.

The actual outcome in disputed amounts may deviate from those recognized according to the best estimate. For more information on disputes, see note 32.

#### Taxes

Changes in tax legislation and changed practice in the interpretation of tax laws can have a considerable impact on the size of recognized deferred taxes. For more information on taxes, see note 15.

#### Accounting principles

New or changed accounting standards and interpretations of other existing standards can lead to changes that may entail handling certain transactions in the future differently from current practice.

## Note 4 Revenue

Group Jan-Dec 2020 MSEK	Construction	Civil Engineering	Industry	Project Development	Group functions	Eliminations	Group Segment	Differences in accounting principles <sup>1)</sup>	Group IFRS
<b>Allocation per external/internal</b>									
External sales	22,898	11,742	15,151	7,436	51		57,278	2,574	59,852
Internal sales	4,091	1,101	3,569	64	1,155	-9,841	139	-139	-
<b>Total</b>	<b>26,989</b>	<b>12,843</b>	<b>18,720</b>	<b>7,500</b>	<b>1,206</b>	<b>-9,841</b>	<b>57,417</b>	<b>2,435</b>	<b>59,852</b>
<b>Allocation per country</b>									
Sweden	19,417	11,637	11,484	4,543	997	-7,666	40,412	2,408	42,820
Norway	3,766	1,101	1,868	1,031	131	-893	7,004	-288	6,716
Finland	3,806	105	4,630	1,926	78	-1,277	9,268	315	9,583
Denmark			720			-5	715		715
Other			18				18		18
<b>Total</b>	<b>26,989</b>	<b>12,843</b>	<b>18,720</b>	<b>7,500</b>	<b>1,206</b>	<b>-9,841</b>	<b>57,417</b>	<b>2,435</b>	<b>59,852</b>
<b>Allocation per type of customer</b>									
Public sector	10,619	8,991	5,214	26	43		24,893	12	24,905
Private customers	12,279	2,751	9,937	7,410	8		32,385	2,562	34,947
Internal customers	4,091	1,101	3,569	64	1,155	-9,841	139	-139	-
<b>Total</b>	<b>26,989</b>	<b>12,843</b>	<b>18,720</b>	<b>7,500</b>	<b>1,206</b>	<b>-9,841</b>	<b>57,417</b>	<b>2,435</b>	<b>59,852</b>
<b>Allocation per point in time</b>									
At one point in time	32	20	5,983	625	56	-1,315	5,401	6,885	12,286
Over time	26,934	12,814	10,913	6,767	966	-7,135	51,259	-4,539	46,720
Rent revenue <sup>2)</sup>	23	9	1,824	108	184	-1,391	757	89	846
<b>Total</b>	<b>26,989</b>	<b>12,843</b>	<b>18,720</b>	<b>7,500</b>	<b>1,206</b>	<b>-9,841</b>	<b>57,417</b>	<b>2,435</b>	<b>59,852</b>
<b>Allocation per type of revenue</b>									
Construction contracts	26,934	12,814	10,913	6,766	41	-6,218	51,250	-4,532	46,718
Sales of goods			4,203			-640	3,563		3,563
Sales of property projects				494		-1	493	6,871	7,364
Transportation services			1,573			-537	1,036		1,036
Administrative services				1	925	-917	9	-7	2
Rent revenue <sup>2)</sup>	23	9	1,824	108	184	-1,391	757	89	846
Other	32	20	207	131	56	-137	309	14	323
<b>Total</b>	<b>26,989</b>	<b>12,843</b>	<b>18,720</b>	<b>7,500</b>	<b>1,206</b>	<b>-9,841</b>	<b>57,417</b>	<b>2,435</b>	<b>59,852</b>

<sup>1)</sup> Refers to differences in accounting principles regarding our own housing development projects. In segment reporting revenue is recognized over time while in reporting according to IFRS it is at the time of possession. The item also includes revenue during January-November 2020 of SEK 171 million attributable to Annehem Fastigheter including internal revenue from other Peab Group companies.

<sup>2)</sup> Rent revenue is recognized according to IFRS 16.

Group Jan-Dec 2019 MSEK	Construction	Civil Engineering	Industry	Project Development	Group functions	Eliminations	Group Segment	Differences in accounting principles <sup>1)</sup>	Group IFRS
<b>Allocation per external/internal</b>									
External sales	24,265	12,141	9,784	9,067	92		55,349	954	56,303
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>9,125</b>	<b>1,176</b>	<b>-11,046</b>	<b>55,349</b>	<b>954</b>	<b>56,303</b>
<b>Allocation per country</b>									
Sweden	22,349	12,063	11,712	5,980	993	-9,008	44,089	2,326	46,415
Norway	3,604	1,144	1,003	900	116	-784	5,983	-471	5,512
Finland	3,463	132	608	2,245	67	-1,254	5,261	-901	4,360
Other			16				16		16
<b>Total</b>	<b>29,416</b>	<b>13,339</b>	<b>13,339</b>	<b>9,125</b>	<b>1,176</b>	<b>-11,046</b>	<b>55,349</b>	<b>954</b>	<b>56,303</b>
<b>Allocation per type of customer</b>									
Public sector	8,457	6,782	3,085	98			18,422		18,422
Private customers	15,808	5,359	6,699	8,969	92		36,927	954	37,881
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>9,125</b>	<b>1,176</b>	<b>-11,046</b>	<b>55,349</b>	<b>954</b>	<b>56,303</b>
<b>Allocation per point in time</b>									
At one point in time	62	37	5,746	725	66	-1,517	5,119	6,125	11,244
Over time	29,350	13,259	5,651	8,206	965	-8,082	49,349	-5,171	44,178
Rent revenue <sup>2)</sup>	4	43	1,942	194	145	-1,447	881		881
<b>Total</b>	<b>29,416</b>	<b>13,339</b>	<b>13,339</b>	<b>9,125</b>	<b>1,176</b>	<b>-11,046</b>	<b>55,349</b>	<b>954</b>	<b>56,303</b>
<b>Allocation per type of revenue</b>									
Construction contracts	29,350	13,259	5,651	8,198	39	-7,202	49,295	-5,171	44,124
Sales of goods	3		3,665			-749	2,919		2,919
Sales of property projects				558			558	6,125	6,683
Transportation services			1,893			-659	1,234		1,234
Administrative services				8	926	-880	54		54
Rent revenue <sup>2)</sup>	4	43	1,942	194	145	-1,447	881		881
Other	59	37	188	167	66	-109	408		408
<b>Total</b>	<b>29,416</b>	<b>13,339</b>	<b>13,339</b>	<b>9,125</b>	<b>1,176</b>	<b>-11,046</b>	<b>55,349</b>	<b>954</b>	<b>56,303</b>

<sup>1)</sup> Refers to differences in accounting principles regarding our own housing development projects. In segment reporting revenue is recognized over time while in reporting according to IFRS it is at the time of possession.

<sup>2)</sup> Rent revenue is recognized according to IFRS 16.

The Group recognizes revenue when the Group meets a performance obligation, which is when a promised good or service is delivered to the customer and the customer takes control over the product or service. Control of a performance obligation can be transferred over time or at a certain point in time. The Peab Group's revenue primarily consists of the following revenue flows: Construction contracts, Sales of goods, Sales of property projects, Transportation services, Administrative services, Rent revenue and other revenue.

#### Recognition over time

Revenue from Construction contracts and some other revenue is recognized over time. The transaction price of contracts with customers usually consists of fixed amounts, variable amounts or a combination of the two.

Revenue in ongoing construction projects is recognized over time based on the project's degree of completion. This requires being able to calculate project revenue and project costs in a reliable manner. Project forecasts are regularly evaluated as a project progresses and are adjusted as needed.

Some contracts include several different performance obligations such as construction sales and contracts for operation and maintenance. Since operation and maintenance are not dependent on the construction contract this part is recognized as a separate performance obligation. In cases where contracts contain several performance obligations the transaction price is divided into each separate performance obligation based on their stand-alone sales prices.

In fixed price contracts the customer pays the agreed price on an established payment schedule. A receivable from the customer is recognized if a promised good or service Peab has delivered exceeds the payment. A liability to the customer is recognized if the payment exceeds the delivered services.

No financing component is considered to exist at the time of invoicing since the credit period is normally short. Terms of payment are usually 30 days. The Group's obligations to fix errors and shortcomings concerning completed projects are recognized as provisions. Guarantee periods are usually two to five years.

#### Recognition at one point in time

Revenue from the sales of goods, property, transportation and certain other revenue is recognized at one point in time. Sales of goods is recognized as revenue when control of the goods is transferred to the customer, which normally occurs when the goods are delivered.

Revenue from the sales of property is recognized when control of the property is transferred to the customer, which normally coincides with the customer taking over the property.

Revenue is recognized based on the price in the contract, which is normally a fixed price. Variable components, such as rent guaranties, reduce the recognized revenue.

Normally invoicing takes place upon delivery and the credit period is usually short and therefore there is no financing component. Terms of payment are almost always 30 days. Credit periods exceeding 12 months are rare and in those cases the transaction price is adjusted for the effects of financing components.

The Group's obligations to fix errors and shortcomings connected to delivered goods are recognized as provisions. These are conventional guarantees and are not considered to be separate performance obligations.

The remaining performance obligations are presented in the tables below.

Group 2020-12-31, MSEK	Coming financial year	Next financial year	Thereafter	Total
Construction	19,149	6,432	977	26,558
Civil Engineering	7,826	3,759	1,490	13,075
Industry	3,019	902	0	3,921
Project Development	3,286	1,410	455	5,151
Eliminations	-4,290	-1,499	-207	-5,996
<b>Total, segment reporting</b>	<b>28,990</b>	<b>11,004</b>	<b>2,715</b>	<b>42,709</b>
Adjustment housing	3,270	-65	-255	2,950
<b>Total, IFRS</b>	<b>32,260</b>	<b>10,939</b>	<b>2,460</b>	<b>45,659</b>

Group 2019-12-31, MSEK	Coming financial year	Next financial year	Thereafter	Total
Construction	18,948	7,392	588	26,928
Civil Engineering	7,946	3,436	2,064	13,446
Industry	2,040	508	0	2,548
Project Development	4,186	823	18	5,027
Eliminations	-3,863	-1,548	-44	-5,455
<b>Total, segment reporting</b>	<b>29,257</b>	<b>10,611</b>	<b>2,626</b>	<b>42,494</b>
Adjustment housing	2,103	216	124	2,443
<b>Total, IFRS</b>	<b>31,360</b>	<b>10,827</b>	<b>2,750</b>	<b>44,937</b>

## Note 5 Operating segments

Group business is divided into operating segments based on how the company's highest decision makers, i.e. executive management, follow the business. Peab believes segment reporting best describes Peab's business both regarding internal steering and risk profile. The Group is reported in the four business areas Construction, Civil Engineering, Industry and Project Development. The business areas are also operating segments.

As of the financial year 2020 Peab consolidates according to IFRS projects with Swedish tenant-owner associations from the time the final homebuyers take over their apartments. The new accounting principles mean that projects are reported as work-in-progress in the asset item project and development property and as interest-bearing liabilities (project financing) until the time homebuyers take over. Revenue and costs for the projects will be recognized as homebuyers take over their homes. As of the change Peab recognizes all own housing development projects in Sweden, Norway and Finland according to the completion method.

To create clarity and enable the market to follow Peab's development regarding our own housing development projects, in segment reporting revenue and expenses will continue to be recognized over time as the projects are successively completed. This applies to the business area Project Development and the unit Housing Development and refers to Swedish tenant-owner associations and own single homes, Norwegian condominiums and share housing and Finnish residential limited companies. Revenue and expenses for our own housing development projects in Norway and Finland along with our own single homes in Sweden were previously also recognized at one point in time in segment reporting.

As of the financial year 2020 in segment reporting leasing fees for all business areas are recognized linearly over the leasing period for additional leasing contracts according to IFRS 16 (previously operational leasing contracts). IFRS 16, Leases is applied in the consolidated accounts according to IFRS only as a total for the Group.

Financial key ratios such as capital employed, balance sheet total, equity, equity/assets ratio, net debt, debt/equity ratio, cash flow before financing are reported in segment reporting taking into consideration the above prerequisites. Net debt according to segment reporting includes the unsold portion of housing projects in ongoing production. Segment reporting is the model Peab believes best describes Peab's business regarding both internal steering and risk profile, and it is also

how the Board and executive management monitor operations in the business areas and the entire Group.

In Peab's construction contract operations Construction and Civil Engineering revenue and profit are recognized over time in both segment reporting and reporting according to IFRS. In business area Industry revenue and profit are both recognized over time and at one point in time and the accounting is the same in both segment reporting and reporting according to IFRS. In business area Project Development in the unit Property Development revenue and profit are recognized at one point in time in both segment reporting and reporting according to IFRS. For more information regarding accounting principles and important estimates and assessments, see note 1 and note 3.

Business area Construction recognizes net sales and profit referring to the construction contract part of our own housing development projects, rental development projects and other property development projects to business area Project Development. Recognition takes place over time as the projects are completed. Net sales for both the developer part and the construction contract part of our own housing development projects are recognized in business area Project Development. The recognized profit/loss consists of the profit/loss in the developer part recognized over time. Internal net sales between business area Construction and business area Project Development regarding the construction cost of our own housing development projects are eliminated in consolidated reporting. Internal profit is returned when the project is divested.

The underlying sales value of property projects on our own balance sheet, recognized as project and development property, that are sold in the form of a company via shares is recognized as net sales and the recognized 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.

The Group's internal reporting is constructed so that executive management follows every business area up to and including operating profit and operating margin. For business area Industry and Project Development executive management also follows the development of capital employed and return on capital employed. The capital employed in the business areas consists of the business area's total assets 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.

Internal pricing between Group segments is based on the “arm’s length principle”, in other words, by well informed parties who are independent of each other and have an interest in the realization of the transactions.

Segments’ operating profit includes directly attributable items and items that can be reasonably and reliably allocated to a segment. Non-allocated items consist of financial income and expenses, and taxes.

## Operating segments

The Group consists of the following operating segments:

- **Construction:** Business area Construction comprises Group resources in construction related services. Construction works for both external and internal customers, primarily business area Project Development. Operations are run through thirteen 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 organization in Sweden. The other regions perform all kinds of construction projects within their geographic area.
- **Civil Engineering:** Business area Civil Engineering works with the construction of large infrastructure and civil engineering projects, foundation works and smaller projects on the local market. Civil Engineering also operates and maintains roads and municipal facilities. The operations are run in geographical regions in Sweden and Norway. The business in Finland was transferred to business area Industry during the autumn 2020. Customers are the Swedish Transport Administration, municipalities and local businesses.
- **Industry:** Business area Industry offers everything from mineral aggregates, concrete, paving and temporary electricity to prefabricated concrete elements. Industry also assists with crane and machine rental, distribu-

tion of binder to the concrete industry, transportation as well as recycles production waste and excavated soil. The business is run in six product areas; Mineral aggregates, Paving, Concrete, Transportation and Machines, Rentals and Construction System. All of them work on the Nordic construction and civil engineering markets. Customers are mainly Nordic construction and civil engineering companies.

- **Project Development:** Business area Project Development comprises Peab’s development of housing as well as commercial property and public property in Sweden, Norway and Finland. The business is run in two units, Housing Development and Property Development. 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 and divestiture of commercial properties. The business includes projects in wholly owned and partly owned companies. Included in partly owned companies are, among others, Peab’s holdings in Fastighets AB Centur (ownership, management and development of commercial property and homes), Tornet Bostadsproduktion AB (construction and ownership of rentals), Fastighets AB ML4 (ownership and management of the research facility Max IV in Lund) and Point Hyllie Holding AB (ownership of the office building The Point and hotel property Vårdshuset 5). Projects in wholly owned subsidiaries consist of a large number of holdings that include everything from land for development where zoning is being worked out to completed projects ready for divestiture. Net sales and operating profit from operations are derived from running our wholly owned property, shares in the profit from partly owned companies as well as capital gains from the divestiture of completed property and participations in partly owned companies.

Other operations are reported under “Group functions” and consist of central companies and Group functions.

Group 2020, MSEK	Construction	Civil Engineering	Industry	Project Development	Group functions	Elimination	Group Segment	Differences in accounting principles <sup>1)</sup>	Group IFRS
External sales	22,898	11,742	15,151	7,436	51		57,278	2,574	59,852
Internal sales	4,091	1,101	3,569	64	1,155	-9,841	139	-139	-
<b>Total revenue</b>	<b>26,989</b>	<b>12,843</b>	<b>18,720</b>	<b>7,500</b>	<b>1,206</b>	<b>-9,841</b>	<b>57,417</b>	<b>2,435</b>	<b>59,852</b>
Operating costs	-26,344	-12,465	-17,720	-6,779	-1,521	9,808	-55,021	-2,049	-57,070
Distribution Annehem Fastigheter				896		56	952		952
Other operating income	25	18	118	62	6		229		229
Other operating costs	-7	-5	-13	-10	-1		-36	-5	-41
<b>Operating profit</b>	<b>663</b>	<b>391</b>	<b>1,105</b>	<b>1,669</b>	<b>-310</b>	<b>23</b>	<b>3,541</b>	<b>381</b>	<b>3,922</b>
<b>Operating margin, %</b>	<b>2.5</b>	<b>3.0</b>	<b>5.9</b>	<b>22.3</b>			<b>6.2</b>		<b>6.6</b>
Financial income							96	0	96
Financial expenses							-204	-69 <sup>2)</sup>	-273
<b>Pre-tax profit</b>							<b>3,433</b>	<b>312</b>	<b>3,745</b>
Tax							-485	-79	-564
<b>Profit for the year</b>							<b>2,948</b>	<b>233</b>	<b>3,181</b>
Depreciation	-22	-61	-1,187	-11	-43	-2	-1,326	-313	-1,639
Write-downs in operating profit	-1	-4	-15	-48	1	-19	-86	-9	-95
Capital gains/losses	20	3	37	947	-3	57	1,061		1,061
Other significant non-cash items	-53	-9	-61	-81	-168	-21	-393	-75	-468
Capital employed (closing balance)	-767	-408	8,822	12,189		-402 <sup>3)</sup>	19,434	5,001	24,435
Total assets							36,604	5,560 <sup>4)</sup>	42,164
Equity							13,251	-808	12,443
Equity/assets ratio, %							36.2		29.5
Net debt							3,873	5,809	9,682
Cash flow before financing							2,779	974	3,753

<sup>1)</sup> For more information about the allocation of revenue and profit items see note 4 and the section Overview business areas and Group functions in Board of Directors’ report.

<sup>2)</sup> Divided between Annehem SEK -35 million and IFRS 16, additional leases SEK -34 million.

<sup>3)</sup> Unallocated capital employed.

<sup>4)</sup> Divided between IFRS 16, additional leases SEK 1,805 million and housing projects SEK 3,755 million

Group 2019, MSEK	Construction	Civil Engineering	Industry	Project Development	Group functions	Elimination	Group Segment	Differences in accounting principles <sup>1)</sup>	Group IFRS
External sales	24,265	12,141	9,784	9,067	92		55,349	954	56,303
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>9,125</b>	<b>1,176</b>	<b>-11,046</b>	<b>55,349</b>	<b>954</b>	<b>56,303</b>
Operating costs	-28,718	-13,011	-12,459	-8,169	-1,459	10,904	-52,912	-279	-53,191
Other operating income	16	43	154	61	6		280		280
Other operating costs	-3	-4	-97	-2	-1		-107		-107
<b>Operating profit</b>	<b>711</b>	<b>367</b>	<b>937</b>	<b>1,015</b>	<b>-278</b>	<b>-142</b>	<b>2,610</b>	<b>675</b>	<b>3,285</b>
<b>Operating margin, %</b>	<b>2.4</b>	<b>2.8</b>	<b>7.0</b>	<b>11.1</b>			<b>4.7</b>		<b>5.8</b>
Financial income							130		130
Financial expenses							-161	-27 <sup>2)</sup>	-188
<b>Pre-tax profit</b>							<b>2,579</b>	<b>648</b>	<b>3,227</b>
Tax							-441	-130	-571
<b>Profit for the year</b>							<b>2,138</b>	<b>518</b>	<b>2,656</b>
Depreciation	-48	-86	-919	-60	-92	-3	-1,208		-1,208
Write-downs in operating profit		-15	-9	-29	1		-52		-52
Capital gains/losses	2	41	167	114		-2	322		322
Other significant non-cash items	8	-2	55	-287	42	27	-157		-157
Capital employed (closing balance)	-1,013	267	6,799	16,679		-1,115 <sup>3)</sup>	21,617	4,719	26,336
Total assets							38,362	5,326 <sup>4)</sup>	43,688
Equity							12,479	-920	11,559
Equity/assets ratio, %							32.5		26.5
Net debt							7,535	5,639	13,174
Cash flow before financing							1,025	2,201	3,226

<sup>1)</sup> For more information about the allocation of revenue and profit items see note 4 and the section Overview business areas and Group functions in Board of Directors' report.

<sup>2)</sup> Refers to IFRS 16, additional leases SEK -27 million.

<sup>3)</sup> Unallocated capital employed.

<sup>4)</sup> Divided between IFRS 16, additional leases SEK 761 million and housing projects SEK 4,565 million.

### Comments on the tables

Group net sales according to segment reporting for 2020 increased by four percent to SEK 57,417 million (55,349), of which acquired operations within business area Industry were SEK 5,891 million. After adjustments for acquired and divested units net sales decreased by seven percent. Operating profit according to segment reporting amounted to SEK 3,541 million (2,610), of which the acquired operations net were SEK 250 million and the effect of the distribution of Annehem Fastigheter was SEK 952 million. Last year included an income contribution of SEK 170 million from the divestiture of property in the partially owned company Acturum. The operating margin was 6.2 percent (4.7). Without the effect of the distribution of Annehem Fastigheter the operating margin was 4.5 percent.

Net sales in business area Construction contracted by eight percent with stable operating margin of 2.5 percent (2.4). Net sales declined in Civil Engineering by four percent but operating margin improved to 3.0 percent (2.8). Net sales in business area Industry grew by 40 percent. Not including the acquired operations net sales in business area Industry contracted by four percent. The operating margin in business area

Industry was 5.9 percent (7.0). Not including the acquired operations the operating margin was 6.7 percent. In business area Project Development net sales declined in both Property Development and Housing Development. Operating profit in Project Development increased to SEK 1,669 million (1,015), however, without the effect of the distribution of Annehem Fastigheter of SEK 896 million, operating profit contracted. Operating margin amounted to 22.3 percent (11.1). During the year some operations in Property Development were affected negatively by SEK -64 million due to the corona pandemic, where SEK -44 million was related to Ängelholm Helsingborg Airport, of which SEK -20 million refers to writing down goodwill. The operating profit in Housing Development decreased slightly during the year but the operating margin improved to 9.6 percent (8.6).

### Geographic areas

Income from external customers is related to the countries customers are located in. The information concerning intangible and tangible assets is divided into the countries the assets are located in.

Group, MSEK	Sweden		Norway		Finland		Denmark		Other markets		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
External sales	42,820	46,415	6,716	5,512	9,583	4,360	715	-	18	16	59,852	56,303
Intangible and tangible assets and investment property	7,364	8,104	952	604	2,796	995	268	-	0	0	11,380	9,703

Parent company, MSEK	Sweden		Norway		Finland		Denmark		Total <sup>1)</sup>	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Net sales	293	308	25	21	27	19	1	-	346	348

<sup>1)</sup> Included in Group functions.

## Note 6 Business combinations

### 2020

#### Acquisition of Nordic paving and mineral aggregates operations

On July 4, 2019 Peab signed a contract to acquire YIT's paving and mineral aggregates operations in the Nordic region. The transaction was conditional on approval from competition authorities as well as the fulfillment of certain contractual conditions. At the end of March 2020 the transaction was approved by the competition authorities. The take over took place on April 1, 2020. Through the acquisition Peab expands its presence in Sweden, Norway and Finland and become established in the paving business in Denmark and this gives Peab a unique and market leading position in this business in the Nordic region. The acquisition also entails taking over some 2,000 employees, some 200 strategically located quarries along with 63 production asphalt plants in the Nordic region. The operations are primarily integrated into the companies Peab Asfalt and Swerock. For the paving business this entails establishing operations in Finland and Denmark. It also provides conditions for further expansion and development in other operations such as Recycling and Concrete.

The transaction is a combination of a share purchase and an asset deal. The total transferred remuneration from Peab was SEK 3,184 million, divided into SEK 2,438 million in transferred remuneration for shares and assets as well as SEK 746 million in redemption of shareholder loans to the seller.

During the nine months the acquisition has been part of the Group it has contributed by SEK 5,891 million to Group income and SEK 222 million to profit for the period (including financing costs and depreciation of surplus values but not including acquisition costs and transfer tax in Finland). If the acquisition had taken place on January 1, 2020 it would have contributed by SEK 6,197 million to Group income and SEK -26 million to profit for the year (including financing costs and depreciation of surplus values but not including acquisition costs and transfer tax in Finland). Acquisition costs and transfer tax in Finland were SEK 95 million, of which SEK 40 million were reported in 2019. The costs are recognized as sales and administration costs and in the cash flow analysis in current operations.

The acquisition analysis was approved during the fourth quarter 2020. The difference between the preliminary acquisition analysis and the approved analysis is that intangible assets have been reduced by SEK 68 million and tangible assets have increased correspondingly. Other differences are not consequential.

#### Effects of the acquisition of Nordic paving and mineral aggregates operations

The acquired companies' net assets at the time of acquisition:

MSEK	2020
Intangible assets	211
Tangible assets	1,631
Other financial assets	71
Deferred tax recoverables	158
Inventories	695
Accounts receivable and other receivables	359
Liquid funds	59
Interest-bearing liabilities (leases)	-361
Shareholder loan to the selling company (acquired receivables) <sup>1)</sup>	-746
Deferred tax liabilities	-57
Provisions	-371
Accounts payable and other current liabilities	-608
<b>Net identifiable assets and liabilities</b>	<b>1,041</b>
Group goodwill	1,397
<b>Consideration transferred</b>	<b>2,438</b>

<sup>1)</sup> Acquired receivables are recognized at the seller's nominal value and are settled in Peab against acquired liabilities for the corresponding amount.

#### Settled consideration

MSEK	2020
Liquid funds	2,438
In addition redemption of shareholder loans to the selling company	746
<b>Total settled consideration</b>	<b>3,184</b>

#### Goodwill

The goodwill recognized for the acquisition represents a strong market position, establishment on new markets, synergies with existing operations, further expansion and development of other operations such as Recycling and Concrete as well as a well functioning organization. SEK 80 million of acquired goodwill is tax deductible.

#### Intangible assets

Intangible assets were SEK 211 million and consist primarily of SEK 140 million in acquired customer contracts with a useful life of 1-2 years as well as SEK 68 million in acquired rights of use for gravel and rock quarries with an expected useful life of 10 years.

#### Acquired receivables

The fair value of accounts receivable amounts to SEK 172 million. The gross amount of the receivables amounts to SEK 178 million, of which SEK -6 million is not expected to be settled.

#### Provisions

Provisions amounted to SEK 371 million and refer mainly to restoring gravel and rock quarries, guarantee costs and remediation.

#### Other acquisitions

An asset acquisition of Burlöv Municipality's operation and maintenance operations took place in 2020. The acquisition in 2020 individually had no material acquisition effects from the Group's perspective and information on acquisition effects is given collectively. In the period after the acquisition the operation contributed by SEK 13 million to Group revenue and SEK 0 million to Group profit in 2020. If the acquisition had occurred on January 1, 2020, the effect of this acquisition on Group revenue would have been SEK 14 million and SEK 0 million on profit for the year.

#### Total effects of acquisitions in 2020

The acquisitions' effects on Group assets and liabilities are shown below.

Goodwill primarily consists of human resources and future synergy effects regarding common systems and shared resources which do not meet the criteria for recognition as intangible assets at the time of acquisition.

Total transferred compensation amounted to SEK 3,189 million.

During the year assets have also been acquired through share acquisitions (asset acquisitions that are not business combinations) which resulted in a cash flow of SEK -147 million and primarily refer to project and development properties with development rights in Sweden and Norway.

The acquired companies' net assets at the time of acquisition:

MSEK	2020	2019
Intangible assets	211	-
Tangible assets	1,636	23
Other financial assets	71	-
Deferred tax recoverables	158	3
Project and development properties and inventories	695	2
Accounts receivable and other receivables	359	0
Liquid funds	59	0
Interest-bearing liabilities	-361	-12
Shareholder loan to the selling company (acquired receivables) <sup>1)</sup>	-746	-
Deferred tax liabilities	-57	-5
Provisions	-371	-
Accounts payable and other current liabilities	-608	-4
<b>Net identifiable assets and liabilities</b>	<b>1,046</b>	<b>7</b>
Previous value of share in joint venture	-	12
Group goodwill	1,397	3
<b>Consideration transferred</b>	<b>2,443</b>	<b>22</b>

<sup>1)</sup> Acquired receivables are recognized at the seller's nominal value and are settled in Peab against acquired liabilities for the corresponding amount.



**Settled consideration**

MSEK	2020	2019
Liquid funds	2,443	22
In addition redemption of shareholder loans to the selling company	746	-
<b>Total settled consideration</b>	<b>3,189</b>	<b>22</b>

**Acquisitions after the balance sheet date**

No substantial acquisitions have been made during 2021 as of the presentation of these financial reports.

**2019**

In 2019 Peab acquired 100 percent of the shares in Peab Asfaltfräsning AB. The company is active in South and Central Sweden, particularly in Kronoberg County and Västmanland County. During the year Peab also acquired the assets of Aktør som bygger AS that does contracting work in North Norway.

The above acquisitions in 2019 individually had no material acquisition effects from the Group's perspective and information on acquisition effects is given collectively.

In the period after acquisition the above subsidiaries and operations contributed by SEK 178 million to Group revenue and SEK 6 million to Group profit in 2019. If the acquisitions had occurred on January 1, 2019, the combined effect of these acquisitions on Group revenue would have been SEK 206 million and SEK 6 million on profit for the year.

The remaining 40 percent of the shares in AB Smidmek Eslöv were also acquired in 2019. The company was already 100 percent consolidated through application of the Anticipated acquisition method, since there was a put/call option for the acquisition of the remaining shares.

**Note 7 Other operating income**

Group, MSEK	2020	2019
Capital gains from shares sold in businesses/ joint ventures	77	67
Insurance compensation	18	20
Profit from sales of fixed assets	72	155
Exchange gains from receivables/liabilities relating to operations	17	6
Profit from participation in joint ventures	23	2
Other	22	30
<b>Total</b>	<b>229</b>	<b>280</b>

**Note 8 Other operating costs**

Group, MSEK	2020	2019
Capital loss from shares sold in businesses	-9	-
Loss from sales of fixed assets	-8	-7
Exchange loss from receivables/liabilities relating to operations	-15	-9
Costs for acquisitions/sales	-5	-87
Other	-4	-4
<b>Total</b>	<b>-41</b>	<b>-107</b>

**Note 9 Government grants**

Government grants related to assets amounted in the Group to SEK 7 million (1) in 2020. The grants have reduced the recognized values of the assets on the balance sheet.

Government grants received as compensation for operating costs amounted to SEK 51 million (4) in 2020, and have reduced costs in the income statement. SEK 49 million of these are compensation for sick pay and short-term furloughs as a result of the corona pandemic.

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## Note 10 Employees, personnel costs and remuneration to senior officers

### Costs for remuneration to employees

Group, MSEK	2020	2019
Salaries and remuneration etc.	8,161	7,277
Pension costs, defined contribution plans	939	864
Social security <sup>1)</sup>	2,161	2,157
<b>Total</b>	<b>11,261</b>	<b>10,298</b>

<sup>1)</sup> Social security fees during 2020 have been reduced by SEK 27 million due to a reduction in employer contributions due to the corona pandemic.

### Average number of employees

	No. of employees 2020	Of which were men 2020 percent	No. of employees 2019	Of which were men 2019 percent
<b>Parent company</b>				
Sweden	168	48	161	44
<b>Subsidiaries</b>				
Sweden	11,080	87	11,736	88
Norway	1,761	89	1,622	90
Finland	1,947	86	787	82
Denmark	208	92	-	-
Poland	2	50	3	67
<b>Total in subsidiaries</b>	<b>14,998</b>	<b>87</b>	<b>14,148</b>	<b>88</b>
<b>Group</b>	<b>15,166</b>	<b>87</b>	<b>14,309</b>	<b>87</b>

### Gender distribution in boards and other senior officers

	2020 Percentage of women	2019 Percentage of women
<b>Parent company</b>		
The Board of Directors	25	27
Other senior officers <sup>1)</sup>	25	25
<b>Group</b>		
Boards <sup>2)</sup>	27	26
Other senior officers <sup>3)</sup>	19	17

<sup>1)</sup> Refers to Executive management.

<sup>2)</sup> Refers to the Board of Directors in the parent company and boards in subsidiaries.

<sup>3)</sup> Other senior officers in the Group refers to Executive management along with business area management.

### Salaries and other remuneration as well as pension costs for senior officers

Group 2020, MSEK	Board of Directors and senior officers (17 persons) <sup>1)</sup>
Salaries and other remuneration	37
- of which variable remuneration	1
Pension costs	25
- of which pension costs for variable remuneration	12

<sup>1)</sup> The group senior officers refers to executive management. During 2020 the group consisted of eight persons, four of which were in the parent company during the period January-October 2020. During the period November-December 2020 the group consisted of five persons in the parent company and three persons in other subsidiaries.

Group 2019, MSEK	Board of Directors and senior officers (16 persons) <sup>1)</sup>
Salaries and other remuneration	34
- of which variable remuneration	-
Pension costs	30
- of which pension costs for variable remuneration	17

<sup>1)</sup> The group senior officers refers to executive management. During 2019 the group consisted of eight persons, four of which were in the parent company.

### Salaries and other remuneration divided among senior officers and other employees as well as social security costs

Parent company 2020, MSEK	Board of Directors and senior officers (14 persons) <sup>1)</sup>	Other employees	Total
Salaries and other remuneration	24	125	149
- of which variable remuneration	-	2	2
Social security costs	28	80	108
- of which pension costs	9	25	34
- of which pension costs for variable remuneration	8	3	11

<sup>1)</sup> The group senior officers refers to executive management. During 2020 the group consisted of eight persons, four of which were in the parent company during the period January-October 2020. During the period November-December 2020 the group consisted of five persons in the parent company and three persons in other subsidiaries.

Parent company 2019, MSEK	Board of Directors and senior officers (12 persons) <sup>1)</sup>	Other employees	Total
Salaries and other remuneration	22	108	130
- of which variable remuneration	-	2	2
Social security costs	30	68	98
- of which pension costs	8	23	31
- of which pension costs for variable remuneration	10	4	14

<sup>1)</sup> The group senior officers refers to executive management. During 2019 the group consisted of eight persons, four of which were in the parent company.

## Salaries and other remuneration for senior officers in 2020

Thousands, SEK	Basic pay/ Board remuneration	Variable remuneration (STI)	LTI-program <sup>1)</sup>	Other benefits/ remunerations	Pension costs	Total
Chairman of the Board, Göran Grosskopf	1,125					1,125
Vice Chairman of the Board, Mats Paulsson	525					525
<b>Other members of the Board</b>						
Karl-Axel Granlund	600					600
Lars Sköld	600					600
Fredrik Paulsson	525					525
Kerstin Lindell	525					525
Liselott Kilaas	525					525
Malin Persson	450					450
Anders Runevad	450					450
<b>Board of Directors fees, remuneration from the parent company</b>	<b>5,325</b>					<b>5,325</b>
CEO, Jesper Göransson	7,944	2,320	1,205	498	4,158 <sup>2)</sup>	16,125
Other senior officers, remuneration from the parent company	10,305	2,609	1,513	720	4,738 <sup>3)</sup>	19,885
Other senior officers, remuneration from subsidiaries	10,930	3,331	1,750	676	4,525 <sup>4)</sup>	21,212
<b>Total</b>	<b>34,504</b>	<b>8,260</b>	<b>4,468</b>	<b>1,894</b>	<b>13,421</b>	<b>62,547</b>
Remuneration from the parent company	23,574	4,929	2,718	1,218	8,896	41,335
Remuneration from subsidiaries	10,930	3,331	1,750	676	4,525	21,212

<sup>1)</sup> For more information see Long-term incentive program (LTI program).

<sup>2)</sup> Includes fees for endowment insurance of SEK 338 thousand.

<sup>3)</sup> Includes fees for endowment insurance of SEK 228 thousand.

<sup>4)</sup> Includes fees for endowment insurance of SEK 300 thousand.

## Salaries and other remuneration for senior officers in 2019

Thousands, SEK	Basic pay/ Board remuneration	Variable remuneration (STI)	LTI-program <sup>1)</sup>	Other benefits/ remunerations	Pension costs	Total
Chairman of the Board, Göran Grosskopf	1,125					1,125
Vice Chairman of the Board, Mats Paulsson	525					525
<b>Other members of the Board</b>						
Karl-Axel Granlund	600					600
Lars Sköld	600					600
Fredrik Paulsson	525					525
Kerstin Lindell	525					525
Liselott Kilaas	525					525
Malin Persson	450					450
<b>Board of Directors fees, remuneration from the parent company</b>	<b>4,875</b>					<b>4,875</b>
CEO, Jesper Göransson	7,416	3,110	1,754	714	3,829 <sup>2)</sup>	16,823
Other senior officers, remuneration from the parent company	9,264	3,433	1,976	565	4,237 <sup>3)</sup>	19,475
Other senior officers, remuneration from subsidiaries	11,124	4,666	2,435	681	4,571 <sup>4)</sup>	23,477
<b>Total</b>	<b>32,679</b>	<b>11,209</b>	<b>6,165</b>	<b>1,960</b>	<b>12,637</b>	<b>64,650</b>
Remuneration from the parent company	21,555	6,543	3,730	1,279	8,066	41,173
Remuneration from subsidiaries	11,124	4,666	2,435	681	4,571	23,477

<sup>1)</sup> For more information see Long-term incentive program (LTI program).

<sup>2)</sup> Includes fees for endowment insurance of SEK 264 thousand.

<sup>3)</sup> Includes fees for endowment insurance of SEK 98 thousand.

<sup>4)</sup> Includes fees for endowment insurance of SEK 117 thousand.

### Comments on the tables

From time to time the CEO and other senior officers may be offered variable remuneration. Other benefits refer primarily to company cars and vacation pay. Pension costs refer to costs charged to the year. See note 31 for additional information about pensions.

In 2020 the group senior officers consisted of eight persons, of which four officers were in the parent company during the period January-October 2020. On November 1, 2020 one person left executive management and another person became part of it. During November-December the group was comprised of eight persons, of which five were in the parent company.

### The Board of Directors

The 2020 AGM decided that on a remuneration to members of the Board of SEK 5,325 thousand (4,875), of which SEK 4,500 thousand (4,050) refers to Board work and SEK 825 thousand (825) refers to committee work. Compensation to the Chairman of the Board was SEK 900 thousand (900) and SEK 3,600 thousand (3,150) was divided among the other Board members. Compensation for work on the Remuneration Committee was SEK 225 thousand (225), SEK 225 thousand (225) for work on the Finance Committee and SEK 375 thousand (375) for work on the Audit Committee.

Remuneration is not paid to members of the Board who are permanent employees of the Group. There are no agreements for future pension/leaving remuneration or other benefits either for the Chairman of the Board or for other members of the Board.

### Principles for remuneration to senior officers

The group senior officers is comprised of the eight senior officers who are members of executive management. The principles for remuneration to senior officers were adopted by the 2020 AGM.

Remuneration to the CEO and other senior officers consists of basic pay, any short-term incentives, extra health insurance and those benefits otherwise enjoyed by other Peab employees as well as pension. All pension obligations are defined contribution pensions. The total remuneration paid to each senior officer is based on market terms and the responsibilities and qualifications of the senior officer.

From time to time, senior officers may be offered short-term incentives. Short-term incentives may not exceed 60 percent of their basic pay and are primarily based on the Peab Group's profitability and, from time to time, important Group goals. Short-term incentives are determined for each financial year. Short-term incentives for the financial year 2020 were maximized at SEK 4,766 thousand (4,450) for the CEO and a total of SEK 12,209 thousand (11,586) for the other senior officers.

Short-term incentives are settled the year after being earned and may either be paid out as salary or placed as pension in financial instruments connected to the Peab share. If it is paid out as a one-off defined pension contribution adjustments are made so as to neutralize the total cost for Peab.

From time to time, senior officers may be offered to participate in a LTI program. For senior officers and the CEO the upper limit (including social security) is 40 percent of their annual basic pay. The result of the LTI program is placed in a pension savings in a financial instrument connected to the Peab share. Provisions for the LTI program for 2020 were maximized at SEK 3,177 thousand (including social security) for the CEO and a total of SEK 8,558 thousand (including social security) for the other senior officers.

The period of notice from Peab is, at the most, 24 months and the period of notice from senior officers is, at the most, 6 months. If severance pay is paid the total remuneration for salary during the period of notice and severance pay may not exceed 24 months wages.

### The CEO

The CEO of Peab AB, Jesper Göransson, has in 2020 received a salary and other remuneration, including benefits, totaling SEK 8,442 thousand (8,130). In addition, he has received short-term incentives for 2020 of SEK 2,320 thousand (3,110) and a provision for the LTI program of SEK 1,205 thousand (1,754) has been made, which was placed in a pension savings in a financial instrument connected to the Peab share. Pension contributions for the year were SEK 4,158 thousand (3,829).

The CEO has the right to retire from the age of 62. Annual pension

contributions of 47 percent of basic pay are paid to meet this pledge. These are defined contribution pensions.

Notice on the part of Peab is twelve months with a reduction for any salary from a new employer combined with a severance pay of twelve months salary. Notice on the part of the CEO is six months combined with severance pay consisting of six months salary.

### Other senior officers

The term other senior officers refers to the seven other persons in addition to the CEO that make up Peab's executive management. Salary and other remuneration including benefits for other senior officers amounted to SEK 22,631 thousand (21,634). In addition, short-term incentives for 2020 amounted to SEK 5,940 thousand (8,099) and provisions for the LTI program amounted to SEK 3,263 thousand (4,411), which was placed in pension savings in a financial instrument connected to the Peab share. Pension contributions paid for other senior officers amounted to SEK 9,263 thousand (8,808) during the year.

The pension policy for senior officers means that pension contributions are based on a contribution ladder within, alternatively, ITP or defined contributions entailing that the total contribution amounts to 35-47 percent of fixed salaries. Certain senior officers have an agreement with Peab that their employment ends the month they turn 62 years old. The other senior officers have an agreement that their employment ends the month they turn 65 years old.

Notice on the part of Peab is twelve months with a reduction for salary from a new employer combined with severance pay consisting of six-twelve months salary. Notice on the part of the other senior officers is six months combined with severance pay consisting of six months salary.

### Long-term incentive program (LTI program)

From time to time, senior officers may be offered to participate in a LTI program. A LTI program was launched for 2018-2020 and was annually reconciled with operating margin goals for the Group. The program was open to approximately 500 of the Group's key employees. In order for an employee to receive their share of the result of the LTI program the employee had to still be working for Peab on December 31, 2020. For senior officers and the CEO the upper limit (including social security) was 40 percent of their annual basic pay. For other positions the upper limit (including social security) was 15-35 percent of their annual basic pay, depending on their position. The outcome of the LTI program was placed in a pension savings connected to the Peab share. In 2020 the cost of the LTI program amounted to SEK 51 million (63) including social security.

A new LTI program has been launched for the business plan period 2021-2023 and it will be annually reconciled with operating margin goals for the Group. The program is open to approximately 600 of the Group's key employees. In order for an employee to receive their share of the result of the LTI program the employee has to still be working for Peab on December 31, 2023. For senior officers and the CEO the upper limit (excluding social security) is 40 percent of their annual basic pay. For other positions the upper limit (excluding social security) is 15-35 percent of their annual basic pay, depending on their position. The outcome of the LTI program is placed in a pension savings connected to the Peab share or alternatively paid as salary.

### Profit-sharing foundation

In 2007, Peab founded a profit-sharing foundation. The object of the profit-sharing foundation is to create greater participation through employee co-ownership and to better employees' financial situation after retirement. Individual annual shares in profits are related to the employee's profit-sharing entitling work hours. Upon retirement employees can withdraw their share in the foundation. Under the foundation's investment policy, its assets must be mainly invested in shares in Peab. In 2020 Peab allocated SEK 55 million. This amount less payroll tax will be paid into the foundation in 2021. In 2019 Peab allocated SEK 60 million including payroll tax.

Senior officers and other employees with other short-term incentives are not entitled to benefits from the profit-sharing foundation.

## Note 11 Fees and cost remuneration to accountants

MSEK	Group		Parent company	
	2020	2019	2020	2019
<b>KPMG AB</b>				
Auditing assignments	17	16	5	4
Other additional audit-related work	2	1	1	1
Other services	12	2	6	1
<b>Total</b>	<b>31</b>	<b>19</b>	<b>12</b>	<b>6</b>

Audit assignments refer to the statutory examination of the annual report and accounting, the management by the Board of Directors and the CEO as well as reviews and other examinations executed by agreement or according to contracts. This includes other work normally performed by a company accountant, and advice and other assistance stemming from observations made in connection with the above examinations or the performance of other similar work. Other services are mainly consultations in connection with acquisitions or other assignments. In 2020 the costs primarily refer to consultation fees connected to the distribution of Annehem Fastigheter AB.

## Note 12 Operating costs divided by type

Group, MSEK	2020	2019
Production costs <sup>1)</sup>	42,545	40,081
Personnel expenses	11,855	11,038
Depreciation	1,639	1,208
Write-downs	95	52
Other operating costs	936	812
<b>Total</b>	<b>57,070</b>	<b>53,191</b>

<sup>1)</sup> Included in production costs are purchased material, sub-contractors, expenses for property projects and other production costs.

## Note 13 Net financial income/expenses

Group, MSEK	2020	2019
Interest income <sup>1)</sup>	69	74
Dividends received related to financial assets valued at fair value via profit/loss	21	55
Change in value of financial assets valued at fair value via profit/loss:		
Unlisted shares and participations	4	-
Change in value currency swaps	2	0
Other items	0	1
<b>Financial income</b>	<b>96</b>	<b>130</b>
Interest expenses <sup>2)</sup>	-132	-128
Net exchange rate fluctuation	-90	-2
Change in value currency swaps	-2	-4
Increase during the year in discounted amounts of provisions for restoration costs	-1	-1
Change in value of financial assets valued at fair value via profit/loss:		
Unlisted funds	-25	-39
Other items	-23	-14
<b>Financial expenses</b>	<b>-273</b>	<b>-188</b>
<b>Net financial income/expenses</b>	<b>-177</b>	<b>-58</b>

<sup>1)</sup> Refers to items valued at accrued acquisition value.

<sup>2)</sup> Refers to items valued at accrued acquisition value except current net interest from the interest coupon portion of interest swaps totaling SEK -6 million (-6).

## Profit from participations in Group companies

Parent company, MSEK	2020	2019
Dividends	500	200
Write-downs <sup>1)</sup>	-1	-71
Liquidation result	0	1
<b>Total</b>	<b>499</b>	<b>130</b>

<sup>1)</sup> For more information about write-downs, see note 42.

## Profit from other securities and receivables held as fixed assets

Parent company, MSEK	2020	2019
Interest income, external	1	0
<b>Total</b>	<b>1</b>	<b>0</b>

## Interest expenses and similar profit/loss items

Parent company, MSEK	2020	2019
Interest expenses, Group <sup>1)</sup>	-58	-68
<b>Total</b>	<b>-58</b>	<b>-68</b>

<sup>1)</sup> Interest expenses refer to interest from items valued at accrued acquisition value.

## Note 14 Appropriations

Parent company, MSEK	2020	2019
Change in additional depreciation, intangible assets	-2	-4
Change in additional depreciation, machinery and equipment	0	0
Transfer to tax allocation reserve	-319	-470
Received Group contribution	1,649	2,423
Paid Group contribution	-62	-293
<b>Total</b>	<b>1,266</b>	<b>1,656</b>

## Note 15 Taxes

### Recognized in the income statement

Group, MSEK	2020	2019
<b>Current tax expenses/income</b>		
Tax expenses for the year	-421	-392
Adjustment of tax attributable to previous years	-5	-12
	<b>-426</b>	<b>-404</b>
<b>Deferred tax expenses/income</b>		
Temporary differences	-88	-214
Capitalized tax value of loss carry-forwards during the year	1	1
Utilisation of capitalized tax value of loss carry-forwards	-51	-37
Changed tax rates	1	-
Revaluation of recognized deferred tax values	-1	83
	<b>-138</b>	<b>-167</b>
<b>Total recognized tax expenses in the Group</b>	<b>-564</b>	<b>-571</b>

1	Parent company, MSEK	2020	2019
2	<b>Current tax expenses/income</b>		
3	Tax expenses for the year	-211	-303
4		<b>-211</b>	<b>-303</b>
5	<b>Deferred tax expenses/income</b>		
6	Temporary differences	6	8
7		<b>6</b>	<b>8</b>
8	<b>Total recognized tax expenses in the parent company</b>	<b>-205</b>	<b>-295</b>

10	<b>Reconciliation of effective tax</b>				
11	Group, MSEK	2020	2020 (%)	2019	2019 (%)
12	<b>Pre-tax profit</b>	<b>3,745</b>		<b>3,227</b>	
13	Tax in accordance with tax rate for the parent company	-801	21.4	-690	21.4
14	Effect of other tax rates for foreign subsidiaries	5	-0.1	2	-0.1
15	Non-deductible expenses	-46	1.2	-79	2.5
16	Tax exempt income	239	-6.4	45	-1.4
17	Deductible non profit-influencing items	16	-0.4	23	-0.7
18	Revaluation of reported deferred tax values	-1	0.0	83	-2.6
19	Utilized non-capitalized loss carry-forwards	1	0.0	0	0.0
20	Tax attributable to previous years	-5	0.1	-12	0.4
21	Changed tax rates	1	0.0	-	-
22	Increase in loss carry-forwards without corresponding capitalization of deferred tax	-1	0.0	-15	0.5
23	Effect net profit of joint ventures	28	-0.7	72	-2.2
24	<b>Recognized effective tax</b>	<b>-564</b>	<b>15.1</b>	<b>-571</b>	<b>17.8</b>
25	<b>Parent company, MSEK</b>	<b>2020</b>	<b>2020 (%)</b>	<b>2019</b>	<b>2019 (%)</b>
26	<b>Pre-tax profit</b>	<b>1,509</b>		<b>1,558</b>	
27	Tax according to tax rate for the parent company	-323	21.4	-334	21.4
28	Non-deductible expenses	-4	0.3	-18	1.2
29	Tax exempt income	107	-7.1	43	-2.8
30	Deductible non profit-influencing items	15	-1.0	14	-0.9
31	<b>Recognized effective tax</b>	<b>-205</b>	<b>13.6</b>	<b>-295</b>	<b>18.9</b>

32	<b>Tax attributable to other comprehensive income</b>						
33	Group, MSEK	Pre-tax	Tax	After tax	Pre-tax	Tax	After tax
34		2020			2019		
35	Translation difference for the year foreign operations	-194	-20	-214	49	8	57
36	Cash flow hedges	5	-1	4	9	-2	7
37	<b>Other comprehensive income</b>	<b>-189</b>	<b>-21</b>	<b>-210</b>	<b>58</b>	<b>6</b>	<b>64</b>

## Reported on the balance sheet

### Deferred tax recoverables and tax liabilities

Group, MSEK	Deferred tax recoverables		Deferred tax liabilities		Net		Changes recognized in profit/loss for the year	
	2020	2019	2020	2019	2020	2019	2020	2019
Intangible assets			-71	-57	-71	-57	24	3
Tangible assets			-806	-543	-806	-543	-106	-20
Investment property			-5	-14	-5	-14	-4	-1
Financial fixed assets	2	1			2	1	1	0
Project and development properties			-988	-1,464	-988	-1,464	487	350
Inventories		0	-1		-1	0	4	0
Accounts receivable	31	98			31	98	-66	-82
Worked-up not invoiced income	210	183			210	183	44	111
Other receivables	89	89			89	89	0	46
Interest-bearing liabilities	1,100	1,483			1,100	1,483	-434	-827
Provisions for pensions	252	228			252	228	25	103
Provisions	172	82			172	82	31	40
Invoiced income not worked-up			-66	-67	-66	-67	1	123
Other liabilities	399	421			399	421	-30	-1
Loss carry-forwards	287	171			287	171	-49	-32
Tax allocation reserves			-622	-527	-622	-527	-95	-100
Safety reserve			-2	-31	-2	-31	29	120
<b>Tax recoverables/tax liabilities</b>	<b>2,542</b>	<b>2,756</b>	<b>-2,561</b>	<b>-2,703</b>	<b>-19</b>	<b>53</b>		
Offset	-2,378	-2,555	2,378	2,555	-	-		
<b>Net</b>	<b>164</b>	<b>201</b>	<b>-183</b>	<b>-148</b>	<b>-19</b>	<b>53</b>	<b>-138</b>	<b>-167</b>

### Important material changes in deferred taxes on the balance sheet

Tax deficits have been acquired with the acquisition of YIT's paving and mineral aggregates operations, which have been activated in the acquisition analysis. Additional deferred tax recoverables and tax liabilities have occurred in connection with the acquisition. For more information

see note 6. Annehem Fastigheter AB was distributed to shareholders in 2020 which led to a decrease in deferred tax recoverables and tax liabilities. For more information see not 46. The parent company and Group have reported distribution costs and associated tax of SEK 6 million in equity in connection with the distribution.

Parent company, MSEK	Deferred tax recoverables		Changes recognized in profit/loss for the year	
	2020	2019	2020	2019
Provisions for pensions	123	117	6	8
Other liabilities	2	2	0	0
<b>Net</b>	<b>125</b>	<b>119</b>	<b>6</b>	<b>8</b>

### Unrecognized deferred tax recoverables regarding loss carry-forwards

Ongoing correspondence with the Swedish Tax Authorities as well as assessments made together with external experts on the deductibility of individual deductions have been taken into consideration when evaluating deferred tax recoverables. The judgement per 2020-12-31 as well as 2019-12-31 is that there are no uncertainties regarding the deductibility of loss carry-forwards in Sweden and because of that tax recoverables of loss carry-forwards are recognized as assets without any adjustments.

In the Norwegian operations the ability to use loss carry-forwards of SEK 537 million (595) remains uncertain. They have not been capitalized. The fiscal value of the non-capitalized loss carry-forward is SEK 118 million (131).

### Changed tax rates

As of 2019 the tax rate in Sweden has changed to 21.4 percent from 22 percent which was the tax rate during 2018. From 2021 the tax rate in Sweden will change to 20.6 percent.

As of 2019 the tax rate in Norway has changed to 22 percent from 23 percent which was the tax rate during 2018.

The fiscal temporary differences in Sweden and Norway are valued at the tax rate valid at the time the temporary differences are expected to cease to exist.

## Note 16 Intangible assets

Group 2020, MSEK	Intangible assets, external purchase					Intangible assets, internally developed	
	Goodwill	Brands	Customer relations and customer contracts	Tenancies gravel and rock quarries	Other intangible assets	Balanced development costs	Total
Opening acquisition value	1,875	292	51	202	216	117	2,753
Purchases		1		6	58	30	94
Purchases through acquired companies	1,397		140	69	19		1,625
Sales/disposals	-35	-2	-31				-68
Distribution Annehem Fastigheter					-1		-1
Exchange rate differences	-145	-10	-15	-6	-3		-179
<b>Closing accumulated acquisition value</b>	<b>3,092</b>	<b>280</b>	<b>145</b>	<b>271</b>	<b>289</b>	<b>147</b>	<b>4,224</b>
Opening depreciation	-	-188	-45	-88	-29	-24	-374
Depreciation through acquired companies					-17		-17
Sales/disposals		2	31				33
Depreciation <sup>1)</sup>		-12	-123	-14	-15	-7	-171
Exchange rate differences		6	6		2		14
<b>Closing accumulated depreciation</b>	<b>-</b>	<b>-192</b>	<b>-131</b>	<b>-102</b>	<b>-59</b>	<b>-31</b>	<b>-515</b>
Opening write-downs	-39	-	-	-	-	-6	-45
Sales and disposals	35						35
Write-downs <sup>2)</sup>	-20						-20
<b>Closing accumulated write-downs</b>	<b>-24</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-6</b>	<b>-30</b>
<b>Closing recognized value</b>	<b>3,068</b>	<b>88</b>	<b>14</b>	<b>169</b>	<b>230</b>	<b>110</b>	<b>3,679</b>

Group 2019, MSEK	Intangible assets, external purchase					Intangible assets, internally developed	
	Goodwill	Brands	Customer relations and customer contracts	Tenancies gravel and rock quarries	Other intangible assets	Balanced development costs	Total
Opening acquisition value	1,867	288	50	202	137	73	2,617
Purchases		1			79	44	124
Purchases through acquired companies	2		1				3
Exchange rate differences	6	3					9
<b>Closing accumulated acquisition value</b>	<b>1,875</b>	<b>292</b>	<b>51</b>	<b>202</b>	<b>216</b>	<b>117</b>	<b>2,753</b>
Opening depreciation	-	-173	-41	-80	-23	-20	-337
Depreciation <sup>1)</sup>		-13	-4	-8	-6	-4	-35
Exchange rate differences		-2					-2
<b>Closing accumulated depreciation</b>	<b>-</b>	<b>-188</b>	<b>-45</b>	<b>-88</b>	<b>-29</b>	<b>-24</b>	<b>-374</b>
Opening write-downs	-24	-	-	-	-	-6	-30
Write-downs <sup>2)</sup>	-15						-15
<b>Closing accumulated write-downs</b>	<b>-39</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-6</b>	<b>-45</b>
<b>Closing recognized value</b>	<b>1,836</b>	<b>104</b>	<b>6</b>	<b>114</b>	<b>187</b>	<b>87</b>	<b>2,334</b>

<sup>1)</sup> Depreciation is recognized in the following lines of the income statement:

MSEK	2020	2019
Production costs	-152	-30
Sales and administrative expenses	-19	-5
<b>Total</b>	<b>-171</b>	<b>-35</b>

<sup>2)</sup> Write-downs are recognized in the following line of the income statement:

MSEK	2020	2019
Production costs	-20	-15
<b>Total</b>	<b>-20</b>	<b>-15</b>



### Goodwill impairment testing in cash generating units

The Peab Group balance sheet 2020-12-31 included total goodwill of SEK 3,068 million (1,836). The acquisition of YIT's Nordic paving and mineral aggregates operations in business area Industry added SEK 1,397 million in goodwill. The table below shows goodwill per group of cash generating units for which goodwill is tested for impairment.

MSEK	2020	2019
<b>Construction</b>		
Construction Sweden	76	68
Construction Finland	65	67
Construction Norway	145	159
<b>Civil Engineering</b>		
Civil Engineering Sweden	142	150
Civil Engineering Norway	7	9
<b>Industry</b>		
Industry Sweden	1,411	1,340
Industry Finland	1,179	–
Industry Denmark	22	–
<b>Project Development</b>		
Property Development Sweden	–	21
Housing Development Sweden	14	14
Housing Development Norway	7	8
<b>Total</b>	<b>3,068</b>	<b>1,836</b>

### Goodwill write-downs

The Group has written down goodwill in 2020 by SEK 20 million (15). Write-downs for the year refer to business area Project Development and the unit Property Development where goodwill concerning Ängelholm Helsingborg Airport was written down. Ängelholm Helsingborg Airport was divested during the year. For the cash generating units where a calculation of the recovery value was made and no write-down need was identified, executive management has assessed that no feasible possible changes in important assumptions would result in a recovery value lower than the recognized value.

### Method for calculating recovery value

The recovery value for all goodwill values has been derived by calculating the useful value for the cash generating units. The calculation model is

based on a discount of forecasted future cash flows compared to the unit's reported values. These future cash flows are based on 5 year forecasts produced by the management of the respective group of cash generating units. Goodwill impairment tests have an infinite time horizon and extrapolation of cash flow for the years after the forecast was calculated based on a growth rate from year six onwards of approximately two percent.

### Important variables when calculating useful value

The following variables are important and common to all cash generating units in calculation of useful value:

**Net sales:** The business' historical development, expected changes in the construction and civil engineering business cycle as well as the real estate sector, general socioeconomic developments, investment plans of public and municipal customers, interest rate levels and local market conditions.

**Operating margin:** Historic profitability levels and operative efficiency, access to key personnel and qualified manpower, access to internal resources and hikes in salary, material and subcontractor costs.

**Working capital requirements:** Individual case assessment of whether the working capital reflects the company's needs or whether it should be adjusted for the forecast period. A reasonable or cautious assumption for future development is that it parallels net sales growth. A high level of internally developed projects may entail a greater need for working capital.

**Investment needs:** The company's investment needs are assessed on the investments required to achieve the initially forecasted cash flow, i.e. not including expansion investments.

**Tax burden:** The tax rate in forecasts is based on Peab's expected tax situation in Sweden, Norway, Finland and Denmark with regards to tax rates, loss carry-forwards etc.

**Discount rate:** Forecasted cash flows and residual values are discounted to current value applying a weighted average cost of capital (WACC). Interest rates on borrowed capital have been market adjusted to each country. The required return on equity is based on the Capital Asset Pricing Model. A weighted discount rate after tax has been used in calculating useful values. The discount rate after tax used on cash generating units in Sweden is on average 7.4 percent (8.2), in Norway 7.9 percent (9.3), in Finland 7.0 percent (8.7) and in Denmark 7.5 percent (–). The corresponding pre-tax discount in Sweden was on average 7.6 percent (8.3), in Norway 8.2 percent (9.5), in Finland 7.1 percent (8.7) and in Denmark 7.7 percent (–).

	Intangible assets, external purchase	Intangible assets, internally developed	
Parent company 2020, MSEK	Other intangible assets	Balanced development costs	Total
Opening acquisition value	34	25	59
<b>Closing accumulated acquisition value</b>	<b>34</b>	<b>25</b>	<b>59</b>
Opening depreciation	0	-8	-8
Depreciation <sup>1)</sup>	-5	-3	-8
<b>Closing accumulated depreciation</b>	<b>-5</b>	<b>-11</b>	<b>-16</b>
<b>Closing recognized value</b>	<b>29</b>	<b>14</b>	<b>43</b>
Parent company 2019, MSEK	Other intangible assets	Balanced development costs	Total
Opening acquisition value	30	25	55
Purchases	4	-	4
<b>Closing accumulated acquisition value</b>	<b>34</b>	<b>25</b>	<b>59</b>
Opening depreciation	-	-4	-4
Depreciation <sup>1)</sup>	0	-4	-4
<b>Closing accumulated depreciation</b>	<b>0</b>	<b>-8</b>	<b>-8</b>
<b>Closing recognized value</b>	<b>34</b>	<b>17</b>	<b>51</b>

<sup>1)</sup> Depreciation is recognized in the following line of the income statement:

MSEK	2020	2019
Administration expenses	-8	-4
<b>Total</b>	<b>-8</b>	<b>-4</b>

## Note 17 Tangible assets

Tangible fixed assets consist of owned and leased assets.

Group, MSEK	Note	2020	2019
Tangible fixed assets – owned		5,419	5,572
Rights of use – leased with	37	2,152	1,239
<b>Total</b>		<b>7,571</b>	<b>6,811</b>

IFRS 16, Leases replaced IAS 17 as of January 1, 2019. Assets from financial leases are no longer reported together with owned assets. For more information see note 37.

Group 2020, MSEK	Buildings and land	Machinery and equipment	Construction in progress	Total
Opening acquisition value	3,010	8,526	319	11,855
Purchases	86	508	254	848
Purchases through acquired companies	542	2,339	86	2,967
Sales/disposals	-13	-375	-2	-390
Distribution Annehem Fastigheter	-1,233	-20	-25	-1,278
Sales via sold company		-64		-64
Reclassifications	136	199	-340	-5
Exchange rate differences	-67	-263	-9	-339
<b>Closing accumulated acquisition value</b>	<b>2,461</b>	<b>10,850</b>	<b>283</b>	<b>13,594</b>
Opening depreciation	-981	-5,294	-	-6,275
Accumulated depreciation through acquired companies	-153	-1,538		-1,691
Sales/disposals	7	349		356
Distribution Annehem Fastigheter	148	17		165
Sales via sold company		31		31
Depreciation	-118	-816		-934
Reclassifications	-1	-8		-9
Exchange rate differences	18	172		190
<b>Closing accumulated depreciation</b>	<b>-1,080</b>	<b>-7,087</b>	<b>-</b>	<b>-8,167</b>
Opening write-downs	-2	-6	-	-8
<b>Closing accumulated write-downs</b>	<b>-2</b>	<b>-6</b>	<b>-</b>	<b>-8</b>
<b>Closing recognized value</b>	<b>1,379</b>	<b>3,757</b>	<b>283</b>	<b>5,419</b>

1	Group 2019, MSEK	Buildings and land	Machinery and equipment	Construction in progress	Total
2	Opening acquisition value	2,496	9,600	544	12,640
3	Changed accounting principle IFRS 16 <sup>1)</sup>		-1,645		-1,645
4	Adjusted opening acquisition value	2,496	7,955	544	10,995
5	Purchases	275	859	196	1,330
6	Purchases through acquired companies		22		22
7	Sales/disposals	-62	-437	-1	-500
8	Sales via sold company	-24	-68		-92
9	Reclassifications	318	157	-422	53
10	Exchange rate differences	7	38	2	47
11	<b>Closing accumulated acquisition value</b>	<b>3,010</b>	<b>8,526</b>	<b>319</b>	<b>11,855</b>
12	Opening depreciation	-920	-5,969	-	-6,889
13	Changed accounting principle IFRS 16 <sup>1)</sup>		1,009		1,009
14	Adjusted opening depreciation	-920	-4,960	-	-5,880
15	Sales/disposals	28	356		384
16	Sales via sold company	8	34		42
17	Depreciation	-94	-679		-773
18	Reclassifications	-2	-22		-24
19	Exchange rate differences	-1	-23		-24
20	<b>Closing accumulated depreciation</b>	<b>-981</b>	<b>-5,294</b>	<b>-</b>	<b>-6,275</b>
21	Opening write-downs	-2	-8	-	-10
22	Sales/disposals		2		2
23	<b>Closing accumulated write-downs</b>	<b>-2</b>	<b>-6</b>	<b>-</b>	<b>-8</b>
24	<b>Closing recognized value</b>	<b>2,027</b>	<b>3,226</b>	<b>319</b>	<b>5,572</b>

<sup>1)</sup> Reclassification of financial leasing due to IFRS 16

Loan interest of SEK 2 million (7) has been activated during the year.

25	Parent company, MSEK	Machinery and equipment	
26		2020	2019
27	Opening acquisition value	2	2
28	<b>Closing accumulated acquisition value</b>	<b>2</b>	<b>2</b>
29	Opening depreciation	-1	-1
30	<b>Closing accumulated depreciation</b>	<b>-1</b>	<b>-1</b>
31	<b>Closing recognized value</b>	<b>1</b>	<b>1</b>

## Note 18 Investment property

Investment properties consist of owned and leased assets.

Group, MSEK	Note	2020	2019
Investment properties – owned		111	500
Rights of use – leased with	37	19	58
<b>Total</b>		<b>130</b>	<b>558</b>

Group 2020, MSEK	Investment property	Construction in progress	Total
Opening acquisition value	561	1	562
Purchases	7	2	9
Distribution Annehem Fastigheter	-421	-3	-424
Exchange rate differences	-9		-9
<b>Closing accumulated acquisition value</b>	<b>138</b>	<b>-</b>	<b>138</b>
Opening depreciation	-52	-	-52
Distribution Annehem Fastigheter	47		47
Depreciation	-12		-12
<b>Closing accumulated depreciation</b>	<b>-17</b>	<b>-</b>	<b>-17</b>
Opening write-downs	-10	-	-10
<b>Closing accumulated write-downs</b>	<b>-10</b>	<b>-</b>	<b>-10</b>
<b>Closing recognized value</b>	<b>111</b>	<b>-</b>	<b>111</b>

Group 2019, MSEK	Investment property	Construction in progress	Total
Opening acquisition value	380	260	640
Purchases	62		62
Sales/disposals	-143		-143
Reclassification	266	-266	-
Exchange rate differences	-4	7	3
<b>Closing accumulated acquisition value</b>	<b>561</b>	<b>1</b>	<b>562</b>
Opening depreciation	-41	-	-41
Sales/disposals	3		3
Depreciation	-14		-14
<b>Closing accumulated depreciation</b>	<b>-52</b>	<b>-</b>	<b>-52</b>
Opening write-downs	-10	-	-10
<b>Closing accumulated write-downs</b>	<b>-10</b>	<b>-</b>	<b>-10</b>
<b>Closing recognized value</b>	<b>499</b>	<b>1</b>	<b>500</b>

Loan interest of SEK 0 million (0) has been activated during the year.

### Accumulated fair value

At year-end fair value amounted to SEK 121 million compared to the recognized value of SEK 111 million. At year-end 2019 fair value amounted to SEK 603 million compared to the recognized value of SEK 500 million. The fair value of the rights of use (leaseholds), in addition to the recognized value, is immaterial.

### Valuing technique, hierarchy and significant unobservable inputs

The valuation of the above fair values are classified on level 3 in the fair value hierarchy. The valuation is built on an internal valuation model. As a complement to this valuation annual external market valuations are obtained for a number of objects. Fair value has been determined through a combination of applying the location/price method, based on recognized comparable purchases and the yield method.

### Effect on profit/loss for the year

Group, MSEK	2020	2019
Rental revenue	11	61
Direct costs for investment property that generated rent during the year (operational and maintenance costs, property tax and ground rent)	-4	-29
Direct costs for investment property that did not generate rent during the year (operational and maintenance costs, property tax and ground rent)	-1	-6

## Note 19 Participation in joint ventures

### Information regarding significant joint ventures in the Group

Fastighets AB Centur, 50 percent ownership. The company will own, manage and develop commercial property and homes.

Fastighets AB ML4, 50 percent ownership. The company will own and manage research facility Max IV in Lund. The facility is rented to Lund University.

Tornet Bostadsproduktion AB, 33.33 percent ownership. The company will develop, own and manage attractive and environmentally friendly rentals in larger cities in Sweden.

Point Hyllie Holding AB, 50 percent ownership. The company will own and manage the office property The Point and the hotel property Vårds-huset 5.

Group, MSEK	Significant joint ventures 2020-12-31				Significant joint ventures 2019-12-31			
	Fastighets AB Centur	Fastighets AB ML4	Tornet Bostadsproduktion AB	Point Hyllie Holding AB	Fastighets AB Centur	Fastighets AB ML4	Tornet Bostadsproduktion AB	Point Hyllie Holding AB
Net sales	408	101	188	43	368	97	151	35
Operating profit <sup>1)</sup>	333	57	111	-7	282	53	89	13
Interest expenses and similar profit/loss items	-100	-36	-45	-19	-87	-33	-39	-7
Tax	-61	-5	-16	3	-74	-5	-11	-3
<b>Profit for the year</b>	<b>172</b>	<b>16</b>	<b>50</b>	<b>-23</b>	<b>121</b>	<b>15</b>	<b>39</b>	<b>3</b>
<b>Other comprehensive income and total comprehensive income for the year</b>	<b>172</b>	<b>16</b>	<b>50</b>	<b>-23</b>	<b>121</b>	<b>15</b>	<b>39</b>	<b>3</b>
Less non-controlling interest	-3				-4			
<b>Total comprehensive income less non-controlling interest</b>	<b>169</b>	<b>16</b>	<b>50</b>	<b>-23</b>	<b>117</b>	<b>15</b>	<b>39</b>	<b>3</b>
<sup>1)</sup> Depreciation amounts to		43	26	31		43	22	14
Fixed assets		178	5			151	5	
Investment property	6,255	1,956	4,076	1,324	5,866	1,870	3,648	1,247
Short-term investments and liquid funds	84	39	57	66	85	34	153	48
Other current assets	139	6	87	5	97	3	3	14
<b>Total assets</b>	<b>6,478</b>	<b>2,179</b>	<b>4,225</b>	<b>1,395</b>	<b>6,048</b>	<b>2,058</b>	<b>3,809</b>	<b>1,309</b>
Long-term financial liabilities	4,902	1,901	2,849	995	4,728	1,813	2,665	869
Other long-term liabilities	281	58	24	1	221	54	25	3
Current financial liabilities		39				36		
Other current liabilities	230	57	115	14	206	47	112	29
<b>Total liabilities</b>	<b>5,413</b>	<b>2,055</b>	<b>2,988</b>	<b>1,010</b>	<b>5,155</b>	<b>1,950</b>	<b>2,802</b>	<b>901</b>
<b>Net assets</b>	<b>1,065</b>	<b>124</b>	<b>1,237</b>	<b>385</b>	<b>893</b>	<b>108</b>	<b>1,007</b>	<b>408</b>
Less non-controlling interest	-17		-31		-14		-1	
<b>Net assets less non-controlling interest</b>	<b>1,048</b>	<b>124</b>	<b>1,206</b>	<b>385</b>	<b>879</b>	<b>108</b>	<b>1,006</b>	<b>408</b>
<b>Group share of net assets at the beginning of the year</b>	<b>440</b>	<b>54</b>	<b>335</b>	<b>204</b>	<b>381</b>	<b>47</b>	<b>123</b>	<b>-7</b>
Share of total comprehensive income	84	8	17	-12	59	7	12	2
Contribution / new issues			50				200	209
<b>Group share of net assets at year-end</b>	<b>524</b>	<b>62</b>	<b>402</b>	<b>192</b>	<b>440</b>	<b>54</b>	<b>335</b>	<b>204</b>
<b>Group share of unrealized internal profit at the beginning of the year</b>	<b>-39</b>	<b>-55</b>	<b>-20</b>	<b>-108</b>	<b>-37</b>	<b>-55</b>	<b>-20</b>	<b>-103</b>
Elimination of unrealized profit	-5	-2	-3		-2			-5
<b>Group share of unrealized internal profit at year-end</b>	<b>-44</b>	<b>-57</b>	<b>-23</b>	<b>-108</b>	<b>-39</b>	<b>-55</b>	<b>-20</b>	<b>-108</b>
<b>Recognized value at year-end</b>	<b>480</b>	<b>5</b>	<b>379</b>	<b>84</b>	<b>401</b>	<b>-1</b>	<b>315</b>	<b>96</b>
<b>Profit is reported in the following line in the income statement:</b>								
Production costs	79	6	14	-12	57	7	12	-3
<b>Total</b>	<b>79</b>	<b>6</b>	<b>14</b>	<b>-12</b>	<b>57</b>	<b>7</b>	<b>12</b>	<b>-3</b>
<b>Recognized amount is divided among the following items in the balance sheet:</b>								
Participation in joint ventures	480	5	379	84	401		315	96
Accrued expenses and deferred income <sup>2)</sup>						-1		-110
<b>Total</b>	<b>480</b>	<b>5</b>	<b>379</b>	<b>84</b>	<b>401</b>	<b>-1</b>	<b>315</b>	<b>96</b>

<sup>2)</sup> Refers to joint ventures where the net sum of equity and internal profit elimination is negative.

## Information on other joint venture's value in the Group

Group, MSEK	2020	2019
<b>Share of comprehensive income in other joint ventures</b>	<b>46</b>	<b>253</b>
<b>Profit is divided among the following items in the income statement:</b>		
Productions costs	23	251
Other operating income	23	2
<b>Total</b>	<b>46</b>	<b>253</b>
<b>Recognized value of other joint ventures</b>	<b>741</b>	<b>986</b>
<b>Recognized amount is divided among the following items in the balance sheet:</b>		
Participation in joint ventures	865	1,072
Other provisions <sup>1)</sup>	-108	-74
Accrued expenses and deferred income <sup>2)</sup>	-16	-12
<b>Total</b>	<b>741</b>	<b>986</b>

<sup>1)</sup> Refers to joint ventures where equity is negative.

<sup>2)</sup> Refers to joint ventures where the net sum of equity and internal profit elimination is negative.

Company	Corp. ID no.	Registered Office	Share percent 2020	Share percent 2019	Company	Corp. ID no.	Registered Office	Share percent 2020	Share percent 2019
Acturum Development AB	556910-5488	Stockholm	50	50	Nya Bara Utvecklings AB	556858-4311	Malmö	-	50
Blindheim Kran AS	918 329 293	Ålesund	45	45	Nye Egne Hjem AS	913 624 149	Lysaker	-	50
Bondistranda Utvikling AS	992 512 741	Lysaker	50	50	Nyheim Bolig AS	822 156 282	Tromsø	50	50
Brekkeveien 5 Bolig AS	991 935 177	Lysaker	50	50	Partille kv3 Holding AB	559211-5058	Solna	-	50
Byggutveckling Svenska AB	556627-2117	Linköping	50	50	PeKum AB	559041-7464	Kumla	50	50
Fastighets AB Centur	556813-6369	Stockholm	50	50	Point Hyllie Holding AB	559023-4034	Solna	50	50
Fastighets AB ML4	556786-2155	Malmö	50	50	PPE Holding AB	559003-7304	Solna	50	50
Fastighets AB Tornet	559008-2912	Gothenburg	50	50	Runö Fastigheter Handelsbolag	969723-2107	Stockholm	30	30
Fjällvärme i Sälen AB	556536-1895	Malung-Sälen	50	50	Scandinavian Mountains AB	556973-5631	Malung-Sälen	24.4	24.3
Fløiffjellet Eiendom AS	915 467 407	Tromsø	50	50	Sicklaön Bygg Invest AB	556911-5479	Solna	50	50
Fløtningen Park AS	992 212 330	Skien	50	50	Sjökrona Exploatering AB	556790-5624	Helsingborg	-	25
Frenvikrønningen AS	986 838 325	Skien	50	50	Skiab Invest AB	556848-5220	Malung-Sälen	50	50
Fri Sikt Voldsalsberga AS	990 529 396	Ulsteinvik	40	40	Skiab Invest AS	915 659 454	Trysil	50	50
Forsøket Boliger AS	919 440 694	Tromsø	50	-	Solligården Bolig DA	913 765 516	Lysaker	50	50
Hans Haslums Vei Utvikling AS	914 498 937	Lysaker	50	50	Solligården Næring AS	913 764 862	Lysaker	50	50
Hälsostaden Ängelholm Holding AB	556790-5723	Ängelholm	33.3	33.3	Stadsliden Utveckling AB	556874-7413	Umeå	50	50
ITolv AB	556513-2478	Eksjö	43.8	35	Steindalen AS	914 738 091	Stjørdal	33.3	33.3
Kaldsletneset AS	911 692 058	Tromsø	50	50	Storsvingen Vest AS	999 210 953	Hammerfest	50	50
KB Älvhögsborg	916899-2734	Trollhättan	50	50	Strömbrytaren Holding AB	559116-6391	Stockholm	50	50
Kirkebakken Vest AS	988 796 174	Horten	50	50	Sydpartner AB	556712-4952	Ängelholm	50	50
Klosterfoss Utvikling AS	991 043 829	Skien	50	50	TCL S.å.r.l.	19982401227	Luxemburg	-	50
Kungsörs Grusaktiebolag	556044-4134	Kungsör	50	50	Tomasjord Park AS	983 723 853	Tromsø	50	50
Lillegården Eiendom AS	886 804 512	Skien	50	50	Tornet Bostadsproduktion AB	556796-2682	Stockholm	33.3	33.3
Ljusta Projektutveckling AB	556668-4899	Sundsvall	50	50	Trysil Hotellutvikling AS	987 054 409	Trysil	50	50
Ljusta Projektutveckling KB	969700-6188	Sundsvall	-	50	Trysil Suiter AS	991 276 068	Trysil	50	50
Majorbygg AS	912 077 020	Skien	50	50	Tunveien Eiendom AS	916 321 007	Oslo	50	50
Medkila Nord AS	998 565 545	Harstad	50	50	Umeå Mark & Exploatering AB	556660-7064	Umeå	50	50
Mountain Resort Trysil AS	996 284 115	Trysil	50	50	Vardenbakken 99 AS	998 347 211	Oslo	50	50
Myren Parkering AS	912 024 733	Skien	26.4	26.4	Visio Råsunda Garage AB	556952-9992	Solna	50	50
Nedre Holte AS	985 911 495	Harstad	50	50	Överby Holding AB	559103-6818	Solna	50	50
Nordasfalt AS	950 501 480	Bodø	50	-					

## Note 20 Joint operations

Specification of Group holdings in joint arrangements that are classified as joint operations, which are recognized according to the proportional method.

Company, Registered Office, Corp. ID no.	Share percent 2020	Share percent 2019
Dockan Exploatering AB, Malmö, 556594-2645	33.3	33.3
Mälarstrandens Utvecklings AB, Västerås, 556695-5414	44.0	44.0

## Note 21 Interest-bearing receivables

### Interest-bearing long-term receivables

Group, MSEK	2020	2019
Receivables in Group joint ventures	1,149	995
Other interest-bearing receivables	108	91
<b>Total</b>	<b>1,257</b>	<b>1,086</b>

### Interest-bearing current receivables

Group, MSEK	2020	2019
Receivables in Group joint ventures	73	117
Other interest-bearing receivables	12	27
<b>Total</b>	<b>85</b>	<b>144</b>

## Note 22 Securities holdings

### Securities held as fixed assets

Group, MSEK	2020	2019
Financial assets valued at fair value via profit/loss		
Unlisted funds	37	58
Unlisted shares and participations	23	24
<b>Total</b>	<b>60</b>	<b>82</b>

## Note 23 Other receivables

### Other long-term receivables

MSEK	Group		Parent company	
	2020	2019	2020	2019
Receivables in Group joint ventures	32	37		
Receivables sold properties	9	10		
Paid advances, down payments	40	59		
Other long-term receivables	62	25		
<b>Total</b>	<b>143</b>	<b>131</b>	<b>-</b>	<b>-</b>

### Other current receivables

MSEK	Group		Parent company	
	2020	2019	2020	2019
Receivables in Group joint ventures	4	4	-	-
Receivables sold properties	480	400	-	-
Paid advances, down payments	12	21	-	-
VAT, other taxes	216	170	27	-
Other current receivables	98	83	3	44
Derivate instruments held for hedging purposes	5	0	-	-
<b>Total</b>	<b>815</b>	<b>678</b>	<b>30</b>	<b>44</b>

## Note 24 Project and development properties

Project and development properties consist of owned and leased assets.

Group, MSEK	Note	2020	2019
Project and development properties – owned		13,670	16,781
Rights of use – leased with	37	404	167
<b>Total</b>		<b>14,074</b>	<b>16,948</b>

Group, MSEK	2020	2019
Housing development rights	5,262	5,674
Commercial development rights	584	555
On going housing projects	5,985	8,576
On going rental projects in Sweden	1,023	806
On going commercial projects	216	383
Completed property	311	391
Other	289	396
<b>Total</b>	<b>13,670</b>	<b>16,781</b>

Project and development properties were written down during the year for a total of SEK 31 million (33). Loan interest of SEK 181 million (200) has been activated during the year. The interest rate on the activated loan costs is 2.2 percent (2.2).

### Recovery

Of the recognized value of project and development property of SEK 13,670 million (16,781) some SEK 3,400 million (approximately 5,500) is expected to be recovered through the start of production or sales more than 12 months after the balance sheet day. The remaining part is expected to be recovered within 12 months after the balance sheet day.

## Note 25 Inventories

Group, MSEK	2020	2019
Raw materials and consumables	569	163
Products in progress	2	3
Finished products and goods for resale	698	367
<b>Total</b>	<b>1,269</b>	<b>533</b>



## Note 26 Accounts receivable

Total accounts receivables amounted to SEK 7,482 million (8,893). In business area Construction, Civil Engineering and Project Development accounts receivables have decreased while business area Industry has increased accounts receivables compared to 2019. For more information regarding accounts receivable see note 36.

Accounts receivables were written down in the income statement with actual and feared bad debts for a total of SEK 20 million (10). Actual bad debts amounted to SEK 12 million (29) in the Group, of which SEK 7 million were written down in 2019. The losses resulted from some of the company's customers going bankrupt. Most of the losses stemmed from business area Industry. The parent company had no bad debts.

## Note 27 Construction contracts

### Worked-up not invoiced income

Group, MSEK	2020	2019
Worked-up income on incomplete contracts	38,025	36,464
Invoiced sales on incomplete contracts	-35,987	-34,077
<b>Total</b>	<b>2,038</b>	<b>2,387</b>

### Invoiced income not worked-up

Group, MSEK	2020	2019
Invoiced sales on incomplete contracts	55,948	50,059
Worked-up income on incomplete contracts	-51,994	-45,200
<b>Total</b>	<b>3,954</b>	<b>4,859</b>

### Change in contract balances

Group, MSEK	2020		2019	
	Worked-up not invoiced income	Invoiced income not worked-up	Worked-up not invoiced income	Invoiced income not worked-up
Income recognized in the period included in invoiced income not worked-up at the beginning of the period		4,859		4,907
Invoiced during the year, reduced by amounts recognized as income during the year		-3,954		-4,859
Transferred from worked-up not invoiced income at the beginning of the period to accounts receivable	-2,387		-2,312	
Worked-up during the year, reduced by amounts invoiced during the year	2,038		2,387	
Exchange rate differences	-20	-87	14	17

Income recognized during the report period from performance obligations met during previous periods was SEK -207 million (-327).

Worked-up income from ongoing contracts is recognized over time. The degree of recognition is calculated on the basis of the project costs incurred at the end of the period in relation to the project costs corresponding to the project income for the whole project.

Contract assignments are recognized in gross on the balance sheet project for projects, either as Worked-up income not invoiced in current assets or as Invoiced income not worked-up in current liabilities. Projects that have higher worked-up income than the amounts invoiced are recognized as assets, while projects that have invoiced more than the income worked-up are recognized as liabilities.

## Note 28 Prepaid expenses and accrued income

MSEK	Group		Parent company	
	2020	2019	2020	2019
Accrued operating income	128	118	-	-
Accrued interest income	2	2	-	-
Prepaid rents	32	23	-	-
Prepaid expenses	170	141	10	10
Other	182	260	-	-
<b>Total</b>	<b>514</b>	<b>544</b>	<b>10</b>	<b>10</b>

## Note 29 Equity

### Shares and share capital

Group	A shares	B shares	Number of issued fully paid shares	Share capital, SEK
Issued shares per January 1, 2020	34,319,957	261,729,773	296,049,730	1,583,866,056
<b>Issued shares per December 31, 2020</b>	<b>34,319,957</b>	<b>261,729,773</b>	<b>296,049,730</b>	<b>1,583,866,056</b>

An A share entitles the holder to 10 votes and a B share to 1 vote. The par value of all shares is SEK 5.35. All the rights for the shares held by the company (see below) have been revoked until these shares are reissued.

### Repurchased own shares that have reduced the Equity item profit brought forward including profit for the year

	Number of shares <sup>1)</sup>		Amount that affected equity, MSEK <sup>2)</sup>	
	2020	2019	2020	2019
Opening repurchased own shares	1,086,984	1,086,984	929	929
<b>Closing repurchased own shares</b>	<b>1,086,984</b>	<b>1,086,984</b>	<b>929</b>	<b>929</b>

<sup>1)</sup> A withdrawal of 5,500,000 shares was made in 2007.

<sup>2)</sup> Amount affecting equity refers to the accumulated net sum of acquired and divested own shares.

### Other contributed capital

Refers to equity contributed by the owners. Includes premiums paid in conjunction with new issues.

### Reserves

#### Translation reserve

The translation reserve comprises all exchange rate differences generated by translating the financial reports from foreign companies presented in another currency than the one used in Group financial statements. The parent company and the Group present their reports in Swedish krona (SEK). The translation reserve also consists of exchange rate differences that occur when revaluating liabilities recognized as hedge instruments of net investments in foreign operations.

#### Hedging reserve

The hedging reserve comprises the effective part of the accumulated net changes in fair value in a cash flow hedge instrument attributable to hedged transactions that have not as yet occurred.

### Profit brought forward including profit for the year

Profit brought forward including profit for the year consists of profit in the parent company, its subsidiaries and joint arrangements.

### Dividend

After the balance sheet day the Board of Directors proposed the following dividend; A cash dividend of SEK 4.50 (-) per share, totaling SEK 1,327,332,357 (-), calculated on the number of outstanding shares. Total dividends are calculated on outstanding shares at the time of distribution. The dividend will be proposed for adoption by the AGM on May 6, 2021.

### Parent company

#### Restricted equity

Restricted equity may not be reduced by the distribution of dividends.

#### Statutory reserve

The purpose of the reserve fund is to retain a part of the net profit which is not allocated to cover balanced losses. Amounts transferred to the share premium reserve before January 1, 2006 have been transferred to, and are part of, the statutory reserve.

#### Fund for development costs

The amount activated by internally generated development costs is transferred from non-restricted equity to a fund for development costs in restricted equity. The fund will contract as the activated costs are depreciated or written down.

#### Non-restricted equity

Together with profit for the year the following funds make up non-restricted equity, i.e. the amount available for dividends to the shareholders.

#### Share premium reserve

When shares are issued at a premium, i.e. when more must be paid for the shares than their nominal price, an amount equivalent to the amount received in excess of the share's nominal value is transferred to the share premium reserve. The amount transferred to the share premium reserve starting January 1, 2006 is included in unrestricted capital.

#### Profit brought forward

Consists of the previous year's profit brought forward and profit less dividends paid out during the year.

## Note 30 Interest-bearing liabilities

### Interest-bearing liabilities

Group, MSEK	2020	2019
Interest-bearing long-term liabilities	4,289	3,803
Interest-bearing long-term liabilities, project financing	75	326
Interest-bearing short-term liabilities	2,647	3,011
Interest-bearing short-term liabilities, project financing	4,981	7,637
<b>Total</b>	<b>11,992</b>	<b>14,777</b>

### Long-term liabilities

Group, MSEK	2020	2019
Bank loans <sup>1)</sup>	1,943	1,598
Bonds	500	1,498
Leasing liabilities	1,921	1,033
<b>Total</b>	<b>4,364</b>	<b>4,129</b>

<sup>1)</sup> Of which SEK 75 million (326) consists of project financing.

### Current liabilities

Group, MSEK	2020	2019
Bank loans <sup>1)</sup>	2,221	2,562
Commercial paper	110	1,359
Bonds	1,749	750
Leasing liabilities	521	310
Liabilities in Swedish tenant-owner associations <sup>2)</sup>	3,027	5,667
<b>Total</b>	<b>7,628</b>	<b>10,648</b>

<sup>1)</sup> Of which SEK 1,954 million (1,970) consists of project financing.

<sup>2)</sup> Liabilities in Swedish tenant-owner associations consist entirely of project financing.

### Changes in liabilities

#### Items that do not effect cash flow

Group, MSEK	2019-12-31	Cash flow	Items that do not effect cash flow					2020-12-31
			New leasing contracts	Acquisitions <sup>1)</sup>	Sales	Distribution Annehem Fastigheter	Other changes	
Bank loans	4,160	1,387		46	-5	-1,084	-340	4,164
Commercial paper	1,359	-1,248					-1	110
Bonds	2,248	1						2,249
Leasing liabilities	1,343	-524	1,482	361	-14	-89	-18 <sup>2)</sup>	2,442
Liabilities in Swedish tenant-owner associations	5,667	-2,640						3,027
<b>Total</b>	<b>14,777</b>	<b>-3,024</b>	<b>1,482</b>	<b>407</b>	<b>-19</b>	<b>-1,173</b>	<b>-18</b>	<b>11,992</b>

#### Items that do not effect cash flow

Group, MSEK	2018-12-31	Swedish tenant-owner associations <sup>3)</sup>	Adjustment IFRS 16	Cash flow	Items that do not effect cash flow				2019-12-31
					New leasing contracts	Acquisitions <sup>1)</sup>	Other changes	Exchange rate difference	
Bank loans	3,383			712		25		40	4,160
Commercial paper	730			629					1,359
Bonds	2,248								2,248
Leasing liabilities	-		1,443	-408	447	1	-156 <sup>2)</sup>	16	1,343
Financial leasing liabilities	593		-593						-
Liabilities in Swedish tenant-owner associations	-	9,444		-3,777					5,667
Liabilities to joint ventures	0			-11		11			0
Other liabilities	58			-146			88 <sup>4)</sup>		-
<b>Total</b>	<b>7,012</b>	<b>9,444</b>	<b>850</b>	<b>-3,001</b>	<b>447</b>	<b>37</b>	<b>-68</b>	<b>56</b>	<b>14,777</b>

<sup>1)</sup> Acquired liabilities including liabilities taken over in business and assets combinations.

<sup>2)</sup> Refers to extensions, index changes and termination of contracts.

<sup>3)</sup> Refers to changed accounting principles per January 1, 2019.

<sup>4)</sup> Revaluation of liabilities regarding costs for acquisitions.

Parent company, MSEK	2019-12-31	Cash flow <sup>1)</sup>	2020-12-31
Liabilities to Group companies	2,791	-94	2,697
<b>Total</b>	<b>2,791</b>	<b>-94</b>	<b>2,697</b>

Parent company, MSEK	2018-12-31	Cash flow <sup>1)</sup>	2019-12-31
Liabilities to Group companies	3,883	-1,092	2,791
<b>Total</b>	<b>3,883</b>	<b>-1,092</b>	<b>2,791</b>

<sup>1)</sup> According to the cash flow analysis, changes in loans amounted to SEK -49 million (-1,104), which also includes changes in balances in Group accounts by SEK 45 million (-12).

## Note 31 Pensions

### Defined benefit pension plans

Defined benefit plans consist of the Swedish ITP 2 Plan for white-collar workers which is managed through insurance with Alecta. Since Alecta cannot provide the information required to report the ITP 2 plan as a defined benefit plan it is recognized as a defined contribution plan (see below).

ITP 2 defined benefit plan obligations for old age pension and family pension obligations for white-collar workers in Sweden are managed through insurance from Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 10 Reporting pension plan ITP 2 which is financed through insurance from Alecta, this is a defined benefit plan that encompasses several employers. For the financial year of 2020 the company did not have the necessary information required to recognize its proportional share of the plan's obligations, plan assets and expenses which has made it impossible to recognize this plan as a defined benefit plan. Therefore the ITP 2 pension plan which is secured through insurance from Alecta is recognized as a defined contribution plan. Premiums for the defined benefit old age and family plans are calculated individually taking into account salary, previously earned pension and anticipated remaining employment period. Anticipated premiums for the next report period for ITP 2 insurance that are covered by Alecta amount to SEK 183 million (167). The Group's share of total premiums for the plan and the Group's share of the total number of active members of the plan are 0.60 percent (0.95) respective 0.66 percent (0.65).

The collective consolidation level is made up of the market value of Alecta's assets as a percentage of the insurance obligations calculated in accordance with Alecta's insurance methods and adjustment assumptions, which are not in accordance with IAS 19. Normally the collective consolidation level is permitted to vary between 125 and 155 percent. If Alecta's collective consolidation level is less than 125 percent or exceeds 155 measures must be taken aimed at returning the consolidation level to the normal interval. If the consolidation level is low one measure may be raising the agreed price for new subscriptions and expanding existing benefits. If the consolidation level is high one measure may be implementing premium reductions. At the end of 2020, Alecta's surplus in the form of the collective consolidation level amounted to 148 percent (148).

### Defined contribution plans

The Group has defined contribution plans which are entirely paid for by the companies. Payments to these plans are made on a current basis according to the rules of each plan.

MSEK	Group		Parent company	
	2020	2019	2020	2019
Expenses for defined contribution plans	939	864	45	45
Of which ITP 2 plans financed in Alecta	190	194	9	8

## Note 32 Provisions

### Provisions which are long-term liabilities

Group, MSEK	2020	2019
Guarantee risk reserve	747	437
Restoration costs	366	131
Special payroll tax on pensions	148	138
Disputes	12	13
Obligations in joint ventures	108	74
Other	100	73
<b>Total</b>	<b>1,481</b>	<b>866</b>

### Provisions which are current liabilities

Group, MSEK	2020	2019
Fearred losses not worked-up	23	24
Guarantee risk reserve	103	98
Disputes	15	29
Other	48	63
<b>Total</b>	<b>189</b>	<b>214</b>

### Provisions

Parent company, MSEK	2020	2019
Special payroll tax on pensions	43	41
<b>Total</b>	<b>43</b>	<b>41</b>

Group 2020, MSEK	Feared losses not worked-up	Guarantee risk reserve	Restoration costs	Special payroll tax on pensions	Disputes	Obligations in joint ventures	Other	Total
Opening recognized value	24	535	131	138	42	74	136	1,080
Provisions set aside during the year	2	567	28	25	2	41	54	719
Amounts requisitioned during the year		-348	-2	-15	-13	-2	-45	-425
Provisions in acquired companies		124	239				8	371
Reversed unutilized provisions during the year	-2	-7	-2	0	-2		-2	-15
Increase in discounted amounts during the year			1					1
Exchange rate differences	-1	-21	-29		-2	-5	-3	-61
<b>Closing recognized value</b>	<b>23</b>	<b>850</b>	<b>366</b>	<b>148</b>	<b>27</b>	<b>108</b>	<b>148</b>	<b>1,670</b>
Of which are long-term provisions		747	366	148	12	108	100	1,481
Of which are current provisions	23	103			15		48	189

Group 2019, MSEK	Feared losses not worked-up	Guarantee risk reserve	Restoration costs	Special payroll tax on pensions	Disputes	Obligations in joint ventures	Other	Total
Opening recognized value	25	622	127	111	39	60	98	1,082
Provisions set aside during the year	3	317	13	40	14	17	50	454
Amounts requisitioned during the year	-4	-407	-11	-13	-5	-2	-9	-451
Reversed unutilized provisions during the year					-7	-2	-4	-13
Increase in discounted amounts during the year			1					1
Exchange rate differences		3	1		1	1	1	7
<b>Closing recognized value</b>	<b>24</b>	<b>535</b>	<b>131</b>	<b>138</b>	<b>42</b>	<b>74</b>	<b>136</b>	<b>1,080</b>
Of which are long-term provisions		437	131	138	13	74	73	866
Of which are current provisions	24	98			29		63	214

Parent company, MSEK	2020	2019
Opening recognized value	41	36
Provisions set aside during the year	14	14
Amounts requisitioned during the year	-12	-9
<b>Closing recognized value</b>	<b>43</b>	<b>41</b>
Of which are long-term provisions	43	41

#### Feared losses not worked-up

Feared losses in contract work are expensed as soon as they are known. According to IFRS 15 the part of a feared loss that has not been worked-up is recognized as a provision. Provisions for feared losses not worked-up have been made in all business areas.

#### Guarantee risk reserve

Refers to the estimated cost of remedying faults and deficiencies in finished projects that arise while the project is under warranty as well as rental guarantees. Resources are consumed during the guarantee period of the project which is generally two to five years. As the effect of the point in time for payment is not material expected future disbursements are not valued at their current value. Provisions for guarantee risks have been made in all business areas.

#### Restoration costs

Refers to restoration costs in Industry operations for gravel pits and rock quarries after termination of operations. The provision grows in relation

to the amount quarried and is reversed after restoration is complete. The reserved sum is expected to be used successively after operations are terminated. The estimated restoration time is 1 to 15 years. Our calculation of reserved amounts is based on estimated future payments for restoration and reflects Peab's best assessment taking risks in cash flows into consideration.

#### Special payroll tax on pensions

There are pension plans where the Group has acquired endowment insurance which is hedged in favor of employees through pledges. Provisions for special payroll tax are reserved calculated on the fair value of the endowment insurance, except in cases where the contract stipulates that the endowment insurance covers special payroll tax.

#### Disputes

Refers to disputes in business areas Construction and Industry.

#### Obligations in joint ventures

Refers to participations in joint ventures with a negative consolidated value in the business area Project Development.

#### Others

Refers to other minor provisions.

## Note 33 Other liabilities

### Other long-term liabilities

MSEK	Group		Parent company	
	2020	2019	2020	2019
Derivate instruments held for hedging purposes	8	13		
Other liabilities	80	59		
<b>Total</b>	<b>88</b>	<b>72</b>	<b>-</b>	<b>-</b>

### Other current liabilities

MSEK	Group		Parent company	
	2020	2019	2020	2019
Liabilities to joint ventures	14	8		
Contingent consideration	-	1		
Withholdings, social security costs	355	205	4	4
VAT	657	684	4	5
On account work-in-progress	1,251	1,382		
Derivate instruments held for hedging purposes	4	3		
Other liabilities	327	497		3
<b>Total</b>	<b>2,608</b>	<b>2,780</b>	<b>8</b>	<b>12</b>

## Note 34 Accrued expenses and deferred income

MSEK	Group		Parent company	
	2020	2019	2020	2019
Payroll expenses	1,831	1,493	45	34
Social security expenses	545	640	32	25
Operating expenses	1,896	1,790	7	16
Negative value joint ventures <sup>1)</sup>	16	13	-	-
Interest expenses	6	10	-	-
Rent revenue	51	61	-	-
<b>Total</b>	<b>4,345</b>	<b>4,007</b>	<b>84</b>	<b>75</b>

<sup>1)</sup> Refers to joint ventures where the net value of equity and internal profit elimination is negative.

## Note 35 Valuation of financial assets and liabilities at fair value

Group financial instruments are valued either at accrued acquisition value or fair value depending on how the instrument is classified according to IFRS 9. Items which have been the object of valuation at fair value are unlisted shareholdings and participations, different types of derivatives, unlisted funds and contingent consideration.

Group unlisted shareholdings are valued at fair value. The purchase price is a reasonable approximation of fair value on the balance sheet date. The fair value of the Group's shares in unlisted funds is based on the valuation received from the managing institute. The valuation belongs to level 3 in the fair value hierarchy. However, the Group does not have access to the information about the input data used by the institute for the valuation and therefore no information about such data is given. The fair value of the Group's contingent considerations has been calculated as the current value of the amount expected to be paid according to each respective contract. At the end of 2020 Group contingent considerations were SEK – million (1).

When calculating the fair value of interest-bearing receivables and liabilities and interest rate swaps, future cash flows were discounted to the listed market interest rate for the remaining terms of maturity. Spot rates on the balance sheet date were used to calculate the fair value of currency swaps. The recognized value of non-interest-bearing asset and liability items such as accounts receivable and accounts payable with a remaining maturity of less than six months is believed to reflect the fair value. The tables below show the recognized values compared to the estimated fair value per type of financial asset and liability.

Group, MSEK	Valued at fair value via the income statement		Derivatives used in hedge accounting		Accrued acquisition value		Other financial liabilities		Total recognized value		Fair value	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>Financial assets</b>												
Securities held as fixed assets	60	82							60	82	60	82
Interest-bearing long-term receivables					1,257	1,086			1,257	1,086	1,259	1,089
Other long-term receivables					72	10			72	10	72	10
Accounts receivable					7,482	8,893			7,482	8,893	7,482	8,893
Interest-bearing current receivables					85	144			85	144	85	144
Prepaid expenses and accrued income					2	9			2	9	2	9
Other current receivables	5	0			510	229			515	229	515	229
Liquid funds					968	373			968	373	968	373
<b>Total financial assets</b>	<b>65</b>	<b>82</b>	<b>-</b>	<b>-</b>	<b>10,376</b>	<b>10,744</b>	<b>-</b>	<b>-</b>	<b>10,441</b>	<b>10,826</b>	<b>10,443</b>	<b>10,829</b>
<b>Financial liabilities</b>												
Interest-bearing long-term liabilities							4,289	3,803	4,289	3,803	4,289	3,803
Interest-bearing long-term liabilities, project financing							75	326	75	326	75	326
Other long-term liabilities		0	8	13			80	59	88	72	88	72
Interest-bearing current liabilities							2,647	3,011	2,647	3,011	2,647	3,011
Interest-bearing current liabilities, project financing							4,981	7,637	4,981	7,637	4,981	7,637
Accounts payable							4,687	4,295	4,687	4,295	4,687	4,295
Accrued expenses and deferred income							6	10	6	10	6	10
Other current liabilities	4	4					115	258	119	262	119	262
<b>Total financial liabilities</b>	<b>4</b>	<b>4</b>	<b>8</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>16,880</b>	<b>19,399</b>	<b>16,892</b>	<b>19,416</b>	<b>16,892</b>	<b>19,416</b>
Unrecognized profit/loss <sup>1)</sup>											2	3

<sup>1)</sup> In all cases where there is a difference between recognized value and fair value the valuation belongs to level 3 in the fair value hierarchy.

The effect of valuing currency swaps at fair value was included in the Group's income statement for a total of SEK 0 million (-4). The effects of valuing unlisted shares and funds including received dividends amounted to SEK 0 million (16).

Parent company, MSEK	Valued at fair value via the income statement		Accrued acquisition value		Other financial liabilities		Total recognized value		Fair value	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>Financial assets</b>										
Securities held as fixed assets	0	0					0	0	0	0
Accounts receivable			0	1			0	1	0	1
Current receivables Group companies			1,655	2,479			1,655	2,479	1,655	2,479
Other current receivables			3				3	-	3	-
<b>Total financial assets</b>	<b>0</b>	<b>0</b>	<b>1,658</b>	<b>2,480</b>	<b>-</b>	<b>-</b>	<b>1,658</b>	<b>2,480</b>	<b>1,658</b>	<b>2,480</b>
<b>Financial liabilities</b>										
Long-term liabilities Group companies					2,697	2,791	2,697	2,791	2,697	2,791
Accounts payable					36	32	36	32	36	32
Current liabilities Group companies					129	404	129	404	129	404
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,862</b>	<b>3,227</b>	<b>2,862</b>	<b>3,227</b>	<b>2,862</b>	<b>3,227</b>

**Fair value**

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 observable inputs not included in level 1

**Level 3:** based on inputs unobservable to the market

The table below shows the allocated level of financial assets and financial liabilities recognized at fair value in the Group balance sheet.

Group, MSEK	Level 2		Level 3		Total	
	2020	2019	2020	2019	2020	2019
<b>Financial assets</b>						
Securities held as fixed assets			60	82	60	82
<i>Whereof unlisted shareholdings and participations</i>			23	24	23	24
<i>Whereof unlisted funds</i>			37	58	37	58
Other current receivables	5	0			5	0
<i>Whereof currency derivatives</i>		0			-	0
<i>Whereof commodity hedging with futures</i>	5	0			5	0
<b>Total financial assets</b>	<b>5</b>	<b>0</b>	<b>60</b>	<b>82</b>	<b>65</b>	<b>82</b>
<b>Financial liabilities</b>						
Other long-term liabilities	8	13			8	13
<i>Whereof interest rate swaps</i>	8	13			8	13
Other current liabilities	4	3		1	4	4
<i>Whereof currency derivatives</i>	2	2			2	2
<i>Whereof commodity hedging with futures</i>	2	1			2	1
<i>Whereof contingent consideration</i>				1	-	1
<b>Total financial liabilities</b>	<b>12</b>	<b>16</b>	<b>-</b>	<b>1</b>	<b>12</b>	<b>17</b>

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

Group, MSEK	Securities held as fixed assets			
	Unlisted funds		Unlisted shares and participations	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
<b>Opening balance</b>	<b>58</b>	<b>89</b>	<b>24</b>	<b>25</b>
Investments	4	9		
Sales			-1	-1
Dividends received	-21	-55		
Reported in profit/loss for the period				
Net finance	-4	15		
<b>Reported in other comprehensive income</b>			<b>0</b>	<b>0</b>
<b>Closing balance</b>	<b>37</b>	<b>58</b>	<b>23</b>	<b>24</b>

Group, MSEK	Contingent consideration	
	Dec 31, 2020	Dec 31, 2019
<b>Opening balance</b>	<b>1</b>	<b>34</b>
Payments during the year	-1	-31
Reported in profit/loss for the year:		
Other operating costs (+) / other operating income (-)		-3
Interest expense (discount) <sup>1)</sup>		1
Reported in other comprehensive income		0
<b>Closing balance</b>	<b>-</b>	<b>1</b>

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



## Not 36 Financial risks and Finance policy

### Finance and treasury

The Group is exposed to various types of financial risks through its operations. The term financial risk refers to fluctuations in the company's profit/loss and cash flow resulting from changes in exchange rates, interest rates, raw materials prices, refinancing and credit risks. Group finance and treasury is governed by the Finance Policy established by Peab's Board of Directors. The policy is a framework of guidelines and regulations in the form of a risk mandate and limitations in finance and treasury. The Board has appointed a Finance Committee which is chaired by the Chairman of the Board. It is authorized to make decisions that follow the Finance Policy in between meetings of the Board. The Finance Committee must report any such decisions at the next meeting of the Board. The Group function Finance and Treasury and the Group's internal bank Peab Finans AB manage coordination of Group finance and treasury. The overall target of the finance function is to provide cost-effective funding and to minimize the negative effects on Group profit/loss from financial risks.

The liquidity risk refers to the risk of Peab having difficulties in meeting its payment obligations as a result of a lack of liquidity or problems in converting or receiving new external loans. To ensure access to liquid funds binding credit facilities are contracted. The Group has a rolling one-month liquidity plan for all the units in the Group. Plans are updated each week. Group forecasts also comprise liquidity planning in the medium term. Liquidity planning is used to handle the liquidity risk and the cost of Group financing.

The objective is for the Group to be able to meet its financial obligations in favorable and unfavorable market conditions without running into significant unforeseen costs. Liquidity risks are managed centrally for the entire Group by the central Finance and Treasury function and the liquidity available at year-end is presented below.

### Available liquid funds

Group, MSEK	2020-12-31	2019-12-31
Liquid funds and bank holdings	968	373
Unutilized overdraft facilities	951	1,000
Other unused credit lines	7,013	5,000
Liquidity commitment for outstanding commercial papers	-110	-1,360
<b>Total</b>	<b>8,822</b>	<b>5,013</b>

Peab's Finance Policy contains guidelines and regulations for managing Group interest-bearing liabilities. The Finance Policy does not, however, comprise regulations concerning interest-bearing liabilities in Swedish tenant-owner associations or leasing liabilities that Peab recognizes for leases that by the lessor are classified as operational leasing (IFRS 16, Additional leasing). Liabilities in Swedish tenant-owner associations are approved in connection with handling start-up permission for tenant-owner association projects, which is decided by the Group's investment group for Housing Development. Utilization of operational leasing in Peab is managed according to Peab's regulations for entering rental agreements and is decided by the Group's investment group for Property Development. Mandates from the Board of Directors concerning investment groups are regulated in the Policy for Internal Control and Steering.

The Finance Policy dictates that Group net debt should mainly be covered by loan commitments that mature between 1 and 5 years. At the end of 2020, the average loan period for utilized credits was 60 months (78), for unutilized credits 28 months (27), and for all granted credits 43 months (57). Basic financing is a credit facility totaling SEK 7,400 million which matures in September 2024, after extension options have been utilized. This loan facility is supplemented by capital market financing, other kinds of current operations financing, project-related credits, financial leasing and installment financing. At the end of the year SEK 1,393 million (-) of the loan facility was utilized. The loan facility contains financial covenants in the form of interest coverage ratios and equity/assets ratios that the Group must meet, which is standard for this kind of loan. Peab exceeded the key ratios by a broad margin at the end of 2020.

Peab set up a lending program for commercial papers in 2004. Under the program, Peab can issue commercial papers for a maximum of SEK 3.5 billion. The borrower is Peab Finans AB and the guarantor is Peab AB. At the end of the year, Peab had outstanding commercial papers worth EUR 11 million corresponding to SEK 110 million (1,360).

Peab set up a MTN program in 2012 with a loan limit of SEK 5 billion. In 2020 new bond loans were issued with a nominal value of SEK 750 million (200) under the MTN program while bonds nominally worth SEK 750 million (200) matured during the year. At the end of the year 2020 Peab had outstanding bonds with a nominal value of SEK 2,250 million (2,250).

Total credit commitments, excluding the unutilized part of the certificate program and the unutilized part of the MTN program, amounted to SEK 15,121 million (14,346) per December 31, 2020. Of the total credit commitments SEK 7,157 million (8,346) was utilized.

Peab acquired YIT's Nordic paving and mineral aggregates operations on April 1, 2020. The transaction was a combination of an asset deal and share purchase. The total purchase price amounted to SEK 3,184 million for debt free operations and was financed by utilizing the credit facility.

## Age analysis of financial liabilities, undiscounted cash flow including interest

Group 2020, MSEK	Currency	Average interest rate on balance sheet day, %	Nominal value, original currency	Amount SEK	Matures 2021	Matures 2022	Matures 2023	Matures 2024	Matures 2025	Matures 2026-
Bank loans	SEK	1.4	620	620	216	181	144	66	13	0
Bank loans	NOK	1.9	788	752	494	26	7	10	9	206
Bank loans	EUR	0.8	266	2,675	1,171	16	38	65	113	1,272
Bank loans	DKK	1.0	146	197	197					
Commercial papers	EUR	0.4	11	110	110					
Bonds	SEK	1.0	2,273	2,273	1,766	305	202			
Leasing liabilities <sup>1)</sup>	SEK	1.9	492	492	160	167	125	24	7	9
Leasing liabilities <sup>1)</sup>	NOK	2.3	96	92	34	24	16	10	6	2
Leasing liabilities <sup>1)</sup>	EUR	3.4	5	54	17	14	11	9	2	1
Leasing liabilities <sup>1)</sup>	DKK	2.3	16	22	9	4	5	4		
<b>Total interest-bearing financial liabilities, according to the Finance Policy</b>				<b>7,287</b>	<b>4,174</b>	<b>737</b>	<b>548</b>	<b>188</b>	<b>150</b>	<b>1,490</b>
Leasing liabilities <sup>2)</sup>	SEK	1.6	962	962	192	152	119	91	67	341
Leasing liabilities <sup>2)</sup>	NOK	4.4	268	256	62	47	36	26	22	63
Leasing liabilities <sup>2)</sup>	EUR	3.1	129	1,293	106	91	72	55	49	920
Leasing liabilities <sup>2)</sup>	DKK	3.4	19	25	10	7	4	2	1	1
Bank loans in Swedish tenant-owner associations <sup>3)</sup>	SEK	1.9	3,089	3,089	1,609	1,061	419			
<b>Total interest-bearing financial liabilities, IFRS</b>				<b>12,912</b>	<b>6,153</b>	<b>2,095</b>	<b>1,198</b>	<b>362</b>	<b>289</b>	<b>2,815</b>
Accounts payable	SEK		3,459	3,459	3,459					
Accounts payable	NOK		679	648	648					
Accounts payable	EUR		47	471	471					
Accounts payable	DKK		81	109	109					
Other liabilities	SEK		89	89	74	15				
Other liabilities	NOK		99	95	63	30	2			
Other liabilities	EUR		1	11		11				
Derivatives				12	12	0				
<b>Total non-interest bearing financial liabilities</b>				<b>4,894</b>	<b>4,836</b>	<b>56</b>	<b>2</b>			
<b>Total financial liabilities</b>				<b>17,806</b>	<b>10,989</b>	<b>2,151</b>	<b>1,200</b>	<b>362</b>	<b>289</b>	<b>2,815</b>

<sup>1)</sup> Previously financial leasing.

<sup>2)</sup> Previously operational leasing. Payments for leasehold fees in coming periods are included in the table above for leasing liabilities regarding leaseholds. For periods before 2026 the payments are recognized without discounts but for the period 2026 and after, the discounted value of the remaining payments is recognized since the leasehold constitutes a never ending obligation to pay leasehold fees. Per December 31, 2020 Group leasing liabilities regarding leaseholds amounted to SEK 442 million (293), see note 37 Leasing for further details.

<sup>3)</sup> For bank loans in Swedish tenant-owner associations the age analysis shows the liabilities' contractual mature dates. However, the liabilities are derecognized when the final homebuyers take over their apartments.

Group 2019, MSEK	Currency	Average interest rate on balance sheet day, %	Nominal value, original currency	Amount SEK	Matures 2020	Matures 2021	Matures 2022	Matures 2023	Matures 2024	Matures 2025-
Bank loans	SEK	1.6	1,001	1,001	312	51	76	380	181	
Bank loans	NOK	3.2	826	874	508	307	22	5	14	19
Bank loans	EUR	0.8	262	2,734	604	67	14	14	14	2,021
Commercial papers	SEK	0.4	1,360	1,360	1,360					
Bonds	SEK	1.1	2,294	2,294	774	1,014	305	201		
Leasing liabilities <sup>1)</sup>	SEK	1.5	518	518	13	10	175	11	13	296
Leasing liabilities <sup>1)</sup>	NOK	3.2	89	95	6	20	11	11	40	7
Leasing liabilities <sup>1)</sup>	EUR	9.1	1	14	1	1	12	0		
<b>Total interest-bearing financial liabilities, according to the Finance Policy</b>				<b>8,890</b>	<b>3,578</b>	<b>1,470</b>	<b>615</b>	<b>622</b>	<b>262</b>	<b>2,343</b>
Leasing liabilities <sup>2)</sup>	SEK	2.0	391	391	105	77	54	42	22	92
Leasing liabilities <sup>2)</sup>	NOK	3.5	131	138	39	30	28	15	9	17
Leasing liabilities <sup>2)</sup>	EUR	1.6	26	261	28	21	17	17	16	162
Bank loans in Swedish tenant-owner associations <sup>3)</sup>	SEK	2.1	5,738	5,738	4,570	926	242			
<b>Total interest-bearing financial liabilities, IFRS</b>				<b>15,418</b>	<b>8,320</b>	<b>2,524</b>	<b>956</b>	<b>696</b>	<b>310</b>	<b>2,615</b>
Accounts payable	SEK		3,536	3,536	3,536					
Accounts payable	NOK		557	589	589					
Accounts payable	EUR		16	170	170					
Other liabilities	SEK		307	307	248	59				
Other liabilities	NOK		7	7	7					
Other liabilities	EUR		0	2	2					
Derivatives	SEK			16	10	6	0			
<b>Total non-interest bearing financial liabilities</b>				<b>4,627</b>	<b>4,562</b>	<b>65</b>	<b>0</b>			
<b>Total financial liabilities</b>				<b>20,045</b>	<b>12,882</b>	<b>2,589</b>	<b>956</b>	<b>696</b>	<b>310</b>	<b>2,615</b>

<sup>1)</sup> Previously financial leasing.

<sup>2)</sup> Previously operational leasing. Payments for leasehold fees in coming periods are included in the table above for leasing liabilities regarding leaseholds. For periods before 2025 the payments are recognized without discounts but for the period 2025 and after, the discounted value of the remaining payments is recognized since the leasehold constitutes a never ending obligation to pay leasehold fees. Per December 31, 2019 Group leasing liabilities regarding leaseholds amounted to SEK 293 million, see note 37 Leasing for further details.

<sup>3)</sup> For bank loans in Swedish tenant-owner associations the age analysis shows the liabilities' contractual mature dates. However, the liabilities are derecognized when the final homebuyers take over their apartments.

**Interest rate risk**

The interest rate risk is the risk that Peab's cash flow or the value of financial instruments may vary with changes in market interest rates. The interest rate risk can result in changes in fair values and cash flows. A crucial factor affecting interest rate risk is the fixed interest period.

The Finance Policy dictates that the average fixed interest period on total borrowing (excluding additional leasing and liabilities in Swedish tenant-owner associations) may not exceed 24 months. Peab has chosen

**Interest rate derivatives**

MSEK	Currency	Effective rate %	Amount SEK	Matures 2022
Interest rate swaps 2020-12-31	SEK	2.5	250	250
Interest rate swaps 2019-12-31	SEK	2.3	250	250

Interest-bearing liabilities excluding liabilities in Swedish tenant-owner associations and additional leasing according to IFRS 16 were per December 31, 2020 SEK 7,157 million (8,346). The interest-bearing credit facilities with a maturity of more than twelve months were SEK 2,876 million (5,004) and with a maturity of less than twelve months were SEK 4,281 million (3,342)

As the table below shows, the fixed interest period for SEK 6,781 million (7,614) of the Group's utilized credit facilities, including derivatives, is less than 1 year. Total interest-bearing asset items including liquid funds were SEK 2,310 million (1,603), of which SEK 1,124 million (643) have short fixed interest periods. Net unutilized credit lines and interest-bearing asset items with short fixed interest periods of less than 1 year were SEK 5,657 million (6,971). The net amount, including derivatives, is therefore almost directly susceptible to changes in market interest rates. Since financial liabilities have a short maturity most of the interest rate risk is considered a cash flow risk. For further information regarding Peab's risk sensitivity see the Sensitivity Analysis in the Board of Directors' Report.

**Fixed interest rate period on utilized credits, excluding derivatives per December 31, 2020**

Fixed interest period	Amount, MSEK	Average effective interest rate, percent	Share, percent
2021	7,031	1.1	98
2022-	126	1.9	2
<b>Total</b>	<b>7,157</b>	<b>1.4</b>	<b>100</b>

**Fixed interest rate period on utilized credits, including derivatives per December 31, 2020**

Fixed interest period	Amount, MSEK	Average effective interest rate, percent	Share, percent
2021	6,781	1.1	95
2022-	376	2.4	5
<b>Total</b>	<b>7,157</b>	<b>1.4</b>	<b>100</b>

**Interest rate risk in bank loans in Swedish tenant-owner associations**

Interest on bank loans taken out by Swedish tenant-owner associations is included in the cost of ongoing work-in-progress in project and development property. A change in the interest rate on these liabilities would therefore not affect Peab's net financial items.

**Currency risks**

The currency risk is the risk that fair values and cash flows of financial instruments may fluctuate with changes in the value of foreign currencies.

short fixed interest periods for outstanding credits. Per December 31, 2020 there were interest rate swaps totaling SEK 250 million (250) maturing in 1 year at an effective interest rate of 2.5 percent (2.3) according to the table below. Regarding interest rate swaps Peab pays a fixed annual interest rate and receives floating rates (Stibor 3 months). The swap agreement is recognized at fair value on balance sheet dates. Per December 31, 2020 this fair value was SEK -8 million (-13).

**Financial exposure**

Group borrowing is done in local currencies to reduce currency risks in operations. Assets and liabilities in foreign currency are translated at the rate on the balance sheet date. Borrowing in the interest-bearing liabilities per December 31, 2020, including leasing and liabilities in Swedish tenant-owner associations but excluding currency and interest rate derivatives, was allocated as follows:

	2020-12-31		2019-12-31	
	Local currency in millions	MSEK	Local currency in millions	MSEK
SEK	7,214	7,214	11,094	11,094
EUR	348	3,490	253	2,641
NOK	1,096	1,046	985	1,042
DKK	179	242	-	-
<b>Total</b>		<b>11,992</b>		<b>14,777</b>

Internal loans from Peab Finans AB are used to handle temporary liquidity needs in Peab's foreign operations. Currency swaps are used to eliminate exchange risks. Currency swaps usually run less than three months. Currency swaps are recognized at fair value when closing the books and value changes are recognized as unrealized exchange rate differences in the income statement and as current receivables and liabilities on the balance sheet. At the end of the year, there were no outstanding currency swaps relating to financial exposure. Exchange rate differences in net financials items from financial exposure were SEK -90 million (-2) in 2020. Exchange rate differences primarily refer to claims on subsidiaries in Norway and Finland and have no cash flow effect. Exchange rate differences in operating profit were SEK 2 million (-3).

**Exposure of net assets in foreign currency**

The translation exposure arising from investments in foreign net assets can be hedged through loans in foreign currency or forward exchange contracts. At the end of 2020 hedges in forward exchange contracts in EUR for foreign net assets in Finland were EUR - million (6).

**Foreign net assets**

Local currency in millions	2020	Of which hedged	2019	Of which hedged
NOK	2,187	-	1,844	-
EUR	146	-	78	6
DKK	17	-	-	-
PLN	0	-	1	-

A change in the euro rate as of December 31, 2020 by ten percent would involve a translation effect on equity of SEK 146 million (75). A corresponding change of the Norwegian krone and Danish krone, respectively, would generate a translation effect on equity of SEK 209 million (195) and 2 million (-). The translation effects are calculated on that part of foreign net assets which are not hedged.

Translation differences in equity (net assets in foreign subsidiaries) for the year amounted to SEK -172 million (49).

#### Commercial exposure

Although international purchases and sales of goods and services in foreign currency are currently limited, they are expected to increase as the competition grows regarding purchasing goods and services. Contracted or forecasted currency flows can be hedged for 12 months from the date of the contract. At the end of 2020, there were exchange rate hedges related to forecasted currency flows of EUR 5 million (9) and of PLN 2 million (-). Peab did not apply hedge accounting for these hedges.

#### Raw materials risk

Bitumen is a binder in asphalt production and is the single highest cost in asphalt operations. Peab's asphalt operations are exposed to changes in the price of bitumen, which has a direct effect on earnings and margins.

#### Effect of hedge accounting

The effect of hedge accounting on Group profit/loss and financial position is shown below.

Group, MSEK	2020-12-31				January – December 2020		
	Nominal amount/ volume	Recognized value		Item in report on financial position that contains hedge instruments	Change in value of hedge instruments recognized in other comprehensive income	Amount reclassified from hedging reserve to profit/loss	Items in profit/loss affected by reclassification
Assets		Liabilities					
<b>Raw materials risk</b>							
Commodity hedging with futures, thousand tons	25	5	2	Other long-term liabilities	-3	3	Production costs
<b>Interest rate risk</b>							
Interest rate swaps	250	-	8	Other long-term liabilities	11	-6	Financial costs
Group, MSEK	2019-12-31				Januari – December 2019		
	Nominal amount/ volume	Recognized value		Item in report on financial position that contains hedge instruments	Change in value of hedge instruments recognized in other comprehensive income	Amount reclassified from hedging reserve to profit/loss	Items in profit/loss affected by reclassification
Assets		Liabilities					
<b>Raw materials risk</b>							
Commodity hedging with futures, thousand tons	6	-	1	Other long-term liabilities	7	-4	Production costs
<b>Interest rate risk</b>							
Interest rate swaps	250	-	13	Other long-term liabilities	12	-6	Financial costs

The price of bitumen generally follows the specific oil price index HSFO.

Peab has two different kinds of bitumen exposures.

1. In fixed price sales there is a risk that the price of bitumen will rise before delivery, which raises the purchase price. The fixed price sales cannot be adjusted to cover additional costs. Therefore the project's profit margin is not ensured.
2. Warehousing risk due to lead times. Peab stores bitumen in different depots during the off season. The contents of the depots can stem from material left over from the season that can be used in the next. It can also be strategic to buy material during the off season in order to ensure access to bitumen for asphalt production in the coming season.

The risk of fixed price sales and the warehousing risk are managed by Peab Finans via oil futures. Per December 31, 2020 the outstanding futures with HSFO as an underlying variable were 24,739 tons and a market value on the balance sheet day of SEK 3 million.

### Credit risk

Credit risk refers to the risk of losing money if a counterparty fails to meet its obligations.

#### Credit risks in financial instruments

Credit risks in financial instruments are very limited since Peab only deals with counterparties with high credit ratings. Counterparty risks are primarily associated with receivables to banks and other counterparties involved in the purchase of derivatives. The Finance Policy contains special counterparty regulations which specify the maximum credit exposure for various counterparties. The framework agreement of the International Swaps and Derivatives Association (ISDA) is used with all counterparties in derivative transactions. According to the agreement when a counterparty cannot settle its obligations in all transactions the agreement is discontinued and all outstanding dealings are then settled for a net amount. ISDA agreements do not meet the criteria for offsetting on the balance sheet. The information in the table below shows the financial instruments covered by ISDA agreements.

Group, MSEK	2020		2019	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Recognized gross amount	5	12	0	16
Amount covered by netting agreement	-2	-2	0	0
<b>Net sum after netting agreement</b>	<b>3</b>	<b>10</b>	<b>0</b>	<b>16</b>

Peab did not suffer any financial instrument credit losses in 2020. Total counterparty exposure related to derivative trading calculated as a net receivable per counterparty amounted to SEK 3 million (0) at the end of 2020. The estimated gross exposure to counterparty risks related to liquid funds and current investments amounted to SEK 968 million (373). Most of the Group's liquid funds are placed in banks with the credit rating AA- from Standard & Poors.

#### Loss reserves for interest-bearing receivables

Group, MSEK	2020	2019
<b>Opening balance per January 1</b>	<b>3</b>	<b>5</b>
Revaluating the loss reserve, net	6	-2
<b>Closing balance per December 31</b>	<b>9</b>	<b>3</b>

#### Credit risk in accounts receivable

The risk that Group customers cannot meet their obligations, i.e. payment is not received from customers, is a customer credit risk. Credit losses are relatively rare in the construction and civil engineering business since there are a great number of projects and customers that are invoiced at regular intervals during production. The Group's customers undergo a credit rating control providing information on customers' financial positions from various credit rating companies before a project is undertaken. The Group has an established Credit Policy for handling customer credit. For instance, it specifies where decisions regarding credit limits of various sizes are taken and how uncertain receivables should be handled. Bank guarantees or other collateral are required for customers with low credit ratings or insufficient credit history. The maximum exposure to credit risk is the recognized value on the Group balance sheet. Total bad debts in 2020 amounted to SEK 12 million (29). The credit quality in accounts receivable that are not yet due is considered good. Accounts receivable that are more than 90 days overdue, excluding loss provisions, amounted to SEK 1,845 million (2,539). Overdue accounts receivable are for the most part unclarity regarding contract terms relating to the customer about the final contract amount. Risks in accounts receivable have been taken into account in project forecasts or been handled as provisions.

The table below shows accounts receivable per customer category.

Group, MSEK	2020	2019
Private customers	4,338	5,702
Public customers	3,019	3,008
Joint ventures	163	214
<b>Accounts receivable, gross</b>	<b>7,520</b>	<b>8,924</b>
Loss reserves	-38	-31
<b>Accounts receivable, net</b>	<b>7,482</b>	<b>8,893</b>

#### Accounts receivable written down

Group, MSEK	2020	2019
<b>Opening balance per January 1</b>	<b>31</b>	<b>36</b>
Write-downs acquired companies	3	-
Reversed write-downs	-12	-30
Write-downs	20	5
Reclassifications	-2	21
Exchange rate differences	-2	-1
<b>Closing balance</b>	<b>38</b>	<b>31</b>

There are no mature receivables of significant amounts for other receivables.

#### Capital management

Peab strives to have a good capital structure and financial stability in order to provide a stable basis for continuing business activities, thereby enabling the company to keep existing owners and attract new ones. A good capital structure also promotes the development of good relations with the Group's creditors in a manner which benefits all parties.

Capital is defined as Equity and refers to equity attributable to shareholders in the parent company.

#### Equity

Group, MSEK	IFRS		Segment reporting	
	2020	2019	2020	2019
<b>Equity attributable to shareholders in parent company</b>	<b>12,442</b>	<b>11,557</b>	<b>13,250</b>	<b>12,477</b>

#### Financial targets up to December 31, 2020

One of Peab's financial targets is an equity/assets ratio according to segment reporting (equity divided by the balance sheet total) in excess of 25 percent. The Board of Directors believes that this level is well suited to Peab's construction and civil engineering activities in Sweden, Norway and Finland. The target is a part of the Group's strategic planning. If the equity/assets ratio is expected to exceed this level on a permanent basis, the capital should be transferred to the shareholders in an appropriate form. The equity/assets ratio at the end of 2020 was 36.2 percent (32.5).

It is the ambition of the Board of Directors to preserve a balance between a high return on equity, which can be done through increased lending, and the security and benefits associated with a higher equity ratio. Therefore, one of Peab's financial targets is a return on equity according to segment reporting (profit for the period attributable to shareholders in the parent company divided by the average equity attributable to shareholders in the parent company) in excess of 20 percent. The return on equity was 23.1 percent (17.9) for 2020. In comparison, the Group's average interest expenses on interest-bearing borrowing, including derivatives, were 1.4 percent (1.5) on December 31, 2020.

Peab's target for dividends is an annual distribution to shareholders of at least 50 percent of profit for the year according to segment reporting. Dividends should be reasonably proportionate to Peab's profit and consolidation requirements. Besides the ordinary dividend, extra cash divi-

dends may be proposed if the Board of Directors finds there are sufficient funds which are not considered necessary to Group development. Extra dividends may also be made in other forms besides cash. In February 2021 Peab's Board proposed an ordinary dividend of SEK 4.50 per share for the calendar year 2020. Excluding the 1,086,984 shares held by Peab AB per December 31, 2020 which do not entitle to a dividend, the proposed dividend entails a total dividend amount of SEK 1,327 million (-). Calculated as a share of recognized Group profit after tax (excluding the effect of the distribution of Annehem Fastigheter of SEK 952 million) the proposed dividend amounts to 66 percent (-). No dividend was distributed for 2019 due to the corona pandemic and the uncertainty concerning financial developments. In 2020 Peab distributed Annehem Fastigheter containing wholly owned completed commercial properties and homes. The value of Annehem Fastigheter was, at the time of the distribution in December 2020, 97 percent of profit for the year 2019.

#### Financial targets as of January 1, 2021

Peab has reviewed our targets and strategies and updated them as of 2021. Through the strategic transactions carried out by Peab in 2020 – acquisition in paving and mineral aggregates operations and distribution of Annehem Fastigheter – the company has more clearly become a community builder throughout the Nordic region. With our four collaborating

business areas and local presence, our business model provides us with unique opportunities to, with our own resources and control over the entire value chain, meet our customers' needs and external expectations. In order to further promote value creation Peab has revised our targets – everything from our mission, business concept and strategic target areas to internal and external financial and non-financial targets. As of 2021 Peab will externally report the performance of the business by monitoring nine targets, of which three are financial and based on segment reporting:

- Operating margin > 6 %
- Net debt/equity ratio 0.3 – 0.7
- Dividend > 50 % of profit for the year

#### Holdings of own shares

At the start of 2020 Peab's holding of own shares amounted to 1,086,984 B shares, corresponding to 0.4 percent of the total number of shares. On 6 May 2020, Peab's AGM authorized the Board of Directors to acquire shares in Peab AB up to an amount so that after acquisition Peab would hold a maximum of 10 percent of the registered shares in the company. The purpose of the purchase of own shares is to improve the capital structure of the company or to be used in the financing of acquisitions. During 2020 no repurchases or divestitures have taken place.

## Note 37 Leasing

Group, MSEK	Buildings and land	Machinery and equipment	Investment property	Project and development properties	Total
Depreciations during 2020	-192	-323	-	-	-515
<b>Closing recognized value December 31, 2020</b>	<b>1,252</b>	<b>900</b>	<b>19</b>	<b>404</b>	<b>2,575</b>
Depreciations during 2019	-153	-233	-	-	-386
<b>Closing recognized value December 31, 2019</b>	<b>537</b>	<b>702</b>	<b>58</b>	<b>167</b>	<b>1,464</b>

Additional rights of use in 2020 amounted to SEK 1,842 million (447) of which SEK 564 million is additional rent for offices and other premises which was added at the distribution of Annehem Fastigheter AB, SEK 360 million has been added in connection with the acquisition of YIT's paving and mineral aggregates operations and SEK 308 million has been added regarding leaseholds recognized as project and development properties. The purchase price for rights of use newly acquired under 2020 as well as future amounts from revaluations of leasing liabilities due to changed payments because the leasing period has changed are included in the Groups additional rights of use.

#### Other leasing information

In 2020 Peab reports interest rate costs on leasing liabilities of SEK 45 million (40). Total leasing payments amount to SEK 2,138 million (1,981).

Cost of current leasing for the year is SEK 1,586 million (1,528). Cost of leasing for smaller values for the year is SEK 36 million (26). Variable fees not included in leasing liabilities is SEK 5 million (5).

Leasing income for subleased items was SEK 5 million (4).

Interest-bearing liabilities is presented in note 30 and maturity analysis is presented in note 36.

- Buildings and land – mainly refers to rent for offices and other premises. Rent for offices and other premises normally matures between three and ten years. In cases where it is feasible that the extension option will be used it is included in the leasing period. Leaseholds that are non-cancellable are considered to have a never ending leasing period.

- Machinery and equipment – mainly refers to vehicles. Leasing contracts normally mature between four and five years including extension options.
- Investment properties – mainly refers to leaseholds. Leaseholds that are non-cancellable are considered to have a never ending leasing period.
- Project and development properties – mainly refers to leaseholds. Leaseholds that are non-cancellable are considered to have a never ending leasing period.

#### Leasing contracts where the company is the lessor

##### Leasing payments for the year recognized as income:

Group, MSEK	2020	2019
Minimum lease payments	82	119
Variable fees	5	12
<b>Total leasing income</b>	<b>87</b>	<b>131</b>

##### Non-cancellable leasing payments amount to:

Group, MSEK	2020	2019
Within a year	43	109
Between one and five years	57	212
Later than five years	47	54
<b>Total</b>	<b>147</b>	<b>375</b>

## Note 38 Investment obligations

In 2020 the Group signed agreements to acquire tangible fixed assets amounting to SEK 253 million (290).

The Group had no obligations to invest in joint arrangements at the end of 2020 or 2019.

Companies classified as joint arrangements have obligations for investments of SEK 1,473 million (1,434). Most of the investments refer to construction of rental apartment buildings and other commercial property and are expected to be settled in the coming fiscal years.

The parent company has not signed any agreements to acquire tangible fixed assets.

## Note 39 Pledged assets, contingent liabilities and contingent assets

### Pledged assets

MSEK	Group		Parent company	
	2020	2019	2020	2019
<b>For own liabilities and provisions</b>				
Real estate mortgages <sup>1)</sup>	2,168	3,109		
Real estate mortgages in Swedish tenant-owner associations	831	1,132		
Assets with retention of title <sup>2)</sup>	1,330	1,266		
Other	50	52		
<b>Total</b>	<b>4,379</b>	<b>5,559</b>	<b>-</b>	<b>-</b>

<sup>1)</sup> Pledged assets of which SEK – million (576) are recognized as fixed assets and SEK 2,168 million (2,533) as current assets.

<sup>2)</sup> Includes leasing assets of SEK 722 million (670) with retention of title, primarily vehicles.

### Contingent liabilities

MSEK	Group		Parent company	
	2020	2019	2020	2019
Shared obligations as partial owners in limited partnerships	61	96	-	-
Surety and contract guarantees for Group companies	-	-	13,551	13,809
Surety for the benefit of joint arrangements	3,104	2,914	3,129	2,914
Surety for construction loans to tenant-owner associations	238	433	4,310	6,207
Other surety	97	-	97	-
<b>Total</b>	<b>3,500</b>	<b>3,443</b>	<b>21,087</b>	<b>22,930</b>

As a consequence of Peab consolidating Swedish tenant-owner associations per January 1, 2020 according to IFRS, surety for tenant-owner associations under production is not reported. When homebuyers take possession of their apartments and the tenant-owner association is no longer consolidated in Peab's accounts, Peab then reports the part of surety for unsold homes. Peab has a guarantee obligation to acquire unsold homes six months after completion.

In most of the tenant-owner associations Peab develops, Peab AB signs guarantees as surety for paid advances and down payments. These guarantees ensure the tenant-owner's right to repayment of a down payment if the tenant-owner makes a cancellation because of a substantial rise in fees during the first year after the annual meeting where the final cost of

the project is presented. After that the guarantee is null and void. Guarantees or equivalent insurance from an external insurer have never been used and Peab considers it highly unlikely that this will occur in the future. The guarantees are therefore not reported as contingent liabilities.

## Note 40 Appropriation of profit

### Proposed appropriation of profit

The following amounts in SEK are at the disposal of the Annual General Meeting;

Share premium reserve	2,308,208,948
Profit brought forward	2,828,123,757
Profit for the year	1,303,951,553
<b>Total</b>	<b>6,440,284,258</b>

The Board of Directors propose the following appropriation of disposable profit and non-restricted reserves;

Dividend, 296,049,730 shares at SEK 4.50 per share	1,332,223,785
Carried forward <sup>1)</sup>	5,108,060,473
<b>Total</b>	<b>6,440,284,258</b>
<sup>1)</sup> of which to share premium reserve	2,308,208,948

## Note 41 Related parties

The Group is subject to considerable influence by Mats Paulsson, Fredrik Paulsson and Anita Paulsson together with families, children and companies. As part of the generation shift, in the spring of 2017 the Paulsson families merged the majority of their indirect holdings into a holding company, Ekhaga Utveckling AB, which is controlled by Mats Paulsson's son Fredrik Paulsson. Ekhaga Utveckling AB has 48.2 percent of the votes. Peab's Chairman of the Board, Göran Grosskopf, is a member of the board in Ekhaga Utveckling AB. At the end of 2020 the collective ownership connected to the Paulsson families amounted to a total of 25.7 percent of the capital and 57.7 percent of the votes.

### SkiStar

The SkiStar Group is subject to considerable influence by Mats Paulsson with families, children and companies through their ownership of the company. Fredrik Paulsson is a member of the board of SkiStar.

### Ekhaga Utveckling AB

Ekhaga Utveckling is subject to considerable influence by Mats and Fredrik Paulsson with families, children and companies through their ownership of the company. In June 2018 Kranpunkten was sold to Ekhaga Utveckling AB and is thereby included in Ekhaga's group structure. Fredrik Paulsson is CEO of Ekhaga Utveckling and Kranpunkten.

### AB Axel Granlund/Volito

Karl-Axel Granlund is a member of the Board of Peab and together with his family, children and companies has had decisive influence in AB Axel Granlund/Volito until June 2017. After a generation shift in AB Axel Granlund the shareholding majority was transferred to his three sons. Karl-Axel Granlund continues to be Chairman of Volito AB which is part of the AB Axel Granlund Group.

### Annehem Fastigheter

Peab's Board decided in 2020 to propose distribution of a newly founded company, Annehem Fastigheter, containing Peab's wholly owned, completed property. The Board summoned to an Extra General Meeting on November 12, 2020 and Peab's shareholders adopted the Board's proposal on distribution of Annehem Fastigheter. The company was distributed and listed in December 2020. The Annehem Group is subject to considerable



influence by Mats Paulsson with family, children and companies through their ownership in the company. Peab's Chairman, Göran Grosskopf, is chairman of the board of Annehem Fastigheter and Peab's President and CEO, Jesper Göransson, is a member of the board of Annehem Fastigheter.

#### Joint arrangements

In addition to the related parties presented above the Group has a related party relation with its joint arrangements, see note 19 and 20.

#### Subsidiaries

In addition to the related parties relations given above for the Group, the parent company has a related party relation with its subsidiaries, see note 42.

#### Summary of transactions with related parties

Group, MSEK	2020	2019
<b>Transactions with joint arrangements</b>		
Sales to joint arrangements	1,415	1,566
Purchases from joint arrangements	65	13
Interest revenue from joint arrangements	35	48
Receivables from joint arrangements	1,421	1,375
Liabilities to joint arrangements	11	2
Dividends from joint arrangements	306	48
Capital contributions to joint arrangements	78	567
Guarantee liabilities for the benefit of joint arrangements	3,104	2,914
<b>Transactions with SkiStar</b>		
Sales to SkiStar	353	232
Purchases from SkiStar	1	2
<b>Transactions with Ekhaga Utveckling AB</b>		
Sales to Ekhaga Utveckling AB	45	51
Purchases from Ekhaga Utveckling AB	67	73
Receivables from Ekhaga Utveckling AB	4	5
Liabilities to Ekhaga Utveckling AB	9	10
Cash dividends to Ekhaga Utveckling AB	-	259
Value of distribution of Annehem Fastigheter on December 11, 2020 to Ekhaga Utveckling AB	431	-
<b>Transactions with AB Axel Granlund/Volito</b>		
Sales to AB Axel Granlund/Volito	1	8
Liabilities to AB Axel Granlund/Volito	1	-
Cash dividends to AB Axel Granlund/Volito	-	82
Value of distribution of Annehem Fastigheter on December 11, 2020 to AB Axel Granlund/Volito	137	-
<b>Transactions with Annehem Fastigheter <sup>1)</sup></b>		
Sales to Annehem Fastigheter	2	-
Receivables from Annehem Fastigheter	7	-
Liabilities to Annehem Fastigheter	2	-

#### Summary of transactions with related parties

Parent company, MSEK	2020	2019
<b>Transactions with subsidiaries</b>		
Sales to subsidiaries	340	338
Purchases from subsidiaries	72	79
Interest costs to subsidiaries	58	69
Receivables from subsidiaries	1,655	2,479
Liabilities to subsidiaries	2,826	3,195
Capital contributions to subsidiaries	2,061	98
<b>Transactions with Ekhaga Utveckling AB</b>		
Cash dividends to Ekhaga Utveckling AB	-	259
Value of distribution of Annehem Fastigheter on December 11, 2020 to Ekhaga Utveckling AB	431	-
<b>Transactions with AB Axel Granlund/Volito</b>		
Cash dividends to AB Axel Granlund/Volito	-	82
Value of distribution of Annehem Fastigheter on December 11, 2020 to AB Axel Granlund/Volito	137	-
<b>Transactions with Annehem Fastigheter <sup>1)</sup></b>		
Receivables from Annehem Fastigheter	3	-

<sup>1)</sup> Sales refer to the period after distribution of Annehem Fastigheter.

#### Executive management

For information on salaries and other remuneration to the Board of Directors, the CEO and senior officers along with information on costs relating to pensions and similar benefits and agreements on retirement remuneration, see note 10. During 2020 President and CEO, Jesper Göransson, hired Peab's Construction maintenance for private services. The services have been delivered at market price and the total amount was less than SEK 1 million.

#### Transaction terms

Transactions with related parties were on market terms.

## Note 42 Group companies

### Specification of the parent company's direct holdings of shares in subsidiaries

Company	Corp.ID.nr	Registered office	Number of shares	Share of equity <sup>1) 2)</sup>	Recognized value in parent company, MSEK	
					2020	2019
Peab Sverige AB	556099-9202	Båstad	1,000,000	100.0%	3,622	3,622
Peab Industri AB	556594-9558	Ångelholm	82,521,948	100.0%	2,588	2,588
Peab Finans AB	556552-1324	Båstad	1,000,000	100.0%	1,616	1,616
Peab Försäkrings AB	556511-5408	Båstad	6,150,000	100.0%	1,370	1,370
Peab Anläggning AB	556568-6721	Båstad	2,900,000	100.0%	892	892
Peab Bygg Norge AS	920 003 672	Tromsø	1,000	100.0%	861	861
Peab Oy	1509374-8	Helsinki	1,000	100.0%	488	488
Flygstaden Intressenter i Söderhamn AB	556438-9665	Båstad	10,000	100.0%	241	241
Bröderna Paulsson Peab AB	556113-4114	Båstad	7,654,450	100.0%	157	157
Peab Support AB	556061-1500	Stockholm	700,000	100.0%	115	85
Peab Projektutveckling AB	556715-0254	Båstad	1,000	100.0%	71	41
Birsta Fastigheter AB	556190-3765	Helsingborg	480,600	100.0%	60	60
Sieglo AB	556556-0595	Båstad	20,000	100.0%	27	27
Vejby Transport & Miljö AB	556240-2742	Ångelholm	1,000	100.0%	1	1
Peab Norden AB	556134-4333	Båstad	-	-	-	1
Fastighets AB Skeppsdockan i Malmö	556563-0711	Ångelholm	1,000	100.0%	0	0
Peabskolan AB	556442-7432	Båstad	1,000	100.0%	0	0
Peab Skandinavien AB	556568-8784	Båstad	1,000	100.0%	0	0
Peab Grevie AB	556715-0213	Båstad	1,000	100.0%	0	0
Skåne Projektfastigheter AB	556471-9143	Båstad	1,375	100.0%	0	0
Peab Lokal AB	559025-6607	Solna	1,000	100.0%	0	0
Peab Förslöv Holding AB	559283-3635	Stockholm	1,000	100.0%	0	-
Peab Vejby AB	556663-2682	Båstad	-	-	-	0
Annehem Fastigheter AB	559220-9083	Båstad	-	-	-	0
<b>Total</b>					<b>12,109</b>	<b>12,050</b>

<sup>1)</sup> The share of capital corresponds to the share of votes.

<sup>2)</sup> Except for the Group companies acquired in 2020 the share of capital in 2020 corresponds to the share of capital in 2019.

Parent company, MSEK	2020	2019
Opening acquisition value	13,751	13,930
Purchases	0	0
Reduction of share capital	2,061	98
Distribution Annehem Fastigheter	-2,001	-
Sales/liquidation	-224	-277
<b>Closing accumulated acquisition values</b>	<b>13,587</b>	<b>13,751</b>
Opening revaluations	100	100
<b>Closing accumulated revaluations</b>	<b>100</b>	<b>100</b>
Opening write-downs	-1,801	-1,985
Sales/liquidation	224	255
Write-downs	-1	-71
<b>Closing accumulated write-downs</b>	<b>-1,578</b>	<b>-1,801</b>
<b>Closing balance</b>	<b>12,109</b>	<b>12,050</b>

During the year, shares in Group companies were written down in the parent company by SEK -1 million (-71) and refer to shares in dormant companies or companies with little activity where the value of the write-downs is equivalent to equity. Annual write-downs are reported in the income statement on the "Profit/loss from shares in Group companies" line.

## Specification of other Group companies

Company	Corp.ID.nr	Registered office	Share of equity <sup>(1)(2)</sup>	Company	Corp.ID.nr	Registered office	Share of equity <sup>(1)(2)</sup>
3F Eiendom AS	998 735 068	Tromsø	100.0%	Kranor AS	976 313 062	Slemmestad	100.0%
AB Roler	556100-0729	Örebro	100.0%	Krantorp KB	969623-0540	Mölnadal	100.0%
Aktiebolaget Smidmek Eslöv	556232-3963	Eslöv	100.0%	Kreaton AB	556644-5010	Gothenburg	100.0%
Ale Exploatering AB	556426-2730	Gothenburg	100.0%	Lambertsson Kran AB	556543-5293	Båstad	100.0%
ANS Solligården	957 524 346	Lysaker	100.0%	Lambertsson Oy	0937993-4	Helsinki	100.0%
ATS Kraftservice AB	556467-5998	Båstad	100.0%	Lambertsson Sverige AB	556190-1637	Båstad	100.0%
ATS Tjänster AB	556501-1011	Helsingborg	100.0%	Loviselunds Fastighets AB	559254-2418	Stockholm	100.0%
Berg & Betongtätning i Sverige AB	559059-6473	Båstad	100.0%	Lättklinkerbetong AB	556239-1721	Alingsås	100.0%
Bjurhovda Fastighets AB	559254-2384	Stockholm	100.0%	Mauritz Larsson Byggnads AB	556036-8242	Båstad	100.0%
Björn Bygg AS	943 672 520	Tromsø	100.0%	Nesveien 15 AS	919 202 173	Lysaker	100.0%
Bodenus AB	556279-8768	Boden	100.0%	Norrberga Exploaterings AB	556809-1846	Solna	100.0%
Bogstrand AS	996 043 428	Harstad	100.0%	Norrvikens Fastigheter AB	556703-1470	Stockholm	100.0%
Båråmo i Värnamo AB	556713-7871	Båstad	100.0%	Nye Egne Hjem AS	913 624 149	Lysaker	100.0%
CBT Næring 2 AS	921 682 301	Lysaker	100.0%	Olof Mobjer Entreprenad AB	556445-1275	Båstad	100.0%
DGV i Enskede AB	556750-3791	Stockholm	100.0%	Olsson & Zarins Baltinvest AB	556439-3592	Uppsala	100.0%
Eldslundfastigheter Sverige AB	556750-2165	Linköping	100.0%	Paletten i Valla AB	559019-1887	Solna	100.0%
Erik Foss AS	916 162 898	Ålesund	100.0%	Partille 11 Bostad 4A AB	556960-0389	Gothenburg	100.0%
Eventes II Ky	3139237-7	Helsinki	100.0%	Partille 11 Bostad BR 1 AB	556960-0330	Gothenburg	100.0%
Fastighets AB Gamlestadens Smedja	559240-9345	Solna	100.0%	Partille 11 Bostad BR 2 AB	556960-0348	Gothenburg	100.0%
Fastighets AB Isolatorn	556913-9644	Solna	100.0%	Partille 11 Bostad Holding AB	556958-4146	Gothenburg	100.0%
Fastighets AB Linjalen 2 i Nyköping	559241-0863	Solna	100.0%	Partille Port Holding AB	556960-0264	Gothenburg	100.0%
Fastighets AB Partille 11	556518-4354	Göteborg	100.0%	Peab Alp Lodge AB	559019-1903	Solna	100.0%
Fastighets AB Partille 11:70	559265-7992	Solna	100.0%	Peab Anlegg AS	913 502 566	Lysaker	100.0%
Fastighets AB Spelhagen	556795-0992	Solna	100.0%	Peab AS	990 040 729	Lysaker	100.0%
Fastighetsaktiebolaget Ekudden	556628-0326	Alingsås	100.0%	Peab Asfalt A/S	18 298 503	Silkeborg	100.0%
Fastighetsaktiebolaget Kronos	559265-7950	Solna	100.0%	Peab Asfalt AB	556098-8122	Båstad	100.0%
Fastighetsaktiebolaget Teide	559265-8040	Stockholm	100.0%	Peab Asfalt Norge AS	994 628 577	Oslo	100.0%
Fastighetsbolaget Arnö i Nyköping AB	559240-9279	Falun	100.0%	Peab Asfalt Väst AB	559132-6508	Gothenburg	100.0%
Fastighetsbolaget Måsbodarna Tre AB	556691-9907	Solna	100.0%	Peab Asfaltfräsning AB	559196-4191	Båstad	100.0%
Furuspecialen i Nyköping Fastighets AB	556695-9986	Solna	100.0%	Peab Bemanning AB	556737-7683	Solna	100.0%
Fältjägaren 7 AB	556855-7176	Östersund	100.0%	Peab Bemanning AS	991 687 971	Lysaker	100.0%
G Nilsson Last & Planering i Ranseröd AB	556236-0908	Båstad	100.0%	Peab Bildrift Norden AB	556707-8380	Helsingborg	100.0%
Grunnarbeid Lysaker AS	996 217 981	Lysaker	100.0%	Peab Bildrift Norge AS	892 890 692	Lysaker	100.0%
Hagström i Nås AB	556377-1376	Vansbro	100.0%	Peab Bildrift Sverige AB	556313-9608	Helsingborg	100.0%
Hanbjelken AB	556699-4306	Solna	100.0%	Peab Bivacken i Växjö AB	559043-4774	Växjö	100.0%
Husgruppen i Alingsås KB	969728-7887	Gothenburg	100.0%	Peab Bolig Prosjekt AS	990 892 385	Lysaker	100.0%
HälsingeBygg i Hudiksvall AB	556624-4025	Hudiksvall	100.0%	Peab Borås Exploatering AB	556651-7727	Båstad	100.0%
INSPI Sweden AB	556796-7970	Stockholm	100.0%	Peab Bostad AB	556237-5161	Stockholm	100.0%
K.Nordang AS	936 574 696	Stranda	100.0%	Peab Bostadsproduktion AB	556554-6487	Båstad	100.0%
KB Brämaregården 18:4	969638-3364	Kristianstad	100.0%	Peab BU Drift AB	559076-5516	Solna	100.0%
KB Klagshamn Exploatering	916563-4412	Båstad	100.0%	Peab BU Holding 1 AB	559019-1846	Solna	100.0%
KB Messingen	916837-9817	Stockholm	100.0%	Peab BU Holding 10 AB	559283-3718	Stockholm	100.0%
KB MURAREN 105	916837-9544	Mölnadal	100.0%	Peab BU Holding 2 AB	559036-7396	Solna	100.0%
KB Muraren 135	916837-9841	Båstad	100.0%	Peab BU Holding 3 AB	559076-5466	Solna	100.0%
KB Möllevarvet	969639-7877	Båstad	100.0%	Peab BU Holding 4 AB	559118-0871	Solna	100.0%
Kehitysyhtiö Pyytikki Oy	2214064-5	Helsinki	100.0%	Peab BU Holding 5 AB	559091-5160	Solna	100.0%
Kiinteistö Oy City Garden	2625235-3	Tammerfors	100.0%	Peab BU Holding 6 AB	559076-5524	Solna	100.0%
Kiinteistö Oy Eventes II	1582860-1	Esbo	100.0%	Peab BU Holding 7 AB	559065-1427	Solna	100.0%
Kiinteistö Oy Helsingin Karvaamokuja 1	2405933-0	Helsinki	100.0%	Peab BU Holding 8 AB	559265-7901	Stockholm	100.0%
Kiinteistö Oy Mallanpuisto	1580499-2	Esbo	100.0%	Peab BU Holding 9 AB	559265-7893	Stockholm	100.0%
Kjølnes Eiendom AS	991 085 033	Skien	75.0%	Peab Byggservice AB	556066-3675	Båstad	100.0%
Kokpunkten Fastighets AB	556759-5094	Stockholm	100.0%	Peab Construction Syd AB	556292-2368	Båstad	100.0%
Kompetens och Kultur Norden AB	559141-0625	Båstad	100.0%	Peab Drivaarena AB	556741-8578	Solna	100.0%
Kompligens Fastigheter AB	556691-2555	Båstad	100.0%	Peab Drotten 10 AB	559032-4686	Solna	100.0%

	Company	Corp.ID.nr	Registered office	Share of equity <sup>(1,2)</sup>	Company	Corp.ID.nr	Registered office	Share of equity <sup>(1,2)</sup>
1								
2	Peab Eiendomsutveckling AS	987 099 011	Lysaker	100.0%	Peab Kastanjeparken AB	556059-0910	Båstad	100.0%
3	Peab Eiendomsutveckling Nord AS	982 794 528	Tromsø	100.0%	Peab Kiinteistökehitys Oy	3136811-5	Helsinki	100.0%
4	Peab Etage AB	559019-1895	Solna	100.0%	Peab Kungälv Holding AB	559283-3825	Stockholm	100.0%
5	Peab Fanna 32:28 AB	559265-7927	Solna	100.0%	Peab Landskampen AB	559164-5907	Solna	100.0%
6	Peab Fastighet AB	559091-3538	Solna	100.0%	Peab Markutveckling AB	556949-4437	Solna	100.0%
7	Peab Fastigheter i Växjö AB	556716-6664	Båstad	100.0%	Peab Messingen Kv4 AB	559181-9494	Solna	100.0%
8	Peab Fastighetsutveckling AB	556824-8453	Båstad	100.0%	Peab PGS AB	556428-5905	Båstad	100.0%
9	Peab Fastighetsutveckling Sverige AB	556825-9856	Båstad	100.0%	Peab Projektfastigheter AB	556202-6962	Stockholm	100.0%
10	Peab Fastighetsutveckling Syd AB	556699-8430	Båstad	100.0%	Peab Projektutveckling Väst AB	556092-9852	Gothenburg	100.0%
11	Peab Flottiljen 26 AB	559265-7935	Solna	100.0%	Peab Property Gardner II Oy	3136812-3	Helsinki	100.0%
12	Peab FU Almnäs AB	556594-9160	Solna	100.0%	Peab Qvillestaden AB	559283-3742	Stockholm	100.0%
13	Peab FU Bommen AB	556928-0752	Solna	100.0%	Peab Racketen AB	556721-1635	Stockholm	100.0%
14	Peab FU Brevet AB	559283-3627	Stockholm	100.0%	Peab Råsunda Holding AB	559030-7723	Solna	100.0%
15	PEAB FU Finland AB	559246-2831	Stockholm	100.0%	Peab Sannegården AB	559065-9792	Solna	100.0%
16	Peab FU Gennakern AB	556949-4312	Solna	100.0%	Peab Sp.z.o.o	40624	Warszawa	100.0%
17	Peab FU Holding 1 AB	556855-6954	Solna	100.0%	Peab Sturefors AB	559065-7499	Solna	100.0%
18	Peab FU Holding 2 AB	556864-4156	Solna	100.0%	Peab Support AS	998 622 670	Lysaker	100.0%
19	Peab FU Holding 3 AB	556866-8635	Solna	100.0%	Peab Support Oy	2586326-7	Helsinki	100.0%
20	Peab FU Holding 4 AB	556946-9058	Solna	100.0%	Peab Söderbymalm 3:405 AB	556722-0735	Stockholm	100.0%
21	Peab FU Holding 5 AB	556979-7698	Solna	100.0%	Peab Teleterassen AB	559181-9478	Solna	100.0%
22	Peab FU Holding 6 AB	556649-9116	Båstad	100.0%	Peab Trading Nord AB	556715-4827	Solna	100.0%
23	Peab FU Holding 7 AB	559030-7301	Solna	100.0%	Peab Trading Solna AB	556793-1554	Solna	100.0%
24	Peab FU Holding 8 AB	559230-5469	Solna	100.0%	Peab Trading Väst AB	556594-9590	Gothenburg	100.0%
25	Peab FU Holding 9 AB	559265-7885	Stockholm	100.0%	Peab Trading Öst AB	556778-8749	Stockholm	100.0%
26	Peab FU Husbacka AB	556946-9108	Solna	100.0%	Peab Transport & Maskin AB	556097-9493	Örkelljunga	100.0%
27	Peab FU Jupiter 11 AB	556892-3428	Solna	100.0%	Peab Tvärbanan AB	559241-1465	Solna	100.0%
28	Peab FU Jupiter 4 AB	556126-0745	Solna	100.0%	Peab Täljö Strandängar AB	559181-9379	Solna	100.0%
29	Peab FU Lager 2 AB	559076-5508	Solna	100.0%	Peab Utbygging AS	915 464 254	Tromsø	100.0%
30	Peab FU Ledvolten AB	559194-5570	Solna	100.0%	Peab Utveckling AB	559283-3726	Stockholm	100.0%
31	Peab FU Rebbelberga 147 AB	556470-0176	Solna	100.0%	Peab Utveckling Nord AB	556341-7228	Båstad	100.0%
32	Peab FU Vintrie 1 AB	559034-8925	Solna	100.0%	Peab Vagnpark AB	556234-0371	Båstad	100.0%
33	Peab FU Vintrie 5 AB	559241-1697	Solna	100.0%	Peab Åkermyntan 10 AB	556910-9290	Solna	100.0%
34	Peab FU Visby AB	556679-4862	Solna	100.0%	Peab Ädellövsboden 3 AB	559236-3245	Solna	100.0%
35	Peab FU Visby Exploatering AB	556800-9335	Solna	100.0%	Peab Ädellövsboden AB	559194-3179	Solna	100.0%
36	Peab Förskolan AB	556707-9719	Sigtuna	100.0%	Peab Ågaarena 1 AB	556741-8552	Solna	100.0%
37	Peab Gamlestads Plaza AB	559221-0057	Solna	100.0%	Peab Ängsviolen AB	559181-9403	Solna	100.0%
38	Peab Grundläggning AB	556154-7364	Båstad	100.0%	Peab Österplan 2 i Örebro AB	559081-4611	Solna	100.0%
39	Peab Hem AB	556077-8499	Båstad	100.0%	Peab Österplan 3 i Örebro AB	559081-4603	Solna	100.0%
40	Peab Hermelinen AB	556872-5633	Stockholm	100.0%	PeBri Glumslöv AB	556758-6853	Helsingborg	100.0%
41	Peab Holding AB	556594-9533	Båstad	100.0%	PEKO Fastighet AB	559220-8911	Solna	100.0%
42	Peab Högsbo 34:6 AB	556898-8553	Stockholm	100.0%	Projektfastigheter Götaland AB	556259-3540	Båstad	100.0%
43	Peab i Kungsbacka 8 AB	556789-7466	Gothenburg	100.0%	Projektfastigheter Väst AB	556044-1866	Båstad	100.0%
44	Peab i Kungsbacka 9 AB	556791-4493	Gothenburg	100.0%	Rankhus Tomtutveckling AB	559175-9187	Solna	100.0%
45	Peab i Valla AB	559019-1853	Solna	100.0%	Riksten Friluftstad AB	556547-8764	Stockholm	100.0%
46	Peab Industri Danmark A/S	40 964 460	Copenhagen	100.0%	Rådasand AB	556042-8699	Lidköping	100.0%
47	Peab Industri Finland AB	556687-9226	Helsingborg	100.0%	Råsta Arenabostäder AB	556789-3002	Solna	100.0%
	Peab Industri Holding OY	3102070-9	Helsinki	100.0%	Rörman Installation & Service Sverige AB	556026-0316	Sundbyberg	100.0%
	Peab Industri Norge AS	990 609 527	Lysaker	100.0%	Skandinaviska Byggelement AB	556034-2148	Helsingborg	100.0%
	Peab Industri OY	2977551-2	Helsinki	100.0%	Skandinaviska Byggelement Holding AB	559206-1088	Ängelholm	100.0%
	Peab Industri Sverige AB	556594-9624	Ängelholm	100.0%	Skillingenäs AB	556587-0192	Båstad	100.0%
	Peab Industribyggnad i Norr AB	556851-7121	Båstad	100.0%	Skånehus AB	556547-6958	Båstad	100.0%
	Peab Infra Oy	2303725-2	Helsinki	100.0%	Solberg Maskin AS	999 327 869	Heimdal	100.0%
	Peab Innovation H AB	559019-2497	Solna	100.0%	Stockholms Kommersiella Fastighets AB	556105-6499	Stockholm	100.0%
	Peab Invest Yek AB	556753-4226	Båstad	100.0%	Stora Hammar Exploatering AB	556763-4216	Vellinge	100.0%
	Peab Jockeyn AB	559175-8635	Solna	100.0%	Strandpromenaden Grunnan 1 AB	556924-8080	Skellefteå	100.0%
	Peab Johanneslust AB	559175-9773	Solna	100.0%	Strandvegen Næring AS	921 986 017	Tromsø	100.0%

Company	Corp.ID.nr	Registered office	Share of equity <sup>1) 2)</sup>
Strandvegen Utvikling AS	916 575 939	Tromsø	100.0%
Strømsgodset Utvikling AS	925 193 372	Lysaker	100.0%
Strömstad Exploatering AB	559002-4518	Solna	100.0%
Swecem AB	556919-5760	Helsingborg	100.0%
Swerock AB	556081-3031	Helsingborg	100.0%
Swerock AS	983 065 309	Oslo	100.0%
Swerock Norge AS	987 013 117	Oslo	100.0%
Swerock Oy	1509160-3	Helsinki	100.0%
Telge Peab AB	556790-5889	Södertälje	100.0%
Torghuset i Värnamo AB	556607-6807	Båstad	100.0%
TRANAB Markbyggnad AB	556687-3963	Örebro	100.0%
Trollhättan Traversen 4 AB	559265-8016	Stockholm	100.0%
Trondheimsveien 113 AS	994 535 250	Lysaker	100.0%
Tullholmsvikens Parkerings AB	559181-8769	Solna	75.0%
Ulriksdal Sopsug AB	559170-7715	Solna	100.0%
Ulriksdal Utveckling AB	556509-6392	Solna	100.0%
Ultimes III Holding Oy	3136774-5	Helsinki	100.0%
Ultimes III Ky	3139119-8	Helsinki	100.0%
Ultimes III PG Oy	3136775-3	Helsinki	100.0%
Ultimes IV Holding Oy	3136770-2	Helsinki	100.0%
Ultimes IV Ky	3139117-1	Helsinki	100.0%
Ultimes IV PG Oy	3136772-9	Helsinki	100.0%
Ultimes V Ky	3139121-9	Helsinki	100.0%
Undertak- och Fasadentreprenader Sverige AB	556058-5837	Stockholm	100.0%
Verkstaden 17 i Västerås AB	559114-5916	Solna	100.0%
White Campus Corner AB	559019-1861	Solna	100.0%
Villa Strå Fastighets AB	559254-2376	Stockholm	100.0%
Visio Exploatering AB	556570-7030	Solna	100.0%
Värby Fastighets AB	556703-4771	Båstad	100.0%
Åkanten Smedstabäcken AB	559019-1929	Solna	100.0%

<sup>1)</sup> The share of capital corresponds to the share of votes.

<sup>2)</sup> Except for the Group companies acquired in 2020 (see note 6), the share of capital in 2020 corresponds to the share of capital in 2019.

## Note 43 Untaxed reserves

Parent company, MSEK	2020	2019
Tax allocation reserve	2,711	2,392
Accumulated additional depreciation, intangible assets	13	11
Accumulated additional depreciation, machinery and equipment	0	0
<b>Total</b>	<b>2,724</b>	<b>2,403</b>

## Note 44 Cash flow statement

### Paid interest and dividends received

MSEK	Group		Parent company	
	2020	2019	2020	2019
Dividends received	327	103	500	200
Interest received	75	65	1	1
Interest paid	-319	-330	-58	-68

### Adjustments for items not included in cash flow

MSEK	Note	Group		Parent company	
		2020	2019	2020	2019
Profit from participation in joint ventures		-141	-327		
Dividends received from joint ventures		306	47		
Depreciation and write-downs		1,739	1,258	10	75
Unrealised exchange rate differences		93	-7		
Profit/loss on sales of fixed assets		-118	-142		
Profit/loss on sales of subsidiaries/businesses		9	-67		
Provisions		186	89	2	5
Change in fair value of financial instruments		25	40		
Profit from distribution of Annehem Fastigheter	46	-952	-		
Other		-	89		
<b>Total</b>		<b>1,147</b>	<b>980</b>	<b>12</b>	<b>80</b>

### Transactions without payments

Group, MSEK	2020	2019
Aquisition of assets by leasing	1,482	447

<b>Acquisition of subsidiaries/businesses</b>			
<b>Group, MSEK</b>			
	2020	2019	
<i>Acquired assets and liabilities</i>			
Intangible assets	1,608	3	
Tangible assets	1,636	23	
Financial assets	71	-	
Deferred tax recoverables	158	3	
Project and development properties and inventories	695	2	
Accounts receivable and other receivables	359	-	
Liquid funds	59	0	
Interest-bearing liabilities	-	-12	
Interest-bearing liabilities (leases)	-361	-	
Shareholder loan to selling company (acquired receivables) <sup>1)</sup>	-746	-	
Deferred tax liabilities	-57	-5	
Provisions	-371	-	
Accounts payable and other current liabilities	-608	-4	
	<b>2,443</b>	<b>10</b>	
Less: Previous shares in joint ventures	-	12	
<b>Acquired net assets</b>	<b>2,443</b>	<b>22</b>	
Purchase prices	2,443	22	
<b>Paid purchase sum</b>	<b>2,443</b>	<b>22</b>	
Less: Liquid funds in acquired companies	-59	0	
<b>Effect on liquid funds</b>	<b>2,384</b>	<b>22</b>	
<sup>1)</sup> Acquired receivables are recognized at the seller's nominal value and are reconciled in Peab against acquired liabilities for a corresponding amount.			
<b>Disposal of subsidiaries/businesses</b>			
<b>Group, MSEK</b>			
	2020	2019	
<i>Disposed assets and liabilities</i>			
Tangible assets	51	50	
Project and development properties and inventories	1	116	
Accounts receivable and other receivables	16	2	
Deferred tax liabilities	-11	-	
Interest bearing liabilities	-20	-	
Accounts payable and other current liabilities	-8	-66	
	<b>29</b>	<b>102</b>	
Less: Previous value in joint venture	-	-6	
<b>Disposed net assets</b>	<b>29</b>	<b>96</b>	
Sales price	20	163	
Purchase price	20	163	
<b>Effect on liquid funds</b>	<b>20</b>	<b>163</b>	
<b>Liquid funds</b>			
The following components are included in liquid funds:			
<b>Group, MSEK</b>			
	2020	2019	
Cash and bank	968	373	
<b>Total</b>	<b>968</b>	<b>373</b>	

## Note 45 Information on parent company

Peab AB is a Swedish registered limited company domiciled in Båstad. Peab AB's shares are listed on Nasdaq Stockholm. The address of the head office is Margretatorpsvägen 84, SE-269 73 Förslöv. The consolidated accounts for 2020 consist of the parent company and its subsidiaries, together referred to as the Group. The Group also includes shares of holdings in joint arrangements.

## Note 46 Distribution of Annehem Fastigheter AB

Peab distributed the shares in Annehem Fastigheter AB to Peab's shareholders in December 2020. The first day of trading was December 11, 2020 and the first trading price was SEK 35 per B share, which makes a market value of around SEK 2,065 million. Profit from the distribution of Annehem Fastigheter was SEK 952 million. Profit is charged with provisions of SEK -59 million for rent guaranties and other guaranties. For more information, see section Annehem Fastigheter in the Board of Directors' report.

### Income statement

MSEK	Jan 1 – Nov 30, 2020
Net sales	171
Productions costs	-110
Sales and administrative expenses	-26
Other operating costs	-5
<b>Operating profit</b>	<b>30</b>
Net finance	-35
<b>Pre-tax profit</b>	<b>-5</b>
Tax	-1
<b>Profit for the period</b>	<b>-6</b>

### Balance sheet

MSEK	Nov 30, 2020
<b>Assets</b>	
Intangible assets	1
Tangible assets	1,164
Investment property	418
Deferred tax recoverables	52
<b>Total fixed assets</b>	<b>1,635</b>
Project and development properties	612
Other current receivables	32
Liquid funds	55
<b>Total current assets</b>	<b>699</b>
<b>Total assets</b>	<b>2,334</b>
<b>Equity and liabilities</b>	
<b>Equity</b>	
	<b>1,054</b>
<b>Liabilities</b>	
Deferred tax liabilities	4
Interest-bearing long-term liabilities	710
<b>Total long-term liabilities</b>	<b>714</b>
Interest-bearing current liabilities	463
Other current liabilities	103
<b>Total current liabilities</b>	<b>566</b>
<b>Total liabilities</b>	<b>1,280</b>
<b>Total equity and liabilities</b>	<b>2,334</b>

## Note 47 Important events after the balance sheet date

### New financial and non-financial targets

Through the strategic transactions in recent years Peab has more clearly become a community builder that, through four collaborating business areas and local presence, is active throughout the Nordic region. Our business model provides us with unique opportunities to, with our own resources and control over the entire value chain, meet our customers' needs and the expectations of the world around us. In order to further promote value creation we have revised everything from our mission, business concept and strategic target areas to internal and external financial and non-financial targets.

Both the internal and external financial and non-financial targets are categorized under the previous strategic targets; Most satisfied customers in the industry, Best workplace in the industry and Most profitable company in the industry as well as the new, fourth strategic target, Leader in social responsibility in the industry. We consider the external targets particularly important and they are a subset of our internal targets and action plans. As of 2021 Peab will externally report the performance of the business by monitoring nine targets, of which three are financial and based on segment reporting.

Revised mission: We improve everyday life where it's lived.

Revised business concept: Peab is the Nordic Community Builder with a local presence. Focusing on our own resources and local partners we develop, do the groundwork and build everyday life where it's lived.

### Peab's external targets as of 2021:

- Most satisfied customers in the industry; SCI > 75
- Best workplace in the industry; eNPS > Benchmark, Serious accidents: Zero vision for serious accidents through a continuously contracting trend
- Most profitable company in the industry; Operating margin > 6 %, Net debt/equity ratio 0,3 – 0,7, Dividend > 50 % of profit for the year
- Leader in social responsibility in the industry; Carbon dioxide intensity, own production: 60 % reduction by 2030, Carbon dioxide intensity, input goods and purchased services: 50 % reduction by 2030, Equal opportunity recruitment: Number of women recruited should always exceed the education market

### The Nomination Committee's proposed Board members

The Nomination Committee of Peab AB proposes reelection of Board members Fredrik Paulsson, Malin Persson, Karl-Axel Granlund, Liselott Kilaas, Lars Sköld, Kerstin Lindell and Anders Runevad as well as election of Magdalena Gerger. Mats Paulsson and Göran Grosskopf have both declined reelection for age reasons. Anders Runevad is proposed to be elected Chairman of the Board.

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The Board and CEO assure that the Annual Report has been prepared in accordance with good accounting practices in Sweden and the consolidated accounts have been prepared in accordance with International Accounting Standards, stated in the regulation of the European Parliament and the Council of Ministers (EG) no 1606/2002 of July 19, 2002, concerning the application of international accounting standards. The Annual Report and the consolidated accounts give a true and fair view of the parent company as well as of the Group's position and result. The Board of Directors' report for the parent company and the Group gives a true and fair view of the parent company's and Group's business development, position and result. It also describes the major risks and uncertainty factors facing the parent company and Group companies.

#### Förslöv, April 1, 2021

**Göran Grosskopf**  
Chairman of the Board

**Mats Paulsson**  
Vice Chairman of the Board

**Karl-Axel Granlund**  
Member of the Board

**Kerstin Lindell**  
Member of the Board

**Fredrik Paulsson**  
Member of the Board

**Malin Persson**  
Member of the Board

**Lars Sköld**  
Member of the Board

**Liselott Kilaas**  
Member of the Board

**Anders Runevad**  
Member of the Board

**Patrik Svensson**  
Member of the Board

**Kim Thomsen**  
Member of the Board

**Egon Waldemarsson**  
Member of the Board

**Jesper Göransson**  
Chief Executive Officer

The Annual Report and the consolidated accounts have been approved for publication by the Board of Directors and the Chief Executive Officer on April 1, 2021. The consolidated income statement and balance sheet and the parent company's income statement and balance sheet will be presented for adoption by the AGM on May 6, 2021.

Our Auditor's report was submitted on April 1, 2021  
KPMG AB

**Dan Kjellqvist**  
Authorized Public Accountant





# Auditor's report

To the general meeting of the shareholders of Peab AB (publ.), corp. id 556061-4330

## Report on the annual accounts and consolidated accounts

### Opinions

We have audited the annual accounts and consolidated accounts of Peab AB (publ.) for the year 2020, except for the sustainability report on pages 16–31, 57–60 and 138–142. The annual accounts and consolidated accounts of the company are included on pages 33–132 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the sustainability report on pages 16–31, 57–60 and 138–142. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

#### Revenue recognition for construction projects

See disclosure 3 and 27 and disclosure 1 in the annual account and consolidated accounts for detailed information and description of the matter.

#### Description of key audit matter

The Group recognises ongoing construction projects over time, which means that revenue and expenses are recognised gradually in line with the contract progress. Revenue and profits are recognised in relation to the progress of the project, based on expenses incurred as at the balance sheet date compared with estimated total expenses on completion of the project. Any forecast losses are recognised as expenses as soon as they are known.

Revenue and profit recognition is based on estimates of the total project cost and project revenue. An effective control environment, with ongoing forecast monitoring of the project's final financial outcome, is therefore of great importance to the Group. Changes in assumptions during the implementation of a project may have a material impact on the Group's profit and financial position. Project forecasts are evaluated regularly by the Group during the course of the project and are adjusted as necessary. Modifications of the forecasts, additional works and requirements are considered when the Group considers it probable that the amount will be received from the client and when the amount can be measured reliably.

#### Response in the audit

We have obtained information about and evaluated management's process for reviewing projects, including their procedures for identifying loss-making projects and/or high risk projects as well as the process for forecasting revenue and expenses (including the assessment of forecast modifications and additional works).

We selected a sample of construction projects to test for which we have evaluated and assessed the most significant areas. Among other things, we have:

- tested to ensure that controls are effective throughout the year for expenses attributable to construction projects such as payroll expenses, expenses for subcontractors and acquisition costs,
- evaluated the financial result against the project estimate and forecasts to assess the Group's ability to deliver the forecast margin in projects,
- visited selected large sites that are deemed high risk to assess the actual degree of completion and the effectiveness of the Group's internal controls and
- assessed whether risks and opportunities in projects were accurately reflected in project forecasts.

Projects where particularly complex areas have been identified have been discussed with management based on forecast revenue and predicted final expenses.

We have assessed loss-making contracts and evaluated whether the reserves reflect the risks in projects, and challenged management's assessments of these risk.

Further we have evaluated the Group's own and outside legal expert's reports regarding disputes as well as assessed if and how these are taken into consideration in project forecasts.

### Valuation of project and development properties

See disclosure 3 and 24 and disclosure 1 in the annual account and consolidated accounts for detailed information and description of the matter.

#### Description of key audit matter

Project and development properties amount to SEK 14,074 million (16,948) per the balance sheet date. The properties are recognized as inventories among current assets. They are valued at the lower of cost and net realisable value, based on the prevailing price in the local area. Changes in supply and demand may change the assessments of carrying amounts and impairment may be necessary.

Given that development properties account for a material proportion of the Group's total assets and that the valuation process is based on subjective judgement this is a key area in our audit.

For valuation of development properties under construction, it is also necessary to assess the Group's process for project management, particularly how they are accounting for construction expenses and any commitments linked to these projects.

There may be a risk that the carrying amount for project and development properties is overestimated and that this would have a material impact on the Group's profit and financial position.

#### Response in the audit

The Group assesses the net realisable value of the project and development properties based on an internal valuation model. As a supplement to this valuation, they also obtain external market valuations for a number of the properties. Among other things, we have:

- evaluated the Group's internal valuation process. We have examined the assumptions made and their application in the internal valuation model,
- assessed the internal valuations and carrying amounts, also taking into account the external market valuations and
- tested a sample of the property valuations in further detail. For the selected sample we have examined inputs and calculations in the internal valuation model.

#### Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–32 respectively 138–152. The other information comprises also of the remuneration report which we obtained prior to the date of this auditor's. The Board of Directors and the CEO are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the Board of Directors and the CEO

The Board of Directors and the CEO are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the CEO are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the CEO are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the CEO intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

### Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the CEO.
- Conclude on the appropriateness of the Board of Directors' and the CEO's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a

going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, measures that have been taken to eliminate the threats or related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

## Report on other legal and regulatory requirements

### Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the CEO of Peab AB (publ.) for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

### Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The CEO shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

**Auditor's responsibility**

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the CEO in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

**Auditor's opinion regarding the statutory sustainability report**

The Board of Directors is responsible for the sustainability report on pages 16–31, 57–60 and 138–142 and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

KPMG AB was appointed auditor of Peab AB (publ.) by the general meeting of the shareholders on the May 6, 2020. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 1992.

Förslöv, April 1, 2021

KPMG AB

**Dan Kjellqvist**

Authorized Public Accountant

# Corporate governance report 2020



Good corporate governance is built on trust created by openness and transparency, which makes it possible for everyone to realize that the company is led with clear strategies, responsibly and with a far-reaching perspective. This is how we at Peab work to create value for our shareholders, customers, employees and other stakeholders.

GÖRAN GROSSKOPF, CHAIRMAN

## Corporate governance and the corporate governance report

Corporate governance refers to the decision-making systems that owners use to directly or indirectly govern the company. These systems consist in part of external regulations such as the Company Act and other relevant laws, regulations for issuers, Nasdaq Stockholm and the Swedish Code of Corporate Governance and in part Peab's articles of association, Peab's Code of Conduct as well as other internal policies, guidelines and regulations that the Board of Directors and executive management decide on.

The corporate governance report is not a part of the formal financial reports. The company's accountant reads the corporate governance report and acknowledges that a corporate governance report has been drawn up and that its legally stipulated information is consistent with the annual accounts and Group accounts.



## Shareholders, Annual General Meeting, the nomination procedure and diversity policy

The Annual General Meeting (AGM) is the highest decision-making organ in Peab. All shareholders can use their right to vote at the AGM.

The process of nominating members of the Board of Directors and the auditor to the AGM follows the nomination procedure established at the previous AGM. In order to create diversity and breadth in the Board regarding experience, expertise and background, the Nomination Committee applied the following diversity policy when nominating Board members to the 2020 AGM (consistent with wording in the Swedish Code of Corporate Governance, p 4.1): The Board should have a composition appropriate for the company's operations, phase of development and other relevant circumstances. Board members elected by the shareholders' meeting should collectively exhibit diversity and breadth of qualifications, experience and background. The company should strive for gender balance on the Board. The Nomination Committee noted in its motivation statement that although the percentage of female members elected by the AGM contracted from 37.5 to 33 percent by augmenting the Board with a male board member, the company still strives for gender balance over time.

The AGM was held on 6 May 2020 at Grevieparken, Grevie and attended by 174 shareholders, either personally or through representatives.

They represented 71,6 percent of the total number of votes. The AGM elected Göran Grosskopf, Ulf Liljedahl, Mats Rasmussen and Malte Åkerström (all reelected) to act as Peab's Nomination Committee with Ulf Liljedahl as Chairman.

On Thursday November 12, 2020 an Extra General Meeting (EGM) was held where it was decided to distribute all the shares in the wholly owned subsidiary Annehem Fastigheter AB. In order to hinder the spread of COVID-19 the EGM was held solely through postal voting without the physical presence of shareholders, representatives or outsiders according to paragraph 22 of the law (2020:198) concerning temporary exemptions to facilitate carrying out company and association general meetings. A total of 216 shareholders, representing more than 77 percent of the total number of votes in the company, participated in the postal vote.



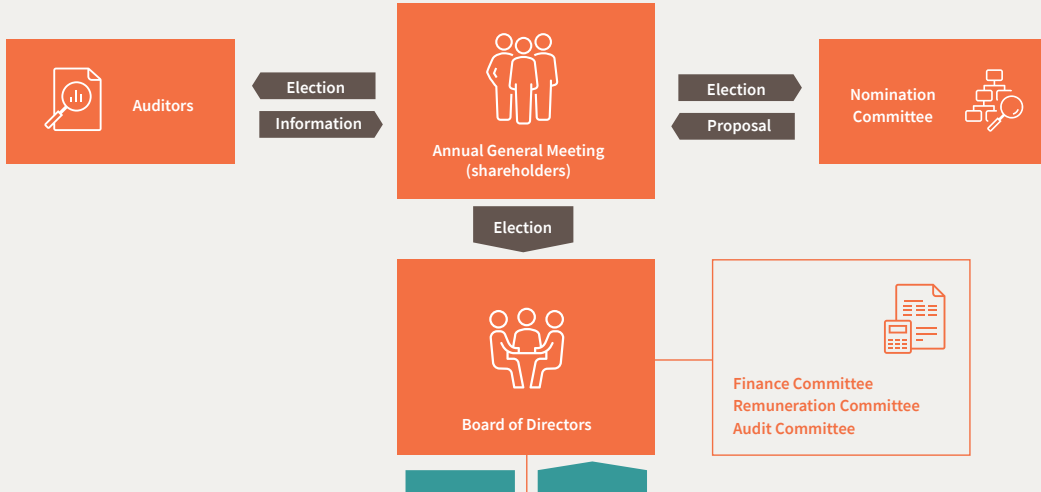
## The Board of Directors and its work

Peab's Board of Directors is ultimately responsible for the business. According to Peab's articles of association the Board of Directors must be made up of no fewer than five and no more than nine members in addition to the statutory employee representatives. The members of the Board of Directors are elected annually by the AGM. It was decided at the 2020 AGM that the Board of Directors would consist of nine members chosen by the AGM and the following persons were elected as members of the Board of Directors:

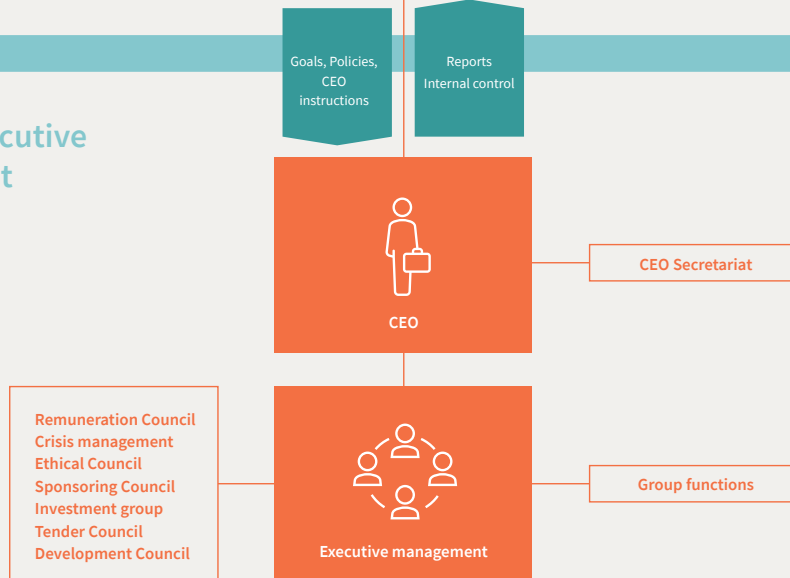
- Karl Axel Granlund, reelected
- Göran Grosskopf, reelected
- Liselott Kilaas, reelected
- Kerstin Lindell, reelected
- Fredrik Paulsson, reelected
- Mats Paulsson, reelected
- Malin Persson, reelected
- Anders Runevad, newly elected
- Lars Sköld, reelected

Göran Grosskopf was appointed Chairman of the Board by the AGM and Mats Paulsson was appointed vice Chairman. The members of the Board of Directors elected by the shareholders are compensated as members of the Board and, where applicable, as members of committees in accordance with the decisions taken by the AGM. Board member compensation is reported in note 10 in the Annual Report.

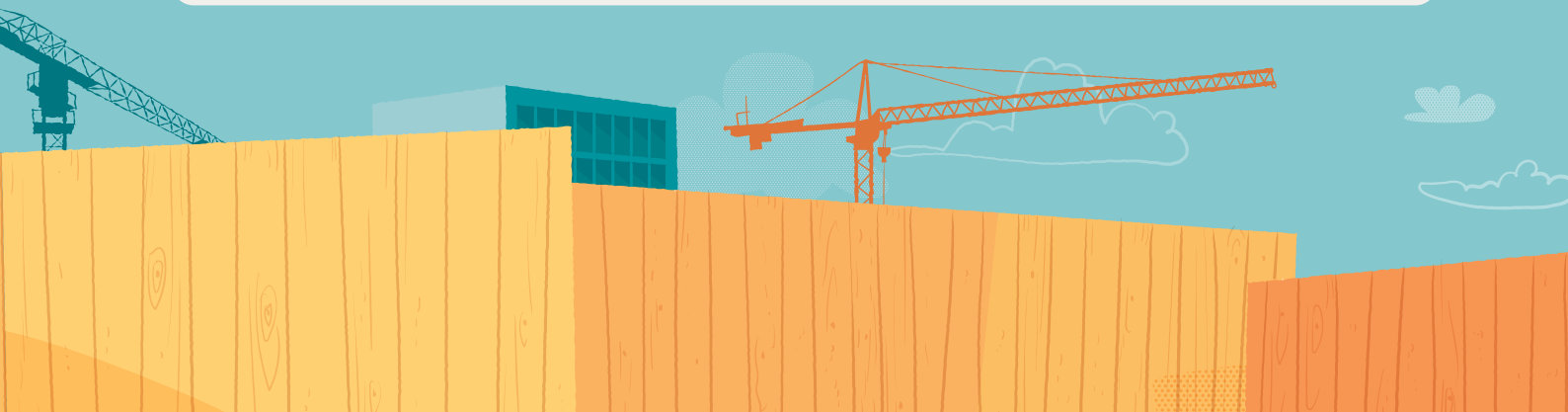
### Owner and Board



### CEO and executive management



### Business area management



**Board meetings, attendance 2020**

AGM elected members	Independent in relation to the company and executive management	Independent in relation to the major shareholders	Attendance Board meetings	Audit Committee	Presence Audit Committee	Remuneration Committee	Presence Remuneration Committee	Finance Committee	Presence Finance Committee
Göran Grosskopf	Yes	No	13/13	M	6/6	C	2/2	C	9/9
Mats Paulsson	No	No	13/13			M	2/2		
Karl-Axel Granlund	Yes	Yes	13/13			M	2/2	M	9/9
Kerstin Lindell	Yes	Yes	13/13	M	6/6				
Fredrik Paulsson	No	No	13/13					M	9/9
Malin Persson	Yes	Yes	13/13						
Anders Runevad (from 200506)	Yes	Yes	9/9						
Lars Sköld	Yes	Yes	13/13	C	6/6				
Liselott Kilaas	Yes	Yes	13/13	M	6/6				
<b>Employee representatives</b>									
Patrik Svensson, ordinary			13/13						
Kim Thomsen, ordinary			13/13						
Egon Waldemarsson, ordinary			13/13						
Torsten Centerdal, deputy			13/13						
Cecilia Krusing, deputy			13/13						

C - Chairman M - Member

The following employee representatives were appointed by the employee unions at the 2020 AGM: Patrik Svensson, Kim Thomsen and Egon Waldemarsson (members), Torsten Centerdal and Cecilia Krusing (deputies).

The Board of Directors held thirteen meetings in 2020, of which five were ordinary Board meetings (including the constitutional meeting) and eight additional Board meetings, of which four were held per capsulam.

Members of executive management have given reports at the Board meetings. The principle company accountant was present at two Board meetings. The Board's work follows the work program adopted by the Board of Directors. The Board evaluates its work on an annual basis and to evaluate the nominations to the 2020 AGM the Chairman of the Board produced and compiled an inquiry which all the Board members and deputies answered. Regarding the evaluation of the Chairman of the Board, the Chairman of the Nomination Committee has approved the inquiry's contents and compiled it. The result of the evaluation was reported at a Board meeting and Nomination Committee meeting in preparation for nomination.

**The Audit Committee**

Members during 2020:

- Lars Sköld, Chairman
- Göran Grosskopf
- Kerstin Lindell
- Liselott Kilaas

The Audit Committee prepares the work of the Board of Directors by ensuring the quality of company financial reports and maintains regular contact with the company accountant regarding the scope and focus of their work as well as their view of company risks. In addition, the Audit Committee monitors what other services besides auditing are performed by the company accountants, it

evaluates the auditing work and informs the Nomination Committee about the evaluation. It also assists the Nomination Committee in proposals of auditors and remuneration for auditing work. Representatives of executive management give reports on relevant issues at Audit Committee meetings. The Audit Committee met six times in 2020, of which one was held per capsulam. The principle company accountant participated in the relevant sections of two of these meetings. The Audit Committee regularly reports to the Board of Directors.

**The Finance Committee**

Members in 2020:

- Göran Grosskopf, Chairman
- Karl-Axel Granlund
- Fredrik Paulsson

The Finance Committee has the mandate to make decisions in between Board meetings on financial matters such as currency, interest and investment positions in accordance with the Finance Policy established by the Board of Directors. Within the framework established by the Board the Finance Committee also makes decisions regarding some company acquisitions, individual investments in property and tenders. Representatives of executive management give reports on relevant issues at Finance Committee meetings. The Finance Committee met eight times during 2020. The Finance Committee regularly reports to the Board of Directors.

**The Remuneration Committee**

Members in 2020:

- Göran Grosskopf, Chairman
- Karl-Axel Granlund
- Mats Paulsson

The Remuneration Committee prepares decisions by the Board concerning remuneration principles, salaries and other employment terms for senior officers, and monitors and evaluates ongoing, and during the year terminated, programs for variable remuneration for senior officers. The Remuneration Committee also monitors and evaluates application of the Remuneration Policy established each year



by the AGM as well as current remuneration structures and remuneration levels in the Group. The Remuneration Committee makes proposals to the Board of Directors regarding the CEO's salary and other terms, according to the Remuneration Policy established each year by the AGM. The Remuneration Committee also decides the salaries and other terms for other senior officers based on proposals from the CEO. Representatives of executive management give reports on relevant issues at Remuneration Committee meetings. The Remuneration Committee met twice in 2020. The Remuneration Committee regularly reports to the Board of Directors.

#### Remuneration to executive management

The 2020 AGM approved the Remuneration Policy for executive management. The Remuneration Policy is available on Peab's website, [www.peab.com](http://www.peab.com). Information about salaries and other remuneration to the CEO and members of executive management can be found in note 10 in the Annual Report, and on our website.

#### Incentive program

Peab has no outstanding share or share related incentive programs for the Board of Directors or executive management.



#### Auditors

Under Peab's articles of association one or two auditors are elected by the AGM. At the AGM in 2020 KPMG was elected the company auditor with the authorized public accountant Dan Kjellqvist as principle company accountant until the AGM 2021.

In addition to auditing, the accountant has only provided services for Peab in the form of accounting and tax advisement and certain analyses in connection with acquisitions and divestments as well as on the distribution of the subsidiary Annehem Fastigheter AB.



#### Executive management

The President and CEO leads the company according to the framework established by the Board of Directors and is responsible for the administration and control of the Group. During most of 2020 executive management consisted of the President and CEO, the CFO, the COO, the Business Area Managers of Construction, Civil Engineering, Industry and Project Development as well as the CCO, in total eight persons. Business Area Industry, which has grown during the year with, among other things, the acquisition from YIT, has a new governing model as of October 19, 2020 in which steering and management are performed at company level by the respective MDs, who then report to the appointed member (CFO or COO) in executive management. The companies in Industry continue to report externally as one business area. As a result of this development the Business Area Manager Industry has left his post and thereby executive management. At the same time a CSO was appointed and became part of executive management as of November 1, 2020, and whose responsibilities include digitalization and higher efficiency in management and steering.

Executive management meetings are held once a month and focus on managing the business, following up the business plan and strategic matters. Heads of Group staff teams and other officers are called to attend meetings when needed.



#### Business areas

Group operations are run in four business areas: Construction, Civil Engineering, Industry and Project Development. The business areas Construction, Civil Engineering, and Project Development have a management team led by the Business Area Manager and consisting otherwise of operational managers and staff members in the business area. The Business Area Managers are responsible for running operations in the line organization by delegating responsibility and authorizations. Business Area Managers are responsible for ensuring their business units in the Group maintain good internal control and follow relevant policies as well as other adopted documents, processes and tools.

Operations in Business Area Industry were run during most of 2020 in the same way as the other business areas. As of October 19, 2020 operations in Industry are run by MDs for the major companies in the business area, in total five, who then report individually to the appointed member in executive management. Each MD in the companies in Business Area Industry is responsible for ensuring their companies maintain good internal control and follow relevant policies as well as other adopted documents, processes and tools.

#### Group functions

The Group functions support both executive management and operations in the business areas, strategically and in day-to-day operations.

#### Business management

Executive management adopts comprehensive goals and strategies for the business in the Group business plan. This is then passed on to the business areas, regions and companies that make their own business plans.

To provide support for a cross-functional workflow within the Group executive management has delegated some work and decisions to a number of councils and groups consisting of representatives for different group functions and, in certain cases, representatives of business area management. Every council or group has a specific mandate and decision-making process, and they all report to executive management.

#### Internal control and governing

The purpose of the governance and internal control process is to achieve a reasonable assurance for the Board, management and other stakeholders that Peab's goals will be met regarding business management and an appropriate and efficient organization. Reliable internal and external reporting and compliance with applicable laws, regulations and other rules are essential parts of this process.

Peab's Board of Directors is responsible for ensuring that there are efficient procedures and systems managing and controlling financial reporting. The principles of this process are established in the Policy for internal governance and control and are based on COSO's (Committee of Sponsoring Organizations of the Treadway Commission) framework for internal control and are described below.

#### Control environment

The control environment is founded on Peab's core values: Down-to-earth, Developing, Personal and Reliable and comprises our

organization's structure, internal regulations and steering documents, delegation and limitation of responsibility, competence recruitment and monitoring internal governance and control. The Board is ultimately responsible for the general governance of Peab and control over the risks that accompany the business. Executive management is responsible for developing and implementing Peab's internal governance and control structure in operations, including our organization's structure, responsibility delegation and mandates, competence recruitment and follow-up. The Board, executive management and other senior officers should in word, deed and decision be models of integrity and ethics, follow Peab's core values and, in general, walk the talk.

### Information and communication

Executive management is responsible for communicating, in a way that is relevant and clear to our organization, Peab's goals and risk levels as well as how internal governance and control works. This is done through different information and communication forums like Peab's intranet, Peab's business management system and documented reporting channels regarding financial information.

### Risk analysis

Risk analyses are carried out based on the established goals in different sections and levels of Peab's business. Risk analysis on an operational and project level is performed according to the process described in Peab's business management system. An overriding risk analysis that includes risk management of every identified material risk is performed annually in each business area and thereafter by executive management, after which it is reported to the Board. A detailed description of risks and risk management in Peab is found in the section Risks and risk management.

### Control activities

Each year the Board adopts the Board's working program, instructions for the CEO and Board committees, Peab's Code of Conduct, Finance Policy, Information Policy and Policy for Internal Governance and Control. The AGM annually adopts the Remuneration Policy.

The other main control activities take place in daily operations based on each individual employee's responsibility for self-monitoring related to their position, defined work method, processes and steering documents that are available through Peab's business management system and Peab's intranet.

An example of steering documents are those concerning decision-making authorization for any kind of major decision, which includes requirements for special approval by executive management or a body appointed by executive management to handle the acquisition or divestment of property, operations and other major investments as well as the tender process, with predefined levels for each position. The principles for appointing board members and signatories in Group companies are adopted centrally.

Peab has a whistle-blowing system that is open for both employees and other stakeholders that makes it possible for the reporter to remain anonymous.

### Monitoring

The Board regularly monitors and evaluates how effective Peab's internal governance and control structure is through the information the Board receives from executive management and Board committees. Every board meeting reviews Peab's financial situation and position as well as the resulting strategies. Before a board meeting members receive extensive financial reports regarding Peab's development. A corresponding review is made by executive

management and business area management. Managing and monitoring financial reporting is evaluated at the first ordinary meeting of the Board of Directors after the end of the financial year.

The Board of Directors for the business year 2020 has assessed the need for an internal auditing department and concluded the established control structure in Peab ensures sufficient management and control of the Group. At this time there is therefore no need for an internal auditing function in the company.

### Other mandatory information in accordance with chapter 6, section 6 of the Annual Accounts Act

- Direct and indirect shareholdings in the company that represent at least a tenth of the number of votes of all the shares in the company are presented in the Board of Directors' report under the Peab Share.
- There are no limits in articles of association regarding how many votes individual shareholders can have at the AGM, which is also made clear in the Board of Directors' report under the Peab Share.
- The articles of association stipulate that the appointment of Board members takes place at the company's AGM. The articles of association do not contain any stipulations regarding the dismissal of Board members or changes in the articles of association.
- Authorization of the Board by the AGM to decide on new issues of Peab shares is presented in the Board of Directors' report under the Peab Share.
- Authorization of the Board by the AGM to decide on the purchase of own shares is presented in the Board of Directors' report under Holdings of own shares.

### Deviations from the code

Peab has elected to make the following deviations from the code.

#### Code rule 9:2

The Chairman of the Board may chair the Remuneration Committee.

Other members elected by the AGM must be independent in relation to the company and executive management.

#### Deviation

Mats Paulsson, who is a member of the Remuneration Committee, is not independent in relation to the company and executive management.

#### Explanation of the deviation

The Board wishes to take advantage of the long and unique experience in matters of compensation for senior officers that founder and former CEO of Peab, Mats Paulsson, has. The majority of the members of the Remuneration Committee are independent in relation to the company and executive management and this is believed to guarantee the objectivity and independence of the Remuneration Committee.

## Auditor's statement on the corporate governance report to the Annual General Meeting of Peab AB (publ) company id nr. 556061-4330

### **Engagement and responsibility**

It is the Board of Directors who is responsible for the Corporate governance report for the year 2020 on pages 138–142 in this document and that it has been prepared in accordance with the Annual Accounts Act.

### **The scope of the audit**

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the Corporate governance report. This means that our examination of the Corporate governance report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

### **Opinions**

A Corporate governance report has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Förslöv, April 1, 2021

KPMG AB

### **Dan Kjellqvist**

Authorized Public Accountant

# Board of Directors



## Göran Grosskopf

Born 1945. Appointed 2004.  
Professor, LLd and Dr Econ.  
Chairman of the board of Peab AB, BrainHeart Energy AB, Annhem Fastigheter AB, Stefan Paulsson's Cancer Fund Foundation, Stefan Paulsson Invest AB and Mats Paulsson's Foundation for research, innovation and community building.  
Member of the board of Maven Wireless AB, ColoPlus AB, Permak AB, Ekhaga Utveckling AB, Stichting Polar Light, Medicon Village Fastighets AB and Mats Paulsson's Foundation.  
Former professor of tax law and working chairman of the board of Tetra Laval Group and Chairman of the board of Ingka Holding BV.  
Holding: 823,500 A shares, 460,000 B shares



## Mats Paulsson

Born 1944. Appointed 1992.  
Vice chairman of the board of Peab AB.  
Chairman of the board of Mats Paulsson's Foundation.  
Member of the board of Ekhaga Utveckling AB, Medicon Village Fastighets AB, Hälsoctaden Ängelholm AB, Mats Paulsson's Foundation for research, innovation and community building, Stefan Paulsson's Cancer Fund Foundation.  
Formerly various management positions in Peab since 1959.  
Holding: 3,861,354 A shares, 8,109,175 B shares



## Karl-Axel Granlund

Born 1955. Appointed 2000.  
MSc (economics), MSc (engineering).  
Chairman of the board of Volito AB.  
Holding: 13,000 B shares



## Kerstin Lindell

Born 1967. Appointed 2014.  
MSc (engineering), Ph D Polymer Chemistry, MSc (economics).  
Chairman of the board of Bona AB and the Chamber of Commerce and Industry of Southern Sweden.  
Member of the board of Hexpol AB and Inwido AB.  
Holding: 5,000 B shares



## Fredrik Paulsson

Born 1972. Appointed 2009.  
Member of the board and CEO of Kranpunkten Skandinavien AB and Ekhaga Utveckling AB.  
Chairman of the board of Bjäre Invest AB.  
Member of the board of SkiStar AB, Mats Paulsson's Foundation and Stefan Paulsson's Cancer Fund Foundation.  
Holding: 445,956 A shares, 782,750 B shares and via ownership of Ekhaga Utveckling AB 25,563,264 A shares, 36,057,059 B shares



## Malin Persson

Born 1968. Appointed 2016.  
MSc (engineering).  
CEO and owner of Accuracy AB.  
Member of the board of Getinge AB, Hexpol AB and Mekonomen.  
Holding: 2,000 B shares



## Lars Sköld

Born 1950. Appointed 2007.  
Chairman of the board of Dufweholms Herrgård AB and O. Timblads Målerifirma AB.  
Formerly position as CEO and President of STC Interfinans AB, CEO of Sveaskog AB and CEO of Klöver Fastigheter AB.  
Holding: 20,000 B shares



## Liselott Kilaas

Born 1959. Appointed 2018.  
MMS, MBA IMD Business School.  
Chairman of the board of Stamina Holldco AS, Implantica AB and Coala AB.  
Member of the board of Orkla ASA, Nobina AB, Memira AB, Norsk Hydro ASA and Ambea AB.  
Former positions: CEO of Aleris AB, member of the board of Polaris Media ASA, Telenor, I M Skaugen and Norwegian Central Bank.  
Holding: None



## Anders Runevad

Born 1960. Appointed 2020.  
MSc (engineering).  
Chairman of the board of PGA National Sweden.  
Member of the board of Schneider electric, Nilfisk A/S and Vestas Wind Systems A/S.  
Former positions: CEO of Vestas Wind Systems A/S, regional manager Ericsson.  
Holding: 10,000 B shares



## Patrik Svensson

Born 1969. Appointed 2007.  
Foreman Construction Sweden.  
Employee representative Byggnads.  
Holding: None



## Kim Thomsen

Born 1965. Appointed 2008.  
Carpenter Construction maintenance Sweden.  
Employee representative Byggnads.  
Holding: None



## Egon Waldemarsson

Born 1954. Appointed 2016.  
Planner Construction Sweden.  
Employee representative Ledarna.  
Holding: 6,000 B shares



## Torsten Centerdal

Born 1958. Appointed 2013.  
Asphalt layer Industry Sweden.  
Employee representative (deputy) SEKO.  
Holding: 10,000 B shares



## Cecilia Krusing

Born 1971. Appointed 2019.  
Project manager Construction Sweden.  
Employee representative (deputy) Unionen.  
Holding: None

The holdings reported were those on December 31, 2020. Holdings include those of spouses, children who are minors and private company holdings.

# Executive management



**Jesper Göransson**  
CEO and President  
Born 1971  
Employed since 1996  
MSc (Business and Economics)  
Holding: 441,800 B shares and 633,200 B shares via endowment insurance <sup>1)</sup>



**Niclas Winkvist**  
CFO, part of business area Industry  
Born 1966  
Employed since 1995  
MSc (economics)  
Holding: 108,000 B shares and 265,000 B shares via endowment insurance <sup>1)</sup>



**Roger Linnér**  
COO, part of business area Industry  
Born 1970  
Employed since 1996  
MSc (engineering)  
Holding: 5,525 B shares and 205,000 B shares via endowment insurance <sup>1)</sup>



**Camila Buzaglo**  
CCO  
Born 1971  
Employed since 2018  
B.P.S.  
Holding: 8,400 B shares via endowment insurance <sup>1)</sup>



**Stefan Danielsson**  
Business area Construction  
Born 1969  
Employed since 2015  
BSc (engineering)  
Holding: 6,000 B shares and 78,200 B shares via endowment insurance <sup>1)</sup>



**Lotta Brändström**  
Business area Civil Engineering  
Born 1966  
Employed since 2017  
MSc (engineering)  
Holding: 11,900 B shares via endowment insurance <sup>1)</sup>



**Johan Dagertun**  
CSO  
Born 1985  
Employed since 2016  
MSc (economics)  
Holding: None



**Göran Linder**  
Business area Project Development  
Born 1968  
Employed since 2011  
MSc (economics)  
Holding: 69,500 B shares via endowment insurance <sup>1)</sup>

## Auditor

**KPMG AB**  
**Dan Kjellqvist**  
Authorized public accountant

The holdings reported were those on December 31, 2020. Holdings include those of spouses, children who are minors and private company holdings.

<sup>1)</sup> According to employment contracts for senior officers, part of or the entire outcome from variable remuneration can be placed in an endowment insurance which primarily invests in Peab shares. The outcome of the LTI program must be placed in an endowment insurance which primarily invests in Peab shares. Information regarding variable remuneration and the LTI program, see note 10.

# The Peab share

Peab's B share is listed on the Nasdaq Stockholm, Large Cap. At the end of 2020 the total market capital of Peab was SEK 26.5 billion (27.8).

## Trading in the Peab share

As of December 30, 2020 the last trading day of the year the closing price of the Peab B share was SEK 89.65 (93.75), which was a four percent decrease during the year. The Swedish Stock Exchange, measured by the Affärsvärlden Index, increased in 2020 by 13 percent. In 2020, the Peab B share was quoted at a maximum of SEK 110.70 (94.85) and a minimum of SEK 59.30 (71.00). During 2020 about 144 million B shares (115) were traded, which was equivalent to 570,000 B shares per trading day (460,000) and a turnover rate of 55 percent.

## Total return

The total return on the Peab share in 2020 amounted to 3.23 percent, to be compared to the SIX Return index of 14.83 percent. In the five-year period January 1, 2016 to December 31, 2020 the annual total return on Peab's B share amounted to 66.13 percent, to be compared to the SIX Return Index of 73.30 percent during the same period.

## Shares and share capital

The total number of shares at the beginning of 2020 was 296,049,730 divided into 34,319,957 A shares with 10 voting rights per share and 261,729,773 B shares with one voting right per share.

At the end of 2020 the number of A shares was 34,319,957 representing 11.6 percent (11.6) of the capital and 56.7 percent (56.7) of the votes and the number of B shares was 261,729,773 representing 88.4 percent (88.4) of the capital and 43.3 percent (43.3) of the votes. The share capital amounted to SEK 1,583.9 million (1,583.9). More information on share capital development over time is available at [www.peab.com](http://www.peab.com).

## Holdings of own shares

At the beginning of 2020 Peab's own B shareholding was 1,086,984 which corresponds to 0.4 percent of the total number of shares. No own shares were repurchased or divested in 2020.

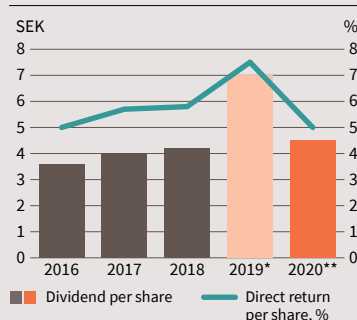
## Dividend

For 2020 a dividend of SEK 4.50 per share (-) is proposed. No dividend was distributed in 2019 due to the outbreak of the corona pandemic and the uncertainty about financial developments. Distribution of Annhem Fastigheter corresponded to SEK 7 per share at the time of the distribution on December 11, 2020.

Excluding the 1,086,984 shares held by Peab AB per December 31, 2020 which do not entitle to a dividend, the proposed dividend entails a total dividend amount of SEK 1,327 million (-). Calculated as a share of recognized Group profit after tax (excluding the effect of the distribution of Annhem Fastigheter of SEK 952 million) the proposed dividend amounts to 66 percent (-).

<sup>1)</sup> Distribution of Annhem Fastigheter for 2019 corresponded to SEK 7 per share. This distribution is included in the total return.

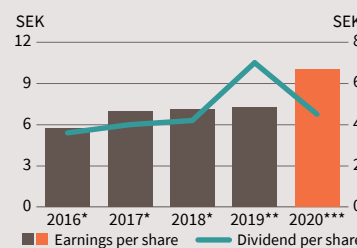
## Dividend and direct return



\* No dividend was distributed in 2019. Distribution of Annhem Fastigheter corresponded to SEK 7 per share at the time of the distribution on December 11, 2020. Direct return of 7.5 percent is calculated on the final price 2019-12-31.\*\* Board of Directors' proposal to the AGM.

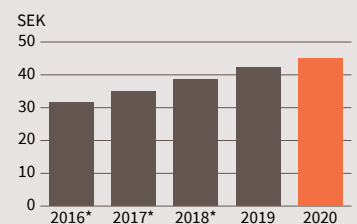
## Key ratios

Earnings and dividend per share, segment reporting



\*Not translated taking into account the changed principles for our own housing developments. \*\* No dividend was distributed for 2019. Distribution of Annhem Fastigheter corresponded to SEK 7 per share at the time of the distribution on December 11, 2020. \*\*\*The Board of Directors' proposal to the AGM.

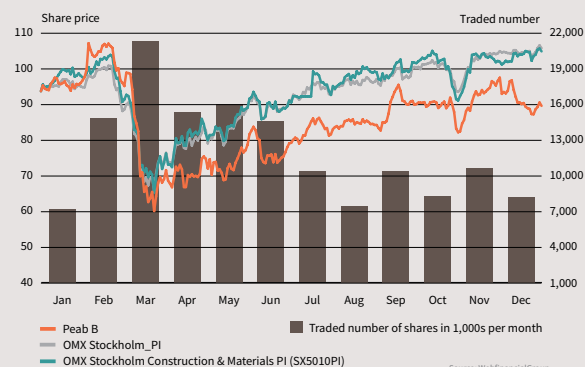
Equity per share, segment reporting



\* Not translated taking into account the changed principles for our own housing developments.

## Price trend of the Peab share

January 1 – December 31, 2020



## Total return<sup>1)</sup>

December 31, 2015 – December 31, 2020



<sup>1)</sup> Distribution of Annhem Fastigheter for 2019 corresponded to SEK 7 per share. This distribution is included in the total return.

## List of shareholders on December 31, 2020

	A shares	B shares	Total number of shares	Proportion of capital, %	Proportion of votes, %
Ekhaga Utveckling AB	25,563,264	36,057,059	61,620,323	20.8%	48.2%
AB Axel Granlund	1,500,000	18,000,000	19,500,000	6.6%	5.5%
Mats Paulsson	3,861,354	8,109,175	11,970,529	4.0%	7.7%
Peab's profit share foundation		12,019,000	12,019,000	4.1%	2.0%
Länsförsäkringar Funds		11,801,783	11,801,783	4.0%	2.0%
Handelsbanken Funds		10,557,287	10,557,287	3.6%	1.7%
Kamprad family foundation		8,600,000	8,600,000	2.9%	1.4%
STATE STREET BANK AND TRUST CO, W9		6,487,620	6,487,620	2.2%	1.1%
SIX SIS AG, W8IMY		4,429,633	4,429,633	1.5%	0.7%
JPM CHASE NA		3,717,243	3,717,243	1.3%	0.6%
PENSIONFUND INSURANCE COMPANY		3,607,000	3,607,000	1.2%	0.6%
AMF Insurance and Funds		3,454,022	3,454,022	1.2%	0.6%
Pension, FUTUR		3,303,584	3,303,584	1.1%	0.5%
CBNY-DFA-INT SML CAP V		3,159,952	3,159,952	1.1%	0.5%
DEUTSCHE BANK AG, W8IMY		3,102,131	3,102,131	1.0%	0.5%
BNP PARIBAS SEC SERV LUXEMBOURG, W8IMY		3,039,290	3,039,290	1.0%	0.5%
Other shareholders related to the Paulsson family	891,912	1,831,950	2,723,862	0.9%	1.8%
Other shareholders	2,503,427	119,366,060	121,869,487	41.1%	23.9%
<b>Number of outstanding shares</b>	<b>34,319,957</b>	<b>260,642,789</b>	<b>294,962,746</b>		
Peab AB		1,086,984	1,086,984	0.4%	0.2%
<b>Number of registered shares</b>	<b>34,319,957</b>	<b>261,729,773</b>	<b>296,049,730</b>	<b>100.0%</b>	<b>100.0%</b>

## Allocation of shareholdings per 2020-12-31

Number of shares	Number of shareholders	Proportion of capital, %	Proportion of votes, %
1-500	35,948	1.7	0.8
501-1,000	6,416	1.8	0.9
1,001-5,000	7,597	6.1	3
5,001-10,000	1,301	3.2	1.6
10,001-15,000	438	1.8	0.9
15,001-20,000	234	1.4	0.7
20,001-	597	84	92.1
	<b>52,531</b>	<b>100.0</b>	<b>100.0</b>

## Shares and votes per share class 2020-12-31

Share class	Number	Number of votes	Proportion of capital, %	Proportion of votes, %
A	34,319,957	10	11.6	56.7
B	261,729,773	1	88.4	43.3
<b>Total</b>	<b>296,049,730</b>		<b>100.0</b>	<b>100.0</b>

## Data per share

	2020	2019
<b>Segment reporting</b>		
Earnings, SEK	10.00	7.25
Equity, SEK	44.92	42.30
Cash flow before financing, SEK	9.42	3.47
<b>Reporting according to IFRS</b>		
Earnings, SEK	10.79	9.00
Equity, SEK	42.18	39.18
Cash flow before financing, SEK	12.72	10.94
Share price at year-end, SEK	89.65	93.75
Share price/equity, %	213	239
Dividend, SEK <sup>1) 2)</sup>	4.50	-
Direct return, % <sup>3)</sup>	5.0	-
P/E-ratio <sup>3)</sup>	8	10

<sup>1)</sup> The Board of Directors' proposal to the AGM for 2020.

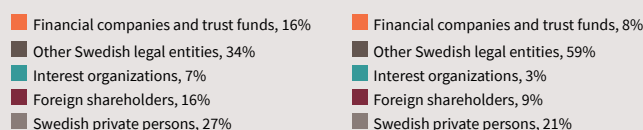
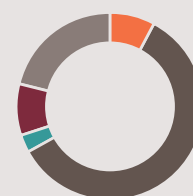
<sup>2)</sup> Distribution of Annehem Fastigheter corresponded to SEK 7 per share at the time of the distribution on December 11, 2020.

<sup>3)</sup> Based on closing price at year-end.

## Shareholder categories, proportion of capital per 2020-12-31



## Shareholder categories, proportion of votes per 2020-12-31



# Five-year overview

Group, MSEK	2020	2019	2018 <sup>1)</sup>	2017 <sup>1)</sup>	2016 <sup>1)</sup>
<b>Income statement items, segment reporting</b>					
Net sales	57,417	55,349	52,233	49,981	46,054
Operating profit	3,541	2,610	2,573	2,418	2,044
Pre-tax profit	3,433	2,579	2,518	2,458	1,996
Profit for the year	2,948	2,138	2,100	2,067	1,685
<b>Income statement items, IFRS</b>					
Net sales	59,852	56,303	52,233	49,981	46,054
Operating profit	3,922	3,285	2,573	2,418	2,044
Pre-tax profit	3,745	3,227	2,518	2,458	1,996
Profit for the year	3,181	2,656	2,100	2,067	1,685
<b>Balance sheet items, segment reporting</b>					
Fixed assets, not interest-bearing	12,037	11,175	9,872	9,706	8,139
Fixed assets, interest-bearing	1,257	1,086	1,445	1,520	1,762
Current assets, not interest-bearing	22,257	25,584	23,983	19,893	20,050
Current assets, interest-bearing	1,053	517	2,016	1,006	1,398
<b>Total assets</b>	<b>36,604</b>	<b>38,362</b>	<b>37,316</b>	<b>32,125</b>	<b>31,349</b>
Equity	13,251	12,479	11,348	10,332	9,340
Long-term liabilities, not interest-bearing	1,794	1,162	1,100	1,041	1,136
Long-term liabilities, interest-bearing	2,754	3,266	5,194	2,573	2,728
Current liabilities, not interest-bearing	15,376	15,583	17,856	17,010	15,851
Current liabilities, interest-bearing	3,429	5,872	1,818	1,169	2,294
<b>Total equity and liabilities</b>	<b>36,604</b>	<b>38,362</b>	<b>37,316</b>	<b>32,125</b>	<b>31,349</b>
<b>Balance sheet items, IFRS</b>					
Fixed assets, not interest-bearing	13,560	12,001	9,872	9,706	8,139
Fixed assets, interest-bearing	1,257	1,086	1,445	1,520	1,762
Current assets, not interest-bearing	26,294	30,084	23,983	19,893	20,050
Current assets, interest-bearing	1,053	517	2,016	1,006	1,398
<b>Total assets</b>	<b>42,164</b>	<b>43,688</b>	<b>37,316</b>	<b>32,125</b>	<b>31,349</b>
Equity	12,443	11,559	11,348	10,332	9,340
Long-term liabilities, not interest-bearing	1,752	1,086	1,100	1,041	1,136
Long-term liabilities, interest-bearing	4,364	4,129	5,194	2,573	2,728
Current liabilities, not interest-bearing	15,977	16,266	17,856	17,010	15,851
Current liabilities, interest-bearing	7,628	10,648	1,818	1,169	2,294
<b>Total equity and liabilities</b>	<b>42,164</b>	<b>43,688</b>	<b>37,316</b>	<b>32,125</b>	<b>31,349</b>
<b>Key ratios, segment reporting</b>					
Operating margin, percent	6.2	4.7	4.9	4.8	4.4
Equity, average during the year	12,772	11,994	10,731	9,705	8,579
Equity attributable to shareholders in parent company, average during the year	12,771	11,942	10,730	9,704	8,579
Return on equity, percent	23.1	17.9	19.6	21.3	19.6
Capital employed, at year-end	19,434	21,617	18,360	14,074	14,362
Capital employed, average during the year	20,709	21,421	16,761	13,972	14,122
Return on capital employed, percent	17.6	12.8	15.9	18.7	15.9
Equity/assets ratio, percent	36.2	32.5	30.4	32.2	29.8
Net debt	3,873	7,535	3,551	1,216	1,862
Debt/equity ratio, multiple	0.3	0.6	0.3	0.1	0.2
Interest coverage ratio, multiple	28.5	18.7	21.6	21.8	12.9
<b>Key ratios, IFRS</b>					
Operating margin, percent	6.6	5.8	4.9	4.8	4.4
Equity, average during the year	12,230	10,940	10,731	9,705	8,579
Equity attributable to shareholders in parent company, average during the year	12,229	10,938	10,730	9,704	8,579
Return on equity, percent	26.0	24.3	19.6	21.3	19.6
Capital employed, at year-end	24,435	26,336	18,360	14,074	14,362
Capital employed, average during the year	26,706	25,905	16,761	13,972	14,122
Return on capital employed, percent	15.0	13.2	15.9	18.7	15.9
Equity/assets ratio, percent	29.5	26.5	30.4	32.2	29.8
Net debt	9,682	13,174	3,551	1,216	1,862
Debt/equity ratio, multiple	0.8	1.1	0.3	0.1	0.2
Interest coverage ratio, multiple	20.2	19.6	21.6	21.8	12.9



Group, MSEK	2020	2019	2018 <sup>1)</sup>	2017 <sup>1)</sup>	2016 <sup>1)</sup>
<b>Capital expenditures<sup>2)</sup></b>					
Goodwill	-145	8	23	61	40
Other intangible assets	74	127	98	113	34
Investment property	2	-70	-262	265	-
Buildings and land	398	439	-31	181	200
Machinery and equipment	780	1,172	1,193	1,292	1,175
Shares and participations	-93	776	169	-563	303
Project and development properties, segment reporting	-1,917	-434	2,103	702	324
Project and development properties, IFRS	-2,842	-444	2,103	702	324
<b>Orders<sup>3), 4)</sup></b>					
Orders received	49,735	44,130	51,087	48,999	41,445
Order backlog	42,709	42,494	45,819	40,205	33,572
<b>Personnel</b>					
Number of employees, at year-end	15,252	14,258	14,614	14,344	13,869
Average number of employees	15,166	14,309	14,661	14,578	13,712
<b>Data per share, segment reporting</b>					
Earnings before and after dilution, SEK	10.00	7.25	7.12	7.01	5.71
Cash flow, SEK	9.42	3.47	-3.46	7.78	8.99
Equity, SEK	44.92	42.30	38.47	35.02	31.67
<b>Data per share, IFRS</b>					
Earnings before and after dilution, SEK	10.79	9.00	7.12	7.01	5.71
Cash flow, SEK	12.72	10.94	-3.46	7.78	8.99
Equity, SEK	42.18	39.18	38.47	35.02	31.67
Share price at year-end, SEK	89.65	93.75	72.40	70.60	72.30
Dividend, SEK <sup>5)</sup>	4.50	-	4.20	4.00	3.60
Number of shares at year-end, millions	295.0	295.0	295.0	295.0	295.0
Average number of outstanding shares, millions	295.0	295.0	295.0	295.0	295.0

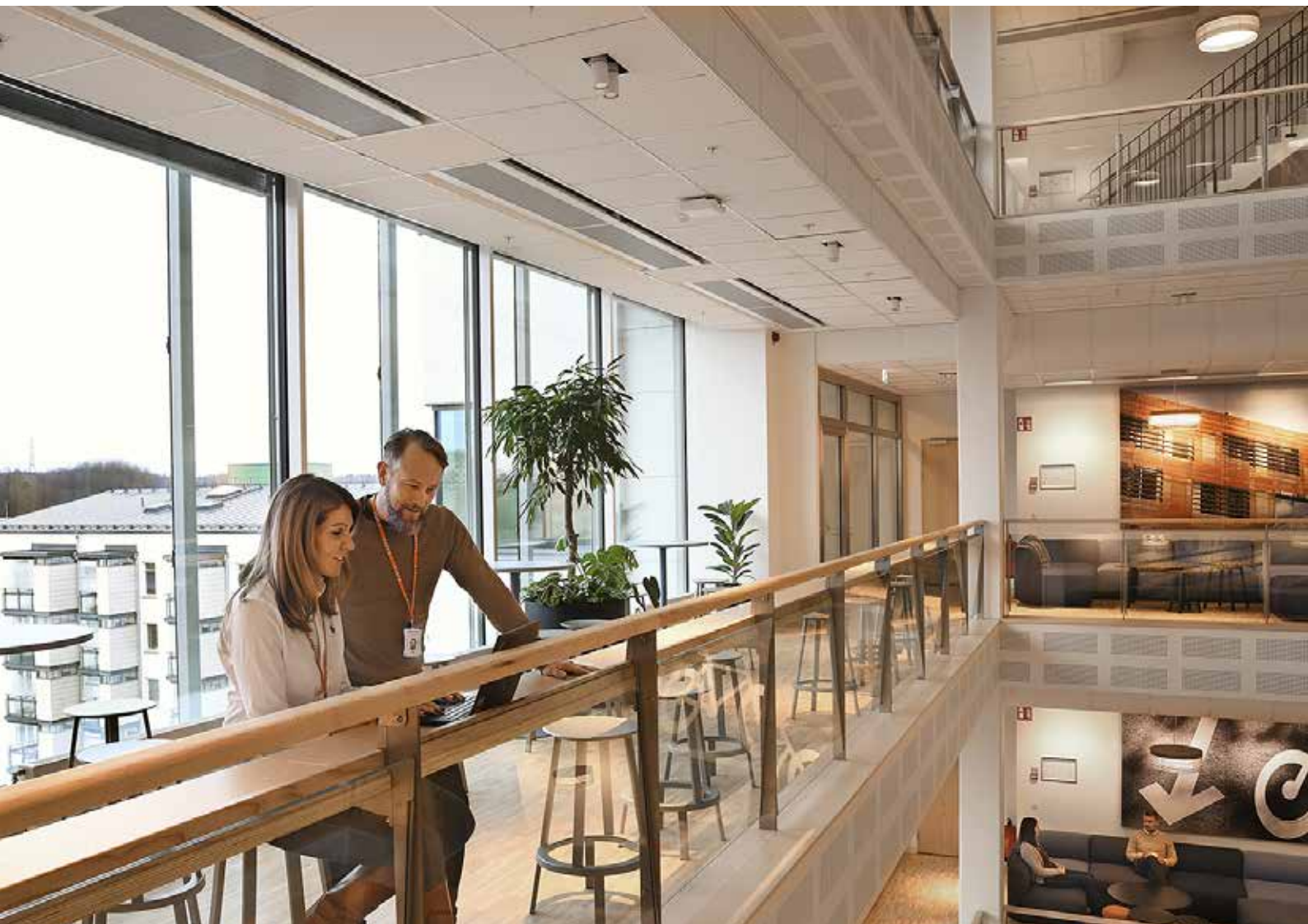
<sup>1)</sup> Not translated according to the changed accounting principles for tenant-owner associations and IFRS 16, Leasing.

<sup>2)</sup> For 2020 the amounts are adjusted for the acquisition of paving and mineral aggregates operations and the distribution of Annehem Fastigheter.

<sup>3)</sup> The order situation is based on segment reporting. Regarding our own housing development projects, tenant-owner associations and housing companies are considered external customers.

<sup>4)</sup> As of 2017 certain sections of Industry's orders received and order backlog are presented.

<sup>5)</sup> For 2020, the Board of Director's proposal to the AGM.



## 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 the 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).

The difference between segment reporting and reporting according to IFRS is described in more detail in note 1, note 2 and note 5. The difference primarily consists of differences in accounting principles for our own housing development projects where revenue and profit are recognized over time in segment reporting and at one point in time, when homebuyers take over their homes, in reporting according to IFRS. In segment reporting leasing fees for the lessee are recognized linearly over the leasing period for leases that are classified by the counterparty (the lessor) as operational leases. IFRS 16 Leases is applied in Group reporting according to IFRS, which entails that lessees recognize depreciation and interest attributable to leasing assets and liabilities. As a result the difference between segment reporting and reporting according to IFRS even affects the items on the balance sheet, including net debt. Nonetheless, in the key ratios below the method of calculation is the same for both segment reporting and reporting according to IFRS. For more information and calculations, see Peab's website [www.peab.com/alternative-keyratios](http://www.peab.com/alternative-keyratios).

## Financial definitions

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

### Cash flow per share

Cash flow per share calculated as the total of the cash flow from current operations and cash flow from investment activities divided by the average number of outstanding shares during the year.

### Direct return, shares

Dividend as a percentage of the share price at year-end. Measures the direct return of the proposed dividend in relation to the price at year-end.

### 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 year. 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.

### Interest coverage ratio

Pre-tax profit items plus interest expenses in relation to interest expenses. The measurement shows how well the interest costs can be covered.

### Net debt

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

### Net debt, segment reporting

Interest-bearing liabilities including provisions for pensions less liquid funds and interest-bearing assets. As of January 1, 2019 unsold part of ongoing own housing development projects is included in net debt.

### 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.

### P/E ratio

Share price at year-end divided by earnings per share.

### 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 the parent company divided by the average (last four quarters) equity attributable to shareholders in the parent company. The measurement is used to create efficient business and a rational capital structure and show how the Group has multiplied shareholders' equity.

## Other non-financial definitions

### Contract amount

The compensation stipulated in the contract for contract work excluding VAT.

### Development rights

Estimated amount of construction possible on a piece of land. A development right is the maximum level of construction allowed on a property according to a zoning plan. The scope of the future zoning plan is estimated for up and coming zoning plans. In order to have the right of disposition over a development right ownership of, or the option to own, the land is required. Development rights for commercial property are measured in square meters.

### eNPS

eNPS stands for employee Net Promoter Score and measures employee engagement. The result can vary between -100 and 100 and is based on the question to employees: "How probable is it that you would recommend your employer to a friend or acquaintance?"

### Fixed price

Contract work carried out for a fixed price without the contractor being able to alter it, unless the client makes changes to in the contract work or makes supplementary orders.

## Partnering/Collaboration

A type of structured collaboration in the construction industry in which the developer, consultants, contractors and other key actors work together to achieve a construction goal. The collaboration is founded on trust where each person's professional skills supplement the others' throughout the construction process. The basic idea is that the developer gathers together all the expertise needed to realize the project early on. This is a way to avoid having actors involved in the process for only a limited period of time. In partnering/collaboration everyone's know-how comes to pass and everyone works together in a project from start to finish.

## Project and development property

Holdings of undeveloped land and decontamination property for future development, property with buildings for project development, processing and thereafter divestiture within Peab's normal business cycle.

## Project development

Finding project or development properties and developing these into complete projects.

## Risk observations

A risk observation means at a workplace noticing behavior, risks or shortcomings that could lead to an incident or accident.

## SCI

SCI stands for Satisfied Customer Index and measures how satisfied Peab's customers are. SCI is a weighted measurement between 0 and 100 and is based on three questions: 1) Total satisfaction, 2) In relation to expectations 3) In relation to ideal supplier.

## Serious accidents

Peab uses the Swedish Work Environment Authority's definition of a serious accident as an accident where one or more persons are injured at a workplace or a place they have visited for work. Serious accidents can be injuries such as bone fractures, effusive bleeding or nerve, muscle or tendon damage, injuries to inner organs or second or third degree burns. Serious accidents that occur in our other Nordic countries are categorized by the same definition.

## Turnkey contract

Contract work where the contractor, in addition to building, is also responsible for designing and planning the project.

# Welcome to Peab's Annual General Meeting

The Annual General Meeting of Peab AB will be held on Thursday May 6, 2021.

Due to the risk of spreading COVID-19 the Board has decided that the Annual General Meeting (AGM) will be held through postal voting on the basis of temporary legislation. Therefore it will not be possible to attend personally or through a representative.

## Conditions for participation

Shareholders who want to participate in the AGM must in part be entered in the share register kept by Euroclear Sweden AB (Euroclear) on Wednesday, April 28, 2021 and in part give notice of their participation by having sent in their postal vote according to the instructions in the paragraph entitled "Postal vote" below so that Euroclear receives it no later than on Wednesday, May 5, 2021. Please observe that notice of attendance to the AGM can only be given by postal vote.

Shareholders whose shares are registered for management through a bank or other manager must – in addition to giving notice of their participation by having sent in their postal vote – request the shares be temporarily registered in their own name so that the shareholder is entered in the share register kept by Euroclear on Wednesday, April 28, 2021. This registration may be temporary (so-called voting right registration) and is requested of the manager within the timeframe determined by the manager. Voting right registration that has by the shareholder been requested early enough to have been registered by the manager no later than April 30, 2021 will be considered in the preparation of the share register.

## Postal voting

A special form must be used for postal voting. The form is available at the company website <https://peab.com/agm>.

The completed form is sent by mail to Peab AB, "Annual General Meeting", c/o Euroclear Sweden AB, Box 191, 1010 23 Stockholm or by email to [GeneralMeetingService@euroclear.com](mailto:GeneralMeetingService@euroclear.com). Euroclear must receive the completed form no later than Wednesday, May 5, 2021. Shareholders that are physical persons can also postal vote no later than Wednesday, May 5, 2021 electronically by verification through a BankID via Euroclear's website, <https://anmalan.vpc.se/euroclearproxy>.

The shareholder cannot leave any other instructions other than mark below one of the given answer options at each point on the form. If the shareholder adds special instructions or terms, makes changes or additions to the printed text the vote will be invalid. Further instructions and terms can be found on the postal voting form and at <https://anmalan.vpc.se/euroclearproxy>.

Information concerning decisions taken by the Annual General Meeting will be publicized as soon as the outcome of the postal vote is tallied on Thursday May 6, 2021.

## Summons to attend and agenda items

The summons to attend the AGM with information concerning the items on the agenda will be published on Monday, April 5, 2021 on Peab's website <https://peab.com/agm> and on Tuesday April 6, 2021 in Post- och Inrikes Tidningar.

## Dividend

The Board proposes to the AGM an ordinary dividend for the year 2020 of SEK 4.50 per share. Monday May 10, 2021 is proposed as the record day for the dividend. If the AGM adopts a resolution in accordance with the proposal, it is expected that the dividend will be issued by Euroclear on Friday May 14, 2021.

## Financial information

At [www.peab.com](http://www.peab.com) we continually provide current information on the company, financial results and how our share is developing. Financial reports and publications can be downloaded there as well. They can also be ordered by contacting: Peab AB, Margretetorp svägen 84, SE-269 73 Förslöv or Tel +46 431-890 00.

### Follow Peab quarter by quarter

When Peab publishes our quarterly reports we also present the financial results for the previous quarter and a description of the current situation. The link to the presentations can be found at [www.peab.com/reports](http://www.peab.com/reports).

### Shareholder contact

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Juha Hartomaa  
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Tel +46 431-890 00  
[juha.hartomaa@peab.se](mailto:juha.hartomaa@peab.se)

### Annual calendar 2021

First Quarter Report	May 6, 2021
Annual General Meeting	May 6, 2021
Second Quarter Report	July 16, 2021
Third Quarter Report	October 27, 2021
Year-end Report	February 4, 2022
Annual and Sustainability Report	April 2022

### Analysts who follow Peab

Company	Name	Email
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Carnegie	Erik Granström	<a href="mailto:erik.granstrom@carnegie.se">erik.granstrom@carnegie.se</a>
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SEB Enskilda	Stefan Andersson	<a href="mailto:stefan.andersson@enskilda.se">stefan.andersson@enskilda.se</a>



# More than 60 years of community building

## 1959

**“We can do it, we can use father’s tractor”**  
Mats and Erik Paulsson, 14 and 16 years old, take on a contract their father said no to – collecting garbage for summer residents on the Bjäre Peninsula.

## 1963

**Peab starts up in civil engineering**  
The brothers buy their first excavator and begin to develop civil engineering operations with it.

## 1965

**The brothers buy “Otto’s gravel pit”**  
and the farm that goes with it in Förslöv and turn “the gravel pit” into a real gravel quarry.

## 1970

**Building boom in Sweden – Peab launches construction operations**  
Construction operations begin when the workshop in Förslöv is built and the brothers buy the construction company building it.

## 1975

**Stenmark creates skiing fever**  
and the brothers wanted to find a vacation place for their employees. They buy into what will in a couple of years will be called Lindvallen in Sälen AB, better known today as Skistar. It was part of Peab until 1983.

## The 80s

**Establishment in Malmö**  
Establishment in Malmö with the renovation of the Börshus and construction of the Saab factory.

## The 90s

**Expansion during the banking and financial crisis**  
Peab initiates an acquisition offensive that leads to being listed on the stock market and nationwide coverage.

## 1993

**Peab buys Sweden’s largest construction company, BPA**  
With its 5,000 employees Peab buys trade union owned BPA that has three times the number of employees.

## 1994

**Norway**  
Oslo-based Fagbygg A/S (part of BPA) becomes part of Peab Norway and establishes Peab on the Norwegian market.

## 1999

**Finland**  
Finnish Rakennus OY Leo Heinänen is acquired which puts Peab in the Finnish market.

## 2006

**The Peab School launched**  
Labor force shortages in the industry and being an ambitious community builder are the factors behind starting the Peab School in 2006. Since its doors opened more than 1,300 students have graduated from it. Today there are schools in Malmö, Gothenburg and Stockholm.

## 2009

**Hyllie**  
Peab acquires Annehem and becomes part of the journey to develop the completely new borough Hyllie in Malmö.

## 2015

**Refugee crisis**  
Peab engages in the Swedish Public Employment Service’s program The 100 Club, an initiative that offered immigrants an internship or job. The Peab School starts a language introduction for immigrants.

## 2020

**Acquisition in paving and mineral aggregates**  
Peab acquires YIT’s Nordic operations in paving and mineral aggregates. Peab gains nearly 2,000 new employees and establishes operations in Denmark.

**Distribution of Annehem Fastigheter**  
Peab distributes and lists the previously wholly owned subsidiary Annehem Fastigheter.

## 2021

**New mission and strategic targets**  
Peab sets a new mission, revises its financial and non-financial targets and establishes the fourth target area “Leader in social responsibility”.

Peab is the Nordic Community Builder with 15,000 employees and net sales of SEK 57 billion. With a local presence and focus on our own resources we develop, do the groundwork and build everyday life where it's lived. Company headquarters are in Förslöv on Bjäre Peninsula in southern Sweden. The Peab share is listed on Nasdaq Stockholm.

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