



Transition in progress

ANNUAL AND SUSTAINABILITY REPORT 2021

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Sustainability appendix incl. GRI Index and sustainability data: peab.inpublix.com/2021/en

Formal annual and Group financial reports which have been audited by company accountants, pages 41–133.

Information on the statutory Sustainability Report is found on page 66.

TRANSITION IN PROGRESS:



More sustainable building in Malmö
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Logistic hub in Sundsvall contributes to transition
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Region develops with new road at Trondheim
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ECO-Asfalt supports Lahti's ambitious climate targets
p. 23

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 2020 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: Employees from the project Tolvåker School in Löddeköping. Photo: Annika Persson.

Photographers: Annika Persson, Fredrik Rege, Helen Shippey, Johan Gunseus, Klas Andersson, Markus Esselmark, Mattias Bardå, Mattias Käll (illustrations), Per Eriksson, Peter Kroon, Peter Steen, Sebastian Lamotte, Ulf Celander, Nye Veier, Carbonwhite, Ramboll.

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 lives. Every day our 15,000 employees contribute through four collaborating business areas to community building in Sweden, Norway, Finland and Denmark. Together we build homes, schools, retirement homes, hospitals, swimming pool facilities, museums, offices, airports and ports. We build and maintain roads, railroads, bridges, parks and much, much more. Peab has contributed to locally produced community building for more than 60 years. Now the journey continues. Long-lasting and responsibly we are forging ahead, and improving everyday life where it's lived.



Value through collaborating business areas

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.

[Read more on pages 10–11.](#)

Targets for a sustainable unit

We updated our targets in 2021: most satisfied customers, best workplace, most profitable company and leader in social responsibility. Each of these four targets are important on their own but they are linked together as a unit too. All the targets are measured in comparison to the construction and civil engineering industry.

[Read more on pages 12–14.](#)

Local and close to our customers

Our 15,000 employees work close to our customers in the community and 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 integrated climate and environmental work this forms the foundation of what we call locally produced community building.

[Read more on pages 18–39.](#)

Four strategic targets and nine external targets

Satisfied Customer Index (SCI) SCI stands for Satisfied Customer Index and measures how satisfied Peab's customers are. TARGET: >75 OUTCOME: 81	Serious accidents The target is measured as zero fatal accidents and a contracting trend, rolling 12 months. Serious accidents are defined according to classification 4. TARGET: <39 OUTCOME: 28	Operating margin The target is measured according to segment reporting. TARGET: >6% OUTCOME: 5.2%	Carbon dioxide intensity Climate target for our own production The target refers to lower emissions of greenhouse gases Scope 1+2 (ton CO ₂ e/MSEK). TARGET: -60% OUTCOME: -40%
eNPS eNPS stands for employee Net Promoter Score and measures employee engagement. TARGET: >15 OUTCOME: 24	Net debt/equity ratio Net debt in relation to equity. The target is measured according to segment reporting. TARGET: 0.3-0.7 OUTCOME: 0.2	Dividends The target is to surpass 50 percent of profit for the year. Measured according to segment reporting. TARGET: >50% OUTCOME: 59%	Equal opportunity The target is measured as: percentage of recruited women in production among skilled workers (SW, production and processing) and white-collar workers (WCW, production management and production support) > percentage of women who have graduated with, for us, relevant degrees on the education markets. TARGET, SW: >5% OUTCOME: 6.8% TARGET, WCW: >28.5% OUTCOME: 34.9%

[Read more about our targets and outcomes on pages 12–14.](#)

2021 in summary

- Profitable growth and broadly met targets.
- Improvements in margins in construction contract operations and housing development.
- Increase in orders received of SEK 55,848 million (49,735) and order backlog of SEK 45,318 million (42,709).
- Strong financial position despite investments in business areas Industry and Project Development.
- ECO-products grew. ECO-Asfalt offered throughout the Nordic region. ECO-Ballast (ECO-Mineral aggregates) and ECO-Prefab launched.
- Peab issued green bonds.
- Board proposes a cash dividend of SEK 5.00 (4.50) per share.



"With our strong business model I'm confident about the future and Peab forging ahead with our locally produced community."

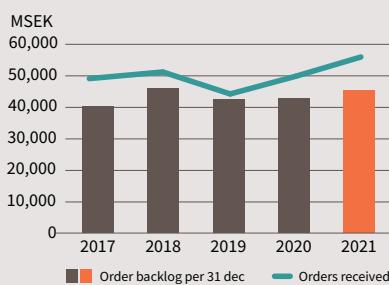
Financial summary

The Group has different accounting principles in segment reporting compared to reporting according to IFRS for our own housing development projects and for IFRS 16 (previously operational leasing contracts). 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 4.

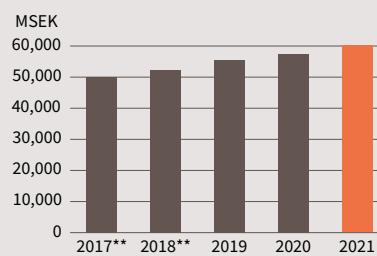
MSEK	Segment reporting		Reporting according to IFRS	
	2021	2020	2021	2020
Net sales	60,026	57,417	58,923	59,852
Operating profit	3,098	3,541	2,975	3,922
Operating margin, %	5.2	6.2	5.0	6.6
Pre-tax profit	3,076	3,433	2,902	3,745
Profit for the year	2,507	2,948	2,377	3,181
Earnings per share, SEK	8.50	10.00	8.06	10.79
Return on equity, %	18.5	23.1	18.9	26.0
Equity/assets ratio, %	36.3	36.2	29.0	29.5
Net debt	2,404	3,873	10,515	9,682
Net debt/equity ratio, multiple ¹⁾	0.2	0.3	0.8	0.9
Cash flow before financing	3,041	2,779	1,052	3,753
Dividend per share, SEK ²⁾	5.00	4.50	5.00	4.50
Average number of employees	14,907	15,166	14,907	15,166

¹⁾ Net debt in relation to equity. ²⁾ For 2021, The Board's proposal to the AGM.

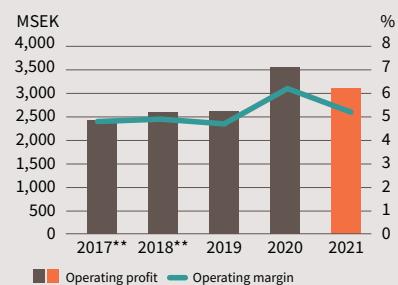
Orders received and order backlog*



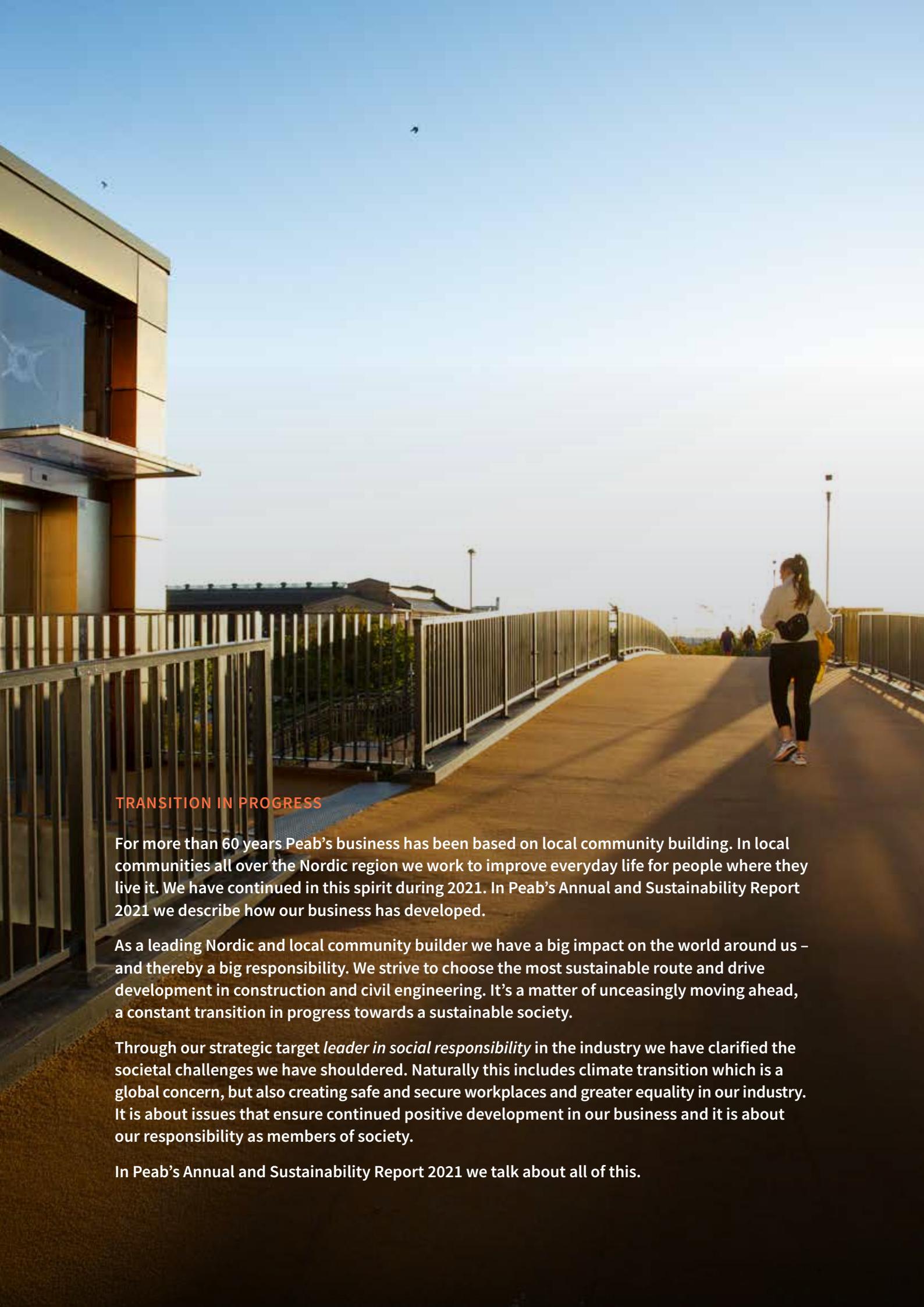
Net sales*



Operating profit and operating margin*



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



TRANSITION IN PROGRESS

For more than 60 years Peab's business has been based on local community building. In local communities all over the Nordic region we work to improve everyday life for people where they live it. We have continued in this spirit during 2021. In Peab's Annual and Sustainability Report 2021 we describe how our business has developed.

As a leading Nordic and local community builder we have a big impact on the world around us – and thereby a big responsibility. We strive to choose the most sustainable route and drive development in construction and civil engineering. It's a matter of unceasingly moving ahead, a constant transition in progress towards a sustainable society.

Through our strategic target *leader in social responsibility* in the industry we have clarified the societal challenges we have shouldered. Naturally this includes climate transition which is a global concern, but also creating safe and secure workplaces and greater equality in our industry. It is about issues that ensure continued positive development in our business and it is about our responsibility as members of society.

In Peab's Annual and Sustainability Report 2021 we talk about all of this.



Collaboration for sustainable values

The year 2021 can be summarized as yet another year when we created value throughout the Nordic region with our locally produced community building. We contributed in different ways to improving everyday life where people live it. For Peab this meant growing profitably and broadly meeting our updated financial and non-financial targets.

When we summarize 2021 Peab can check off one more successful year. For the financial year this entailed continued profitable growth, strong cash flow, a high level of orders received and strong financial position. Group net sales increased by five percent in 2021 and surpassed 60 billion Swedish kronor. Operating profit amounted to 3.1 billion Swedish kronor and the operating margin was 5.2 percent.

Our work on improving the operating margin continues to bear fruit in both the construction contract operations Construction and Civil Engineering and in Housing Development. Integration of YIT's Nordic paving and mineral aggregates operations into business area Industry after their acquisition in 2020 is progressing well and when we, for the first time, present the outcome of our nine external targets we can conclude that they have been broadly met.

Rich plethora of commissions

The variation and geographic spread of the products and services Peab delivers continues to be good, even if housing did become an increasingly larger portion in 2021. More and more of net sales in business area Construction were housing projects and at the same time construction of public sector buildings like schools and sports facilities rose significantly. Public investment needs were apparent in business area Civil Engineering as well and during the year Peab landed several exciting infrastructure projects concerning ports, bridges and roads. In business area Industry over 60 percent of net sales are generated in paving and mineral aggregates operations. That gives us a position as market leaders in the Nordic region on a market less sensitive to fluctuations in the economy.

Our four business areas, the good geographic spread of our commissions in the Nordic region, the public sector that generates at least half of our net sales as well as the fact that almost 90 percent of our contracts are under 500 million Swedish kronor are four important aspects that spread our risks well and provide stability in Peab's business.

Continued investments in housing and property deals

Our fourth business area Project Development also made significant progress during the year. Despite the corona pandemic the business continued to show stable development. Both production starts of our own housing developments and sales increased and were well spread geographically throughout Sweden, Norway and Finland. In addition, Housing Development signed several contracts for the sales of rental apartment projects which will be recognized in revenue when they are completed and turned over. A number of real estate transactions in Property Development during the year contributed to operating profit and we started up new real estate projects in, for instance, Malmö and Gothenburg. At the end of the year we also made a billion krona investment on Lilla Essingen in Stockholm which gave us access to extensive development rights. These are all examples of investments in line with our strategy. Today in Project Development we can, depending on the market situation, focus development on tenant-owner and rental apartments as well as commercial and public buildings.

First year with updated targets

Because Peab is today a Nordic community builder with considerable local presence and four collaborating business areas, executive management and the Board adopted nine external financial and

non-financial targets at the beginning of 2021. The targets are related to the industry and categorized under the strategic targets; most satisfied customers, best workplace and most profitable company as well as the new, fourth strategic target, leader in social responsibility which includes climate and equality aspects.



The fine profit we delivered for 2021 and how well we met our targets is naturally thanks to our some 15,000 engaged employees. They are the ones that in every local market throughout the Nordic region make our locally produced community possible.

For the first time we are presenting the status of all our nine external targets and we are pleased to say that they have been broadly met. For instance, we have surpassed our targets regarding Satisfied Customer Index, recommend Peab as an employer (eNPS) and equal opportunity in recruitment. Likewise we have a contracting trend in serious accidents and carbon dioxide intensity is developing in the right direction concerning our two climate-related targets, although the reduction for input goods and purchased services is less than in our own production. Regarding our three financial targets, development of the operating margin is headed in the right direction. Our target is an operating margin that over time surpasses 6 percent and during the year we have gone from 4.5 (excluding the effect of the distribution of Annehem Fastigheter) to 5.2 percent. As a result of a strong cash flow the net debt/equity ratio at the end of year was 0.2, which is lower than the target interval 0.3-0.7. This despite the fact that we continue to invest in, above all, business areas Industry and Project Development. The Board has proposed a dividend of SEK 5.00 per share which means we will even achieve our third financial target of dividends of over 50 percent of profit for the year.

Leader in social responsibility

The non-financial targets are an expression of the responsibility we take and therefore define our prioritized sustainability aspects. As a leading Nordic community builder we have a big impact – and a big responsibility. This means always striving in our own operations to take the most sustainable route and drive sustainable development in the industry, which our targets linked to social responsibility take particular aim at. We intend to be climate neutral in 2045 and along the way we have adopted two climate targets for 2030. We also intend to take advantage of all the competence out there in society and make sure that these skilled employees can work in safe and developmental environments. This is why we have set targets for both equal opportunity



Gasklockan 2, Norra Djurgårdsstaden, Stockholm

and workplace accidents, ensuring our operations are focused on these important issues.

We strive to make our industry safe and sound. This concerns both healthy competition and control at every stage, particularly in the supply chain. We work actively for an open industry with a level playing field and humane working conditions. We are also explicit in our demands, especially those regarding the climate.

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. Our business plan is important and a guiding light for our employees as they transition and integrate our sustainably aspects into their roles and daily operations. 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

The fine profit we delivered for 2021 and how well we met our targets is naturally thanks to our some 15,000 engaged employees. They are the ones that in every local market throughout the Nordic region make our locally produced community possible. They are the ones that separate us from the competition and make Peab's future bright. In a troubled world our decentralized model is always an advantage. With all the employees in our four business areas working together we can utilize local resources in the form of our own input goods, employees and local subcontractors. This entails our ECO-products, including the new ECO-Prefab, ECO-Stomme (ECO-Frame) and ECO-Ballast (ECO-Mineral Aggregates), recycling and reuse in local projects as well as local social responsibility through Peab Life and the Peab School, and everything in between. This is how we create local and sustainable business in the Nordic region. This is how we improve everyday life for people where they live it.

I want to take this opportunity to express a heartfelt thanks to each and every one of my colleagues that day-by-day do their best to deliver quality to our customers and build communities.

This is also how we take on the market and external challenges we face – like the pandemic or the rise in prices for materials and energy. We have managed the price hikes well and now we are working on adjusting and streamlining our operations to curb the effect of rising construction costs. Another uncertain factor is the persevering uncertainty about long-term access to cement. We are following developments regarding Cementa's permit process for Slite but, first and foremost, we are working on our own binder alternatives and securing the supply of cement by importing it ourselves. At the time of writing all eyes are turned to Ukraine after the Russian invasion. In addition to the terrible tragedy of the people the war touches, the situation risks hampering macroeconomic growth in the world. Naturally we carefully follow developments in order to continually assess any possible effects on Peab. Despite all these challenges, I want to make it clear that the long-term external driving forces are very advantageous for Peab.

With our strong business model I'm confident about the future and Peab forging ahead with our locally produced community. I look forward to continued value creation for our customers, employees, owners and society in general and in particular furthering our work on contributing to the essential climate transition.

Förslöv in March 2022

Jesper Göransson
President and CEO



From historical dockland ...

TRANSITION IN PROGRESS: BRF FYRSKEPPET IN MÄLMO

Where the sea breeze meets the city pulse Peab is throwing a new light on territory with a rich ancestry in its most climate-adapted residential project so far. Peab is building the neighborhood Brf Fyrskeppet, which gets its name from Kockum's lightship, in historical Varvsstaden in Malmö.

Next to the docklands in Malmö what was previously a shipyard is going through a complete transformation. A new city borough is emerging, Varvsstaden, containing everything from homes and offices to restaurants and parks. The premise of the project is building sustainably – like saving the industrial architecture, building within the old shipyard buildings and reusing as much of existing material as possible.

Peab is building its most sustainable living environment up to now in the neighborhood Brf Fyrskeppet. Building components with the greatest climate impact are being replaced with prefabricated ECO-Stomme (ECO-Frame) and

ECO-Betong (ECO-Concrete), which generates the maximum reduction in emissions and saves around 1,300 tons carbon dioxide. Climate consideration permeates the entire project in everything from sedum roofs, solar panels, plant and cultivation areas to recycled energy from waste water and reused material like cast iron plates and bricks from the old shipyard. In addition to demands on the actual construction Peab puts demands on subcontractors concerning their choice of fuel for machines and transportation.

"We've really taken the climate into consideration in every aspect of this project. Fyrskeppet is our guide in the development towards more sustainable construction," says Embla Winge, Head of Peab's climate concept.

Just like all of Peab's own housing developments in Sweden and Norway Brf Fyrskeppet will be Swan eco-labeled.



"Fyrskeppet is our guide in the development towards more sustainable construction."

Embla Winge, Head of Peab's climate concepts



... to dockside neighborhood Varvsstaden with care



Bumpy recovery



The first half of 2021 was marked by quick economic recovery, particularly among Sweden's most important trade partners due to vaccinations, eased restrictions and a strong demand for products.

The positive turnout led to a relatively fast recovery in global trade, which also meant supply problems in the form of shortages in components and transportation. There were several other bumps along the road to recovery and development was characterized by growing uncertainty in the latter part of the year. Inflation accelerated after the summer and has penetrated more and more sectors. On top of that it is now expected to be more enduring than the market first anticipated. The United States was the most noticeable example where last year, inflation was the highest it has been in thirty years. Problems caused by the component shortage have been compounded by an energy shortage and rising prices as well as growing uncertainty about China's capacity as an international economic engine, also due to energy shortages and rising prices. The recent dramatic developments in Ukraine have a key impact on external circumstances. In addition to the tragedy of the people the war touches, the situation risks hampering macroeconomic growth in the world. In Sweden this can affect the construction industry through greater uncertainty and cautiousness concerning investments, continued high material and energy prices as well as material shortages and delivery problems. Total growth in the global economy in 2021 is calculated at around 5.8 percent after a decline of about 3.5 percent in 2020. The forecast for growth in 2022 indicates an increase of slightly more than 4.0 percent. The upturn in 2021 was somewhat weaker in EU and estimated at 5.3 percent. However, recovery may end up aligned with the rest of the world.

At the 26th Climate Summit COP26, that took place in the beginning of November, the 194 countries that signed the Paris Agreement reported on what they had achieved so far regarding their commitments. One of the main points on the agenda was to review how much the countries needed to raise their ambitions to reach net zero emissions by 2050, in order to keep global warming at around 1.5 degrees. The IPCC states in its latest report that the world must immediately begin to significantly and continually reduce emissions for us to have a chance at achieving the 1.5 degree target. The IEA has concluded that investments in green energy and transportation must treble from current levels over the next eight-year period. There were several positive results from the meeting such as phasing out coal power plants, stopping deforestation and reducing methane gas emissions. But now we have to walk the talk. In many ways Sweden is a model country regarding planning and building sustainable environments for the future. Community builders, together with political will and drive, are important tools in this process. These issues will undoubtedly continue to dominate and permeate almost all our investments and strategic choices.

Sustainable cities are not only a matter of reducing climate impact in construction and future management. The question is also how buildings, facilities and environments can create positive environmental and social effects such as generating renewable energy, contributing to biodiversity and being secure and inclusive for their inhabitants. On top of this society is going through rapid digitalization and behavior changes that can topple old truths about where we want to live and how we can shape our work and daily lives.



The economy in Sweden

The Swedish economy recovered surprisingly well during 2021 and the positive development touched a large part of businesses. The manufacturing industry experienced some glitches due to component shortages, which particularly affected the automotive industry negatively. Households' confidence in the economy rose thanks to eased restrictions, low interest rates, good stock market developments and rising property prices. Optimism diminished somewhat in the latter part of the year due to rising inflation, energy shortages and the renewed spread of the virus. The forecast for 2022 is positive with continued good financial growth, low interest rates and contracting unemployment. However, there is a risk that rising energy prices and supply disturbances, as a result of the war in Ukraine, may have a negative impact on both households and industry.



The economy in Norway

The Norwegian mainland economy has recovered and even surpassed the level it was at before the pandemic. Household consumption rose substantially in 2021 as society opened up again and private consumption became an important engine in financial growth. Conditions for strong growth in household consumption continue to be good for 2022. The level of orders received in industry is good but production is stymied by a shortage of input goods. With resource consumption on the rise, investments are expected to increase in 2022. Expectations on the negative side are weak oil industry investments, a labor shortage in industry and rising interest rates as well as rising energy prices and supply disturbances, as a result of the war in Ukraine.



The economy in Finland

Finland's economy grew at a good rate in 2021 due to private consumption and a considerable rise in exports. The forecasts for 2022 indicate an upturn in the GNP which, although the rate will not be as high as in 2021, has several strong points – higher investments, quickly contracting unemployment and a significant increase in household consumption. However, the uncertain situation in the world can have a negative impact on exports. Higher capacity utilization is expected to accelerate investments in 2022. A stronger labor market benefits public finances but it is vital that employment increases among older workers since new calculations reveal that problems with the country's aging population are greater than were previously known. There is also a risk for rising energy prices and supply disturbances, as a result of the war in Ukraine.

New construction investments accelerated in Sweden

After a slight rise in building construction volumes in 2020 developments accelerated in 2021. The positive trend involved both homes and private and public buildings. New construction investments were behind the hike while renovation of premises dropped. The highest growth percentagewise was in industrial building construction and particularly in new warehouses and logistics facilities. Whether or not Cementa would be able to continue to quarry limestone on Gotland created uncertainty but last fall the government decided to allow it to continue until December 31, 2022. Nonetheless, a long-term solution remains unclear. Civil engineering investments, calculated to have grown in 2021, are expected to drop back in 2022.

Splintered upturn on the Norwegian construction market

After a decisive upturn in 2020 the rate of started-up building construction investments slowed somewhat in Norway in 2021. The upturn was splintered. The strongest increase was in renovations of private and public premises. In housing, single home construction drove growth while new construction of apartment buildings went sideways. All in all building construction is expected to develop horizontally in 2022. Single home construction and public building construction investments will probably be positive driving forces.

As the economy gets stronger conditions for the construction market become more positive. Most likely Norges Bank will raise interest rates in stages in 2022, which can slow down housing construction. Civil engineering investments, calculated to have grown significantly in 2021, are expected to continue to show good growth in 2022.

Office construction weighed down the strong Finnish construction market

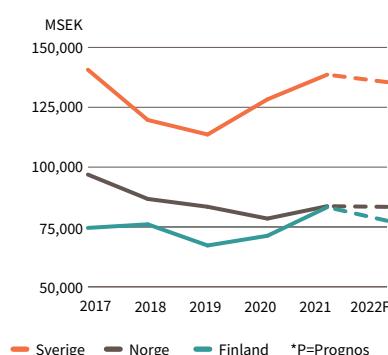
Building construction investments accelerated in 2021 on a broad front. Industrial building construction investments took a dramatic turn upwards. One exception was new construction and renovation investments in offices, commercial space and hotels which declined during the year. A quick recovery of the labor market benefits the housing market which also ought to be further boosted by relatively modest inflation and continued negative interest rates. In total, building construction investments are expected to decline in 2022. Housing construction may be stymied by a drop in apartment building construction while other building construction will be benefited by growing investments in offices and commercial space. Civil engineering investments seemed to have contracted somewhat in 2021 and the forecast for 2022 indicates zero growth.

The effects of the war in Ukraine have not been taken into consideration in any of the forecasts.

Investments 2017–2022 F^{1), 2)}

Housing investments

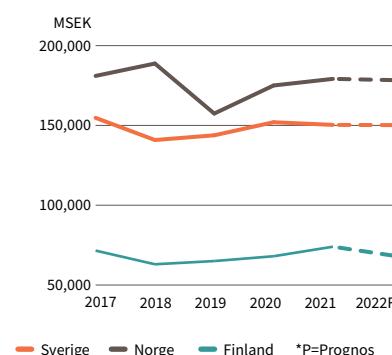
Initiated construction projects



¹⁾ F refers to forecast. ²⁾ The effects of the war in Ukraine have not been taken into consideration in any of the forecasts.

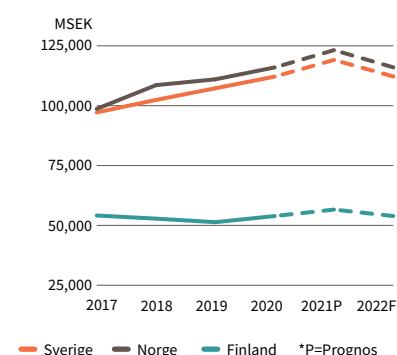
Other building construction investments

Initiated construction projects



Civil engineering investments

Ongoing investments



Danish paving market on par with 2021

Last year the Danish Parliament adopted a new infrastructure plan with more money for state roads over the period 2022-2035. This means that the low level of new construction in state roads in 2021 is expected to lift at the end of 2022 with a significant increase noticeable first in 2023. In 2022 municipal investments are expected to remain on the same high level as in 2021, for both new construction and maintenance. The private market has shown continued high activity and is expected to remain on the same level in 2022. The asphalt industry expects the entire volume of asphalt production and paving in 2022 to be around the same level as in 2021.

Other major players

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

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

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



From saw mill era ...

TRANSITION IN PROGRESS: SUNDSVALL LOGISTIKPARK

As industry in northern Sweden transforms and gears up the need for transportation increases and now one of the country's most crucial transportation hubs is under development in Sundsvall. The idea is to reduce carbon emissions through transport solutions with a lower impact on the environment. The investment is coordinated by the municipal company Sundsvall Logistikpark.

Sundsvall has a long history as an industrial cluster, from the saw mill era in the 1800s to the current measures being taken in industrial companies such as SCA and Valmet as well as the Swedish Transport Administration. Now a new logistics hub is under development that will connect the railroad, shipping lines and roads for modern transportation. This will allow greater volumes to be shipped by trains and boats instead of trucks on roads. Transportation will become more efficient, with a lower impact on the environment while meeting the increasing demand from business in the region.

Peab is building a new combi terminal with establishment surfaces, roads and railroads on behalf of the municipal company Sundsvall Logistikpark. The company coordinates several of the major expansion activities in the area Tunadal-Korsta-Ortviken, among them SCA's new container port that Peab is also building.

The logistic park will be the first to be built according to the world-leading environmental certification system in construction and infrastructure: Ceequal. The system assesses sustainability in a project from a comprehensive perspective and covers categories such as project management, transportation, contamination, resources, land use and ecology. One example is the reuse of excavated soil. All excavated soil will be used in other parts of the project such as in the 800 meter long and 200 meter wide noise barrier.

Reusing and recycling are recurrent themes in this project. Historical timber baron's manors from the turn of the century were moved by flatboat to new residential areas where the houses will live new lives. The project even made sure that as many construction details and garden plants as possible were also rescued.

"We at Sundsvall Logistikpark are laser focused on the environment and sustainability. Through our work with Ceequal certification the project has produced solutions to build a transportation hub in Sundsvall with a limited environmental impact. The logistic park enables sustainable development in the entire region where both new and existing businesses will have access to efficient transportation," says Sven Magnusson, CEO of Sundsvall Logistikpark.



"We at Sundsvall Logistikpark are laser focused on the environment and sustainability."

Sven Magnusson, CEO of Sundsvall Logistikpark



... to future logistics

We improve everyday life where it's lived

When Peab entered 2021 we were in many ways a changed company. After the acquisition of the paving and mineral aggregates operations and the distribution of Annehem Fastigheter our core business as local community builder with extensive presence throughout the Nordic region has become even more apparent. Therefore last year was the first year with updated targets and strategies.

Our business is founded on four business areas. Each of them is independent with its own customer base but the core of our business model is collaboration on the local market between the four business areas. This collaboration provides us with unique opportunities to, with our own resources and control over the entire value chain, meet customers' needs and external expectations. This allows us to utilize local resources in the form of our own input goods, employees and local subcontractors. This naturally entails our ECO-products, including the new ECO-Prefab, ECO-Stomme (ECO-Frame) and ECO-Ballast (ECO Mineral Aggregates), recycling and reuse in projects as well as local social responsibility through Peab Life and the Peab School.

This work method increases our efficiency and provides both financial and operative synergies. It's how we create long lasting and sustainable values. This is what we mean by locally produced community building throughout the Nordic region.

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.

From highly processed business in collaboration ...

Business areas

- Project Development
- Industry
- Civil Engineering
- Construction

Own products, expertise, input goods and services in the processing chain

Acquire

Develop

Do groundwork

**Business model: Operative synergies**

- Local production and close to customers
- Products and technical solutions
- Experience exchanges
- Scale advantages
- Talent management
- Presence throughout the entire lifecycle
- Climate responsibility

Business model: Financial synergies

- Degree of processing
- Revenue diversification
- Investment opportunities and financing strength
- Risk minimization

... to broadly met targets

Targets

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

Build

Divest

Maintenance

Collaboration – route to meeting targets

The strength in Peab's business model – and thereby our ability to achieve our targets – grows when our business areas collaborate with each other in the processing chain on the local market.

In order to further promote value creation after the changes in 2020, which entailed updating our mix of operations and increasing our Nordic presence, Peab revised its strategic targets at the start of 2021. Last year was therefore the first year we worked according to the updated strategy and updated internal and external targets. As of 2021 Peab reports the performance of our business by monitoring nine targets, of which three are financial and six are non-financial. We particularly want to highlight the external targets and they are subset of internal targets and action plans.

Both the internal and external financial and non-financial targets are categorized under the strategic targets; most satisfied customers, best workplace and most profitable company as well as the new, fourth strategic target, leader in social responsibility.

All the targets are measured in comparison with the construction and civil engineering industry. For more details concerning each target, please see www.peab.com/targets



Most satisfied customers
We will be a complete community builder that offers total solutions. We create value for our customers through expert and engaged employees.



Best workplace
We will be the obvious choice for anyone who wants to work in the industry. Everyone will be part of safe and including workplaces with good work conditions and opportunities to develop at Peab.



Most profitable company
With our engaged employees we ensure productivity and quality. Through our local presence, and the advantage of our size and mix of operations, we will become the most profitable company.



Leader in social responsibility
As the Nordic Community Builder with a local presence we take responsibility through innovations and making demands concerning the climate and environment, order and correctness in the industry and equal opportunity. Active social engagement in the community and focus on young people's education are part of our fundamental values.

Most satisfied customers

Satisfied Customer Index (SCI)

Target: > 75 (reported annually)



It is imperative for a long-term, sustainable relationship that Peab deliver on its obligations. A satisfied customer is a customer that comes back and is fundamental to our marketing. Our annual customer survey is a measure of how well we are meeting our customers' expectations while also indicating where there is room for improvement. The Satisfied Customer Index (SCI) is a weighted measure between 0 and 100. This year's SCI added up to 81 (80), which is a continued good result and higher than our target of 75. Customers' perception of Peab as priceworthy has developed in a particularly positive direction and regarding our business areas Project Development is notable for its strong development.

Best workplace

Serious accidents

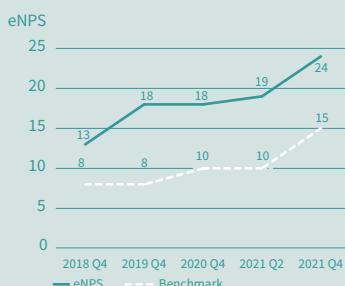
Target: Zero fatal accidents and a contracting trend, rolling 12 months, serious accidents classification 4 (reported quarterly)



Our target of a continuously contracting trend of serious accidents comprises both our own employees and everyone at our workplaces. The number of serious accidents at our workplaces decreased to 28 (39), of which 10 involved our own personnel and 18 involved subcontractors. To achieve our target of a contracting trend in 2022 the number of serious accidents must be under 28.

eNPS

Target: > surpass industry benchmark (reported semi-annually)

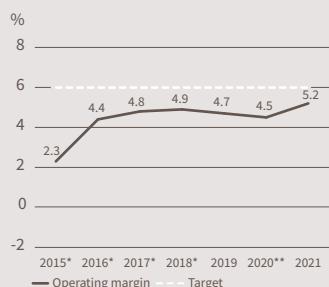


eNPS (employee Net Promoter Score) measures employee willingness to recommend Peab as an employer on a scale between -100 and 100. The eNPS value should be above the benchmark for the industry (industry and manufacturing). In the autumn survey the eNPS value for the Group rose by five points compared to the previous evaluation and was 24 (19). This is clearly above the Nordic benchmark which is 15 (10). The increase is primarily in Swedish operations while the value in Norway dipped slightly from a high level. The eNPS value rose particularly for female employees and was also slightly higher for skilled workers.

Most profitable company

Operating margin

Target: >6% according to segment reporting (reported quarterly)

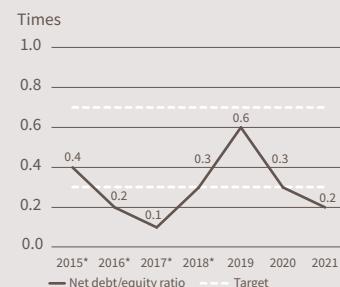


Development of the operating margin is going in the right direction with continued margin improvements in both construction contract operations and housing developments.

* Years 2015-2018 not translated according to changed accounting principles for own developed housing projects. **Operating margin excluding the effect of the distribution of Annehem Fastigheter (SEK 952 million).

Net debt/equity ratio

Target: 0.3-0.7 according to segment reporting (reported quarterly)



Strong cash flow contributed to a net debt/equity ratio of 0.2, which is lower than the target interval of 0.3-0.7.

* Years 2015-2018 not translated according to changed accounting principles for own housing development projects.

Dividend

Target: >50% of profit for the year according to segment reporting (reported annually)



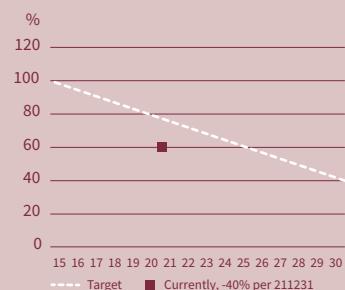
Based on Peab's stable profitability, strong financial position and high level of orders the Board proposes a dividend of SEK 5.00 (4.50) per share.

* Years 2015-2018 not translated according to changed accounting principles. ** For 2019, no cash dividend has been paid. The value of the distribution of Annehem Fastigheter at the time of the distribution in December 2020 amounted to 97 percent of the profit for the year 2019. *** The proportion is calculated without the effect of SEK 952 million on profit due to the distribution of Annehem Fastigheter. **** Board of Directors' proposal to the AGM.

Leader in social responsibility

Carbon dioxide intensity: Climate targets for our own production

Target: Reduced emissions of GHG Scope 1+2 (tons CO₂e/MSEK) of 60% by 2030 (reported annually)



Scope 1 and 2 include direct and indirect emissions from fuel and energy consumption in our own production. The outcome for 2021 reveals that development is going in the right direction since carbon dioxide intensity in our own production has gone down by 40 percent compared to base year 2015. We are well on the road to converting the production we ourselves have control over.

Carbon dioxide intensity: Climate targets for input goods and purchased services

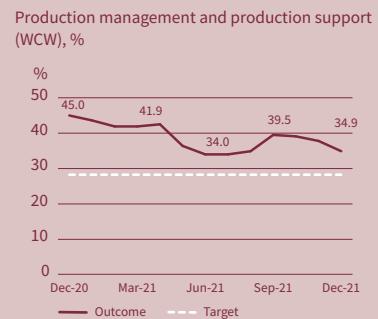
Target: Reduced emissions of GHG Scope 3 (tons CO₂e/MSEK) of 50% by 2030 (reported annually)



Scope 3 includes concrete/cement, asphalt/bitumen, transportation and construction equipment services, steel, waste management services and business travel. The outcome for 2021 reveals that development is going in the right direction if only by three percent for input goods and purchased services. This shows the challenge is greater when we are dependent on other parties for a reduction in our carbon footprint. It is therefore vital that we continue to make explicit and stringent demands as well as point out choices that are better for the climate in order to reduce emissions.

Equal opportunity recruitment

Target: Share of women recruited in production: skilled workers (SW) and white-collar workers (WCW) > percentage of women graduated with, for us, degrees in relevant education (reported annually)



Production and processing (SW), %



The target in equal opportunity recruitment is focused on core skills in production and processing (SW) as well as in production management and production support (WCW). The target for 2021 was achieved for both categories.

How we achieve our targets

Ultimately it's our 15,000 employees that create value for our customers, society and our other stakeholders and thereby create the conditions we need to achieve our targets. Together we focus on a number of strategic areas to develop our business in line with our business plan and strategies.

Higher processing ratio

Collaboration between business areas raises the level of processing in our production. Highly processed business is where projects and products generate revenue in several business areas. Having a high level of our own expertise and input goods improves steering, efficiency, quality and safety along with environmental and other sustainability related performance.

Examples of progress in 2021:

- Procedures developed for dialogue and collaboration between business areas in our Nordic regions.
- Clarification of the continuous monitoring of collaboration between business areas through targets and measurements.
- Complementary acquisitions in Norway in business areas Industry and Civil Engineering.

Operational efficiency

Operational efficiency comprises experience and development, for instance, our best practice construction methods, construction technology solutions and other conceptual initiatives. We take advantage of our years of experience and extensive knowledge to promote efficiency in operations.

Examples of progress in 2021:

- Continued development and work on our predesigned Building Type Concept, NärBo, with a tower block as a complement to the already existing low-rise apartment building. The concept has been very well received by customers and some twenty projects are under production.
- Development and continued implementation of our installation and construction technology solutions.

Knowledge exchange

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

Examples of progress in 2021:

- Established cross-functional teams for various product segments such as ports and water, infrastructure, wooden houses, swimming pool facilities and wind power.
- Completed and launched Group platform (common data warehouse) for efficient knowledge exchange.
- Adopted new digitalization strategy with focus on usefulness in production.

Innovation and making demands

Our ECO-products are examples of innovation. We have developed ECO-Betong (ECO-Concrete) 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 in Sweden to fossil free fuel for the manufacture of ECO-Asfalt and this process will continue in our other countries. We have created 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 promote innovative sustainable solutions.

Examples of progress in 2021:

- Greater use of Merit (that replaces cement) in concrete in our production plants.
- Launched ECO-Asfalt in Finland, Norway and Denmark.
- Launched ECO-Prefab and ECO-Ballast (ECO-Mineral aggregates) in Sweden.
- All operations that produce prefabricated concrete elements have been converted and can offer products with ECO-Betong (ECO-Concrete).
- Established Group function for R&D.

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.

Examples of progress in 2021:

- Acquired property and development rights with exploitation possibilities.
- Founded joint venture with SkiStar to develop mountainside locations.
- Sold a number of rental apartment projects.
- Started new building projects.

From a stretch of the road ...

TRANSITION IN PROGRESS: E6 AT TRONDHEIM

Every day 15,000 cars traffic the seven kilometer long stretch of road between Kvål and Melhus south of Trondheim. By the summer of 2022 this stage will have a new four lane highway after two years in the making. This road is important for the region and is also a good example of how reuse, waste management and carbon emission reduction can characterize building a road.

Parts of the road were opened for traffic at the end of 2021. In addition to the four car lanes Peab built six new bridges, on and off ramps, an ecoduct and commuter parking in this stage. Not only is the seven kilometer section of road more efficient and safe for its users, climate and environmental consideration has permeated its construction – in large part due to planning at an early stage. The customer, Nye Veier, has together with Peab carried out the project for the first time in the form of an Integrated Project Delivery contract. This has entailed close collaboration in the early blueprint stage, which led to significant environmental and climate advantages.

Reuse of both the old stretch of road and excavated soil has reduced waste, transportation and extraction of virgin material. The project has also consciously worked to conserve biodiversity in the area surrounding the highway.

As far as waste is concerned, more than 90 percent of it was sorted. The highest volumes of waste in Norway come from the construction and civil engineering industry, and excavated soil dominates these volumes, which is why lowering waste amounts is imperative for the entire sector.

“Clearly defined joint goals and an open and ongoing dialogue about choices that reduce our impact on the climate and surrounding environment have been key to our successful collaboration. Now we want to take what we’ve learned from this project with Peab and use it in our other projects nationwide,” says Nye Veier’s Managing Director, Anette Aanesland.



“Now we want to take what we’ve learned from this project with Peab and use it in our other projects.”

Nye Veier’s Managing Director, Anette Aanesland.

... to a highway for regional development

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 high demand for homes and public premises in the Nordic region, some reservation concerning offices and retail space.
- Population growth and an aging population are factors that over time drive demand for construction.
- From the drawing board to production the process is becoming increasingly digitalized.
- More construction projects are permeated by focus on the environment and climate as well as certifying buildings.
- Uncertainty regarding the price of material and energy can affect construction costs.

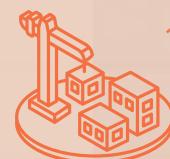
Peab's position

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 about business area Construction on pages 47–49.

Net sales	Operating margin	Employees
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SEK 27.0 billion	2.6 %	5,796
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BUSINESS AREA INDUSTRY

Complete supplier focused on climate change

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 areas complemented by a number of strong, local brands such as Swerock, Peab Asfalt, Lambertsson and Byggelement.

Trends and driving forces

- Market development follows flows in economies and public investments.
- High activity in the construction and civil engineering market generates a big demand for concrete, paving, mineral aggregates and rentals.
- Growing portion of climate-adapted products and circular material.

Peab's position

One of the leading actors in all segments in Sweden. Growing position in Norway and Finland with some operations in Denmark.

Read more about business area Industry on pages 53–55.

Net sales	Operating margin	Employees
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SEK 18.8 billion	5.0 %	5,110
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BUSINESS AREA CIVIL ENGINEERING

Ties people and communities together

Business area Civil Engineering builds and maintains infrastructure such as roads, railroads, bridges, ports as well as pedestrian and bicycle paths. 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 continued major investments in public infrastructure and large industrial projects.
- Access to the right expertise continues to be the most significant factor limiting further expansion.
- Much greater focus on the environment and sustainability, particularly by customers in the public sector.

Peab's position

Leading civil engineering actor in Sweden with operations in Norway.

[Read more about business area Civil Engineering on pages 50–52.](#)

Net sales	Operating margin	Employees
SEK 14.2 billion	3.3 %	3,634

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 with other partners in joint ventures. Housing Development develops homes for private homebuyers and investors while Property Development acquires, develops, manages and divests commercial property.

Trends and driving forces

- Due to the continued significant underlying need for housing market conditions in the Nordic region are considered good.
- The need for public buildings is rising.
- The demand for modern, flexible and environmentally-adapted offices in good locations will continue to be strong.

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 about business area Project Development on pages 56–61.](#)

Net sales	Operating margin	Employees
SEK 9.5 billion	13.0 %	242

Community builder with a big responsibility

Peab works daily to improve everyday life for people where they live it in the Nordic region. We do this by building everything from homes, schools, retirement homes and hospitals to bridges, roads and other infrastructure.

Working sustainably is a strategic matter for Peab that should be completely integrated into our operations. Each and every employee should work sustainably in their role based on our core values, business concept, mission, strategic targets and Code of Conduct. Our work is formed by internal and external collaboration in the three areas social, environment and economic where we have identified our material sustainable aspects. We summarize these in our external and internal targets within the framework for our four strategic targets.



We take responsibility, whether by contributing to more climate-adapted material use, healthy competition or safe and inclusive workplaces.

Our prioritized sustainable aspects are established by Peab's Board and executive management, integrated into Group and business area business plans and support our work in product development and technical solutions. As a big local employer in the Nordic region it is crucial for us to have, through cooperation and dialogue, good insight into local community needs. This knowledge then helps us to be useful. We take responsibility, whether by contributing to more climate-adapted material use, healthy competition or safe and inclusive workplaces. As one of the largest Nordic community builders we have decided to be leaders in social responsibility in our industry. It's a commitment that comes with obligations.

Stakeholders guide us

Peab's priorities and actions in the area of sustainability are greatly influenced by the expectations and demands expressed by stakeholders. An ongoing stakeholder dialogue keeps us aware of what issues are most important to them. 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 seminars at colleges. The accumulated result from these dialogues forms the basis of our materiality analysis and sustainability work priorities.

Our definition of sustainability

To Peab sustainability means responsible entrepreneurship that is ethical and long lastingly sustainable socially, environmentally and economically.

Locally produced community building

Our four business areas that collaborate locally give us better control over the supply chain. Our 15,000 employees ensure that we as far as possible use local resources in the form of our own employees, our own input goods and subcontractors. This together with our engagement in the community and integrated climate and environmental work forms the foundation of what we call locally produced community building.



Peab's stakeholders

Stakeholder	Expectations of Peab	Dialogue examples
Shareholders	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.
Employees; existing and potential	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 evaluations, 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.
Customers	Responsible ethical entrepreneurship, professional businessmanship, competence, resource capacity, quality, availability, experience and expertise exchanges, 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.
Suppliers	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, sustainability dialogues and partnership projects.
Local community	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 environment 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.

Updated prioritized sustainability areas

Peab's prioritized sustainability areas form a unit where the parts affect each other. With the adoption of the new business plan for 2021-2023 at the beginning of the year we revised the prioritized sustainability aspects we identified as the most relevant to manage, monitor and report. We categorize these under social, environment and economic and ensure that they are integrated into our operations and steering through our four strategic targets with financial and non-financial targets.



Social

Peab is a big employer responsible for fostering safe and inclusive workplaces. Naturally our business also affects people in the production chain. As a major local community builder we take our social responsibility seriously.

Sustainability aspects

- The work environment and safety culture
- Equality, diversity and equal opportunity
- Education and development for the young

Environment

The construction and civil engineering industry has a significant environmental and climate impact. Peab affects the environment and climate through our own operations and through the cooperation with actors in the value chain like suppliers and customers.

Sustainability aspects

- Climate impact
- Resource consumption
- Environmentally and health hazardous products

Economic

Peab takes responsibility for safe and sound conditions for its own business and the rest of the construction and civil engineering industry and the stakeholders affected in the supply chain.

Sustainability aspects

- Quality ensured supply chain
- Ethics and anti-corruption

Respect for human rights is fundamental

Respect for human rights is fundamental for Peab's operations and the entire value chain. This is explicitly expressed in our Code of Conduct but the risk for violations of human rights still exists in every aspect of our business, internally and externally, particularly in the supply chain. Therefore this is a key issue for us and it encompasses several of our material sustainability aspects. Read more in the section on risks on pages 62-65.

Steering Peab's sustainability work

Steering Peab's sustainability work is all about identifying, assessing and managing risks and opportunities, working systematically with continual improvements and setting specific targets within our prioritized sustainability aspects. Parallel to central regulations steering is managed as far as possible close to production on a local level but is monitored through our overarching Group targets. In order to further strengthen our local engagement, in 2021 we clarified the integrated responsibility for our sustainability work in our four business areas through, among other things, external and internal non-financial targets.

Peab's Board has given Peab's executive management the overriding responsibility for steering and monitoring the integration of a sustainable work method into its business. Peab's business area managers, who all report to the CEO, are responsible together with the COO for running our sustainability work as an integrated part of operations. They have a number of specialists to aid them. Peab works continuously to raise competence levels in every part of our organization around matters like work environment, environment, leadership, ethics and anti-corruption.

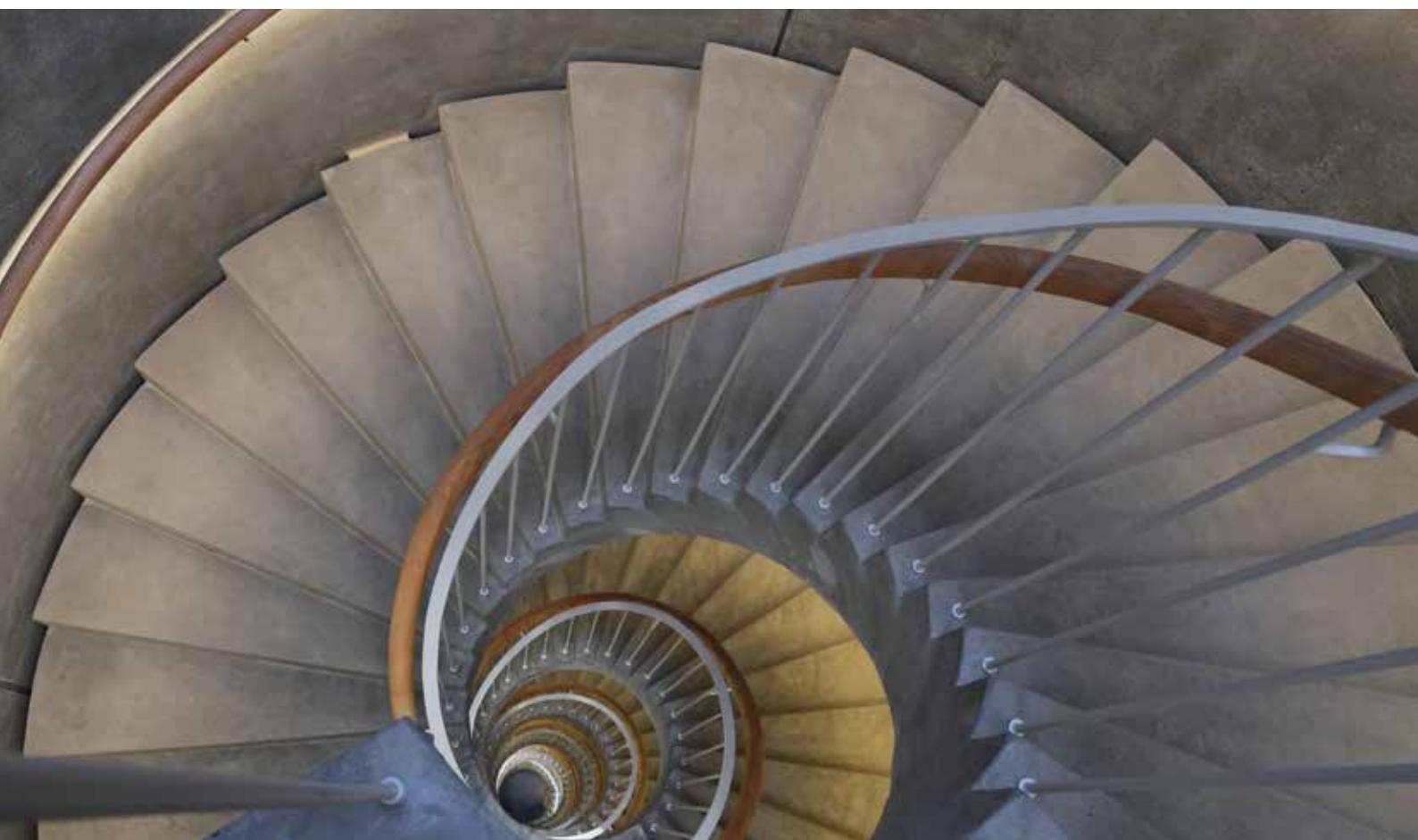
Central regulations and a management system for steering

The central regulations and management system for steering in Peab comply 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, UN's 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 guidelines and supportive documents.

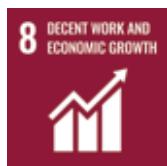


More measures to achieve the global goals

Peab's management regularly analyzes operations based on the UN's 17 global goals and 169 targets. The most recent one was in 2020. 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 the best chance of promoting sustainable development.



Goal 5 which concerns equal opportunity, is important to Peab since we, like the rest of the construction and civil engineering industry, still have a long way to go to achieve equal gender distribution. In 2021 executive management carried out a comprehensive equality analysis and set up quantitative targets for equality to boost progress in this area.



Goal 8 includes work conditions and is highly topical since it comprises several of Peab's prioritized sustainability aspects such as a safe work environment, good conditions in our supply chain and the path for youths into the labor force. There is also a great deal of risk associated with this area. One measure we took during the year was to further develop supply chain checks to ensure ethical and sustainable production conditions.



Goal 9 that concerns sustainable industry, innovations and infrastructure is relevant in part because of its connection to our industrial and civil engineering operations and our investment in sustainable innovation. During the year we continued to, for example, develop our ECO-products and invested in Sweden's first electrical crane on caterpillar tracks.



Goal 11 which concerns building sustainable cities and communities that are safe and accessible to all in many ways sums up the core of Peab. During the year we, among other things, reinforced our position as Sweden's largest school builder. We have also continued to work on our concept for youth's development, Peab Life.



Goal 12 concerning sustainable consumption and production is prioritized particularly because of its connection to our environmental target on resource efficiency. During 2021 we initiated several new projects and collaborations to increase reuse.



Goal 13, fighting climate change, is a crucial global issue and Peab, as a major Nordic community builder, has a big responsibility in this. During the year we took several important steps towards climate neutrality through innovation and investments as well as a new partnership concerning fossil free steel.

From fossil fueled manufacturing ...

TRANSITION IN PROGRESS: ECO-ASFALT IN LAHTI

The European Green Capital (EGCA) 2021 Lahti is going through an intensive transition to become carbon neutral in 2025. Paving is one of the activities that has affected the city's emission targets. Last year emissions from paving were cut in half when Lahti asphalted its streets with 10,000 tons of ECO-Asphalt.

The city of Lahti has set ambitious environmental goals in order to be carbon neutral in 2025. This requires collaboration and investments from different actors. Lahti and Peab work closely together and Peab was the city's principle partner when it was the EGCA last year.

The goal is to find and develop new solutions that reduce greenhouse gases emissions together. The first step is ECO-Asphalt which was launched in Finland through Peab's asphalt plant in Lahti. In the production of ECO-Asphalt in Lahti, fossil fuel is replaced

by biofuel generated from food leftovers. This single measure cuts carbon emissions in half.

Last year 10,000 tons of ECO-Asphalt were used to pave the streets of Lahti, which is the equivalent of about seven kilometers of road. This led to a savings of 171,100 kilos carbon dioxide equivalents, which can be compared to driving more than a million kilometers in a car.

"Reducing emissions from asphalt is a real step towards Lahti's goal of being carbon neutral in 2025. Reaching this goal requires collaboration and investments from different actors. Peab's ECO-Asphalt is a good example of how, with a simple measure, we can significantly affect asphalt emissions. Companies like Peab play an important role when it comes to investing in and developing and testing new solutions," says Saara Vauramo, from the City of Lahti and Program Manager for Lahti – EGCA 2021.



"Companies like Peab play an important role when it comes to developing and testing new solutions."

Saara Vauramo, Program Manager for Lahti – EGCA 2021

... to reducing emissions by half





Sustainability aspects

- The work environment and safety culture
- Equality, diversity and equal opportunity
- Education and development for the young

Sustainable social conditions for people

Peab's employees with their skills and engagement build the company. One of Peab's strategic targets is to be able to offer our employees 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 all the way through the production chain out into the local community.

Safe and inclusive work environment

The work environment and healthy employees is, and will always be, one of our top priorities. There are a lot of workplace injuries in the construction and civil engineering industry but we can never accept that people are injured or get sick because of their job nor can we accept any form of social exclusion at our workplaces. Everyone has the right to a safe, secure and including work environment and our work environment work in this area include everyone at our workplaces.

Last year was characterized by continuing to analyze risks and draw up action plans related to the pandemic. Peab's specialist team continued to monitor and draw up guidelines on how to assess and handle the spread of the virus at our Nordic workplaces based on the recommendations of national authorities.

The core of our work environment work is our accident prevention measures in which risk observations from employees and partners are one of several important factors. Every remedied risk is considered one less potential accident. Monitoring this by executive management and requiring reporting on work environment risks, incidents and accidents is crucial, along with always resolving identified risks before work begins.

Our zero accident vision and target of a contracting trend in all serious accidents are as of 2021 one of our nine external targets. The target comprises our own employees and everyone at our workplaces. In 2022 we will continue to strive to achieve a contracting trend in all serious accidents and incidents primarily through in-depth analyses and increasing awareness so that similar accidents do not occur again. A Nordic exchange of experiences permeates our systematic work

environment work. We also develop various forms of education. Last year 8,000 skilled workers took the industry's joint safety course Safe Construction Training.



The core of our work environment work is our accident prevention measures. Every remedied risk is considered one less potential accident.

All our employees as well as subcontractors and suppliers are encouraged to report risk observations, incidents and accidents at all our workplaces via support systems or to their closest supervisors. This is crucial information for us in our systematic work environment work. All our employees and non-employed personnel at our workplaces have the explicit right to refuse to do a job if it cannot be done safely. The level of risk observations during the year continued to be high 62,071 (61,238). In 2021 we noted a reduction in the number of serious accidents at our workplaces amounting to 28 (39¹) of which 10 were among our own personnel and the number of serious accidents at our subcontractors was 18. This, however, is overshadowed by the fatal accident of an

employee at one of our subcontractors in our operational area E6 in Kungälv where we have investigated the incident and taken corrective measures.

For our own employees we began to apply a supplemental key ratio that shows accidents with more than four days absence, LTIF4². This is a valuable complement in the work to analyze and reduce accidents.

Gauging our employees

In 2021 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 continues to be stable and well in line with the benchmark. The area of workloads has improved even if difficulties to relax after work are still reflected in the numbers. Equal opportunity has also improved but the outcome is lower among skilled workers than white-collar workers. Peab's Nordic annual health and work environment focus week was held in August and this year it spotlighted ergonomics. During the week's work it became clear that we need to do more in ergonomics to ensure a good work environment and so that our employees can have a healthy and active life even after they retire.

Twice a year we hold our personnel survey The Handshake so that we can continuously develop and improve as co-workers and teams. The questions in The Handshake mainly concern productivity, the team's sustainability and if employees are willing to recommend Peab as an employer to friends and acquaintances (eNPS). The latter is also one of our nine external targets that we report twice a year.

¹ The Group has conducted a Nordic review of our serious accident reporting and established a common definition. We have launched a process wherein each month we go through all accidents to quality ensure and lock our numbers throughout the entire Group, thereof the revised number of serious accidents for 2020.

² The number of workplace accidents with more than four days absence, excluding the day of injury (LTI4), and workplace accidents according to the same definition per one million hours worked (LTIF4) for our own employees.

TRANSITION IN PROGRESS

Team promotes safe roadway workplaces

Peab has a large number of construction sites affected by passing traffic which entails a risk that requires special safety arrangements. On the other hand, the way we arrange roadway workplaces affects passing traffic. Our goal is to always design safe workplaces while creating a safe environment for the general public. Therefore Peab has established our own team of traffic engineers tasked with supporting those who work with traffic and safety arrangements in different stages of construction, training colleagues and spreading good examples. Over a year the team visits almost a hundred workplaces, makes random checks and contributes with experience-based suggestions for improvement. For their work Peab's traffic arrangement team was awarded a silver medal in the Maintain Zero work environment awards.



Participation in the autumn survey was 84 percent in the Group, accompanied by many suggestions for improvement. This shows the great interest our employees have in contributing to developing their teams and our business.

Within the strategic target Best workplace the eNPS (recommend Peab) value should be above the benchmark for the industry (industry and manufacturing). The eNPS value for the Group rose in the autumn survey by five points compared to the previous evaluation and was 24 (18). This is clearly above the Nordic benchmark which is 15 (10). The increase is primarily in Swedish operations while the value in Norway dipped slightly from a high level. The eNPS value rose particularly for female employees but was also slightly higher for skilled workers.



A lot of work remains to achieve equality in the construction and civil engineering industry's workplaces.

Target to increase equality

A lot of work remains to achieve equality in the construction and civil engineering industry's workplaces. The biggest challenge is in skilled worker positions in production. These challenges start in the education system which leads to a limited recruitment base for employers. As a major Nordic community builder we have a

role in making a change but we cannot do it without help from schools.

The proportion of women in production at Peab is still way too low, which has a disproportionate effect on gender distribution since we have such a high portion of our own skilled workers compared to other actors in the construction and civil engineering industry. However, there is a good balance between women and men in all the other parts of our organization. In total the portion of women is 14 percent (13.3).

Peab and the industry's diversity challenge requires further measures, mainly in the educational system so that the supply to the industry and Peab makes it possible to employ more female managers and skilled workers. To speed up this crucial process Peab set explicit targets this year to increase equality linked to the educational system by striving for the percentage of women recruited to Peab for our core skills to always be higher than the percentage of women who have graduated with, for us, relevant degrees on the education markets. The percentage of women in new recruitments was 6.8 percent in production and processing compared to our target of more than 5.0 percent and 34.9 percent in production management and production support whereas our target was 28.5 percent. For 2022 the equal opportunity recruitment target in production and processing continues to be more than 5.0 percent while the target for production management and production support has been raised to more than 30 percent.

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. Salary processing in Norway, Denmark and Finland is performed according to national laws and



TRANSITION IN PROGRESS

Safe schools together with Friends

When we build we like to have in mind how what we build will be used. For example, for us building schools means incorporating a child and student perspective into the construction. One expression of this is the partnership with Friends Foundation we started to augment a secure environment for students in the schools we build or renovate. Together with the students we design places that need to become safe and in the first school partnerships we focused on restrooms.

"One of the most important factors for successfully making a school feel safe is that the work is permeated with participation and students are involved in working to prevent bullying and creating a more secure environment in the school. We're really happy to have this partnership between Friends, Peab and schools where we take advantage of each other's strengths to improve school environments, and that everything is built on what students have to say and their experiences," says Calle Gustavsson, Head of Education at Friends.



collective bargaining agreements. Peab's analysis of salaries paid in 2021 detected 19 (16) cases of subjectively set salaries between women and men for comparable professions, skills and positions. These salary differences were rectified.

Peab works actively with education and support for managers and co-workers to ensure no one is discriminated or victimized at our workplaces. We also have an Ethical Council which ensures that reports of victimization and discrimination are investigated by impartial expertise. In recent years around 12,000 employees have been educated in diversity and equal opportunity. The proactive measures for equality, diversity and equal opportunity will continue in 2022. All new employees take a mandatory training which is updated regularly.

Important to develop new managers

Peab has for many years prioritized developing managers on all levels and in 2021, when remote leadership was still a considerable challenge, it was more important than ever. In addition to the ordinary leadership development program, which is offered to managers on four different levels, we arranged a digital course on remote leadership and how mental illness can be prevented. We also had a special program for supervisors which is a group that often goes directly from getting their degree to becoming managers and therefore needs a lot of support. In total 325 supervisors, from Tromsø to Trelleborg, went through this training, and all in all we carried out developmental measures for 400 managers in 2021. On top of that we offered a wide range of seminars as well as coaching and mentorship.

Digital competence development for competent workplaces

We have further developed the digital methodology for competence development we launched during the pandemic and now our ordinary channel for competence development at work is

digital learning. We currently have a range of about 650 courses that all our employees can access on their cell phones, then apply to and, to a large extent, participate in online. In connection with annual goal and development discussions co-workers and supervisors can plan for digital courses and add them to the employee's individual development plan.

In our industry certificates are vital to ensure we have the right expertise available to carry out work with inherent risks. Visibility of these certificates has been digitalized so that every employee can produce them in their cell phone and they are digitally visible at all workplaces. We now also require our subcontractors to be able to display their important certificates digitally.

Focus on tomorrow's employees

Peab strives continually to attract new employees and prioritizes working together with the educational system in the countries we operate in. This collaboration takes the form of everything from internships and research projects to lectures, mentorship and tutorial help with master theses.

In Norway we work extensively with developing how to school interns as a way to ensure our own access to engaged, proficient skilled workers. Through our own concept for the education and development of Peab Life (see below) we also reach a number of primary and secondary schools every year. Peab's efforts are rewarded – Peab was once again in 2021 rated high in Universum's student survey and was also announced the year's Employer Branding Company. In its motivation Universum spotlighted Peab's work on equality and inclusion.

For a modern vocational education

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. Since 2020 we also have our own construction teacher who assists in the national education of young skilled workers in Finland. This year we launched a supervisor course led by our construction teacher in eight different places. These courses increase the possibility for us to take on more interns at our workplaces.

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Peab strives continually to attract new employees and prioritizes working together with the educational system in the countries we operate in.

Engagement in educating and developing youths

We want as many Nordic children and youths as possible to have equal access to leisure activities, the education they dream of or a step up into the labor force. Our social responsibility in the local community is aimed at providing equal access for as many youth as possible to education and development. This is an important part of our strategic target to be a leader in social responsibility.

The Peab School – fifteen years old

The Peab School, Peab's three independent upper secondary schools, concluded its fifteenth school year and in June 77 (68) students

graduated. In 2021 there were about 219 (220) students in the construction and civil engineering program and 73 (65) in the introduction program for vocational training. This means that since the start in 2006, 1,413 youths have received their upper secondary education through us.

The child's perspective is important in community building

Peab is the Nordic Community Builder and we build for everyone. When we build homes, schools, swimming facilities and hospitals or construct infrastructure and courtyards it's important for us to take into consideration the perspective of those who will spend time there. A large and significant target group is children and youths. Therefore Project Development decided this year to include the child's perspective in its strategic work, in close collaboration with Peab Life and according to the UN Convention on the Rights of the Child which is now Swedish law.

New programs for youths

In 2021 the concept Peab Life really began to unfold in Peab. Peab Life is a collective name for how we contribute to youth's development and education in the local community and it's part of our sustainability aspect education and development of the young. By making it possible for young people to participate in local building projects we want to build away inequalities and contribute to greater diversity, community and participation amongst Nordic youths.

Despite the limitations due to the pandemic during the year nine (17) projects were conducted with 1,000 (880) young people. In one of them we designed secure schools with the Friends Foundation, built a schoolyard together with The Rescue Mission, trained 200 youths in Biskopsgården in community building with Vasakronan and Gothenburg City and helped ten high school youths get a summer job. In 2022 we plan to reach at least as many youths in the Nordic region, in even more places.





Sustainability aspects

- Climate impact
- Resource consumption
- Environmentally and health hazardous products

Environmental work in focus

In recent years Peab's climate and environmental work has become increasingly comprehensive and our targets and measurements sharper. High ambitions and a rapid tempo is necessary since as the Nordic Community Builder we have a big responsibility for reducing the construction and civil engineering industry's considerable environmental impact at the rate specified by the Paris Agreement. Targets and more frequent follow-ups help us to carry out measures that really improve the environment as does collaborations that promote innovation. Taking responsibility for the environment is a key part of our strategic target to be a leader in social responsibility.

Measures, innovation and collaboration for climate neutrality

The most long-term target of Peab's three comprehensive environmental targets is to be climate neutral by 2045, which is in line with the scientifically-based 1.5 degree goal. Our targets up to 2030 are to reduce carbon dioxide intensity by at least 60 percent in our own operations (Scope 1 and 2) and for input goods and purchased services (Scope 3) by at least 50 percent (compared to 2015). Read more about Peab's strategic targets and outcome for 2021 on pages 12-13.

According to the Swedish National Board of Housing, Building and Planning developers and construction companies generate around 20 percent of carbon emissions in society. In Peab's own

operations most of the carbon emissions are generated by fossil fuel used in our vehicles and construction equipment, heating workplaces and manufacturing products. We therefore work on energy conserving measures and replacing fossil fuels with renewable energy. For example, Peab's subsidiary Swerock has installed district heating in two concrete factories in Sweden, partially financed by the local investments program the Climate Leap Initiative. However, the greatest environmental impact resulting from our operations stems from production of the material we use and the use of the products, such as buildings, we deliver. We can reduce this through our choice of material, and transportation and how we manage waste. Our responsibility for reducing climate impact and constructing a life cycle perspective not only

2030

Year 2030 we will have phased out environmentally and health hazardous products

2040

Year 2040 our business will be 100 percent resource efficient

2045

Year 2045 we will be climate neutral

concerns our own operations but the entire value chain as well. In Sweden Peab also stands behind the construction and civil engineering industry's Road map for fossil free competitiveness.

The ECO-product family grows

Peab produces ECO-Asfalt with carbon neutral biofuel. Peab's subsidiary Peab Asfalt currently has around 90 asphalt plants in the Nordic region. Of these, 20 plants in Sweden have been able to offer ECO-Asfalt in 2021. During the year we began the transition in our other countries by converting four asphalt plants in Denmark, two in Finland and one in Norway.

By increasing the use of reclaimed asphalt pavement we can reduce the use of the binder bitumen (a byproduct from oil production) in asphalt and at the same time we can use mineral aggregates of great quality circularly. In 2021 the portion of reclaimed asphalt pavement in Peab's Nordic asphalt production was 25 percent (compared to 14 percent 2015). It's important to us to continually further develop our ECO-concept. In 2021 Peab further developed asphalt with lignin, which partially replaces bitumen. Lignin is the natural binder in wood and is a byproduct from forestry. So far Peab has paved five test sections of asphalt with lignin in Sweden and one in Finland.

In our ECO-Betong (ECO-Concrete) part of the cement is replaced with slag, a byproduct in steel manufacturing. This reduces both carbon emissions from manufacturing and saves the extraction of virgin limestone. Through this the concrete's climate impact can be cut by up to 50 percent. Peab's subsidiary Swerock is constantly increasing production capacity for ECO-Betong and established a new factory in Malmö in 2021. The plant heating system is fossil free and environmental adaptation has been in focus throughout the establishment process – from operation and production to finished products and shipping. This means that, for example, virgin mineral aggregates and binder has been partially replaced by recycled material, we recirculate process water and almost exclusively use HVO fuel for transportation. Our construction and civil engineering operations aim to increase the portion climate-improved concrete used in projects to reduce their climate footprint.

Peab's subsidiary Byggelement in business area Industry introduced the climate-improved concepts ECO-Stomme (ECO-Frame)

and ECO-Prefab in 2021. Now when Peab builds Brf Mälarparken in Södertälje for the first time all the flat concrete bases, double walls and sandwich walls are made of climate-improved concrete. On top of that the reinforcement in ECO-Prefab consists of recycled steel, the electricity used in the factories is green and the sandwich walls are shipped by train. We are also investing in more A-frame pallets in order to offer shipping by train from more of our manufacturing units in concrete element operations.

Furthermore, Peab launched the concept ECO-Ballast (ECO-Mineral aggregates) during the year. Read more about this in the section on resource efficiency below. We strive to create greater access to the environmental information on our products, partly by third party verified Environmental Product Declarations (EPDs).

First construction company with fossil free steel

During the year Peab as the first Swedish construction company entered into a partnership with SSAB regarding fossil free, high quality steel. This means that as of 2026 Peab will start using fossil free steel from SSAB in our construction projects. Together we will also analyze various ways fossil free steel can help the construction industry reduce its climate footprint.

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In our ECO-Betong (ECO-Concrete) part of the cement is replaced with slag, a byproduct in steel manufacturing.

More electric vehicles and machines

Partnership with Volvo Trucks concerning electric vehicles has continued. In collaboration with our customer Kranpunkten we are first in Sweden to drive a heavy, specially equipped electric truck from Volvo Trucks. The model is the first mass-produced FE Electric Truck with this kind of superstructure in Sweden. With zero emissions and lower noise levels this electric truck will

primarily carry Kranpunkten's electric rental lifts to customer projects within environment zone 1 in Gothenburg's inner city. During the year Peab's subsidiary Lambertsson Kran also launched a unique electric mobile crane on caterpillar tracks. There are only three of these machines, which have a battery pack with a charger and run on electricity, in the world. The crane will be used all over Sweden and contributes to emission free workplaces with less noise.

Peab Asfalt has invested in a hybrid roller with an intelligent packing system that reads and regulates asphalt packing. The system signals when the asphalt is sufficiently packed which means fewer crossings, better quality and around 20 percent lower fuel consumption than in a standard roller.



Quite simply, hazardous products should never get into our operations.

Many roads lead to resource efficiency

Peab's second environmental target is to be completely resource efficient by 2040. This target also contributes to our climate target since resource consumption and producing material has a substantial climate impact. In addition, our industry generates waste and in construction there is always a risk that ecosystems and biodiversity will be affected. We therefore strive for resource efficiency in production with effective use of material, responsible management of residual products and work methods that shield

biodiversity. Our measures can entail designing resource lean constructions, purchasing circular products, minimizing waste, using land respectfully, managing excavated soil efficiently as well as sorting material so that it can be recycled. We also make sure to have close collaboration with the other actors in the value chain to achieve circular flows.

Circular material for sustainable construction

Civil engineering operations generate large amounts of surplus materials such as excavated soil and blasted rock. With so-called C&D Recycling Wash Plants Peab's subsidiary Swerock can contribute to circular material flows and reduce the amount of surplus materials that become landfill by up to 80 percent.

During the year, in Sweden Swerock launched the concept ECO-Ballast (ECO-Mineral aggregates) which is made of at least 50 percent recycled raw material and is thereby a significant contribution to circular community building. The raw materials can come from construction or civil engineering projects or be byproducts from industrial processes. ECO-Ballast can be used in the manufacture of, for instance, asphalt or concrete or as a construction material. The product has the equivalent properties of virgin mineral aggregates, it is quality-ensured with an environmental and health declaration. The first ECO-Ballast product we delivered was construction material to the project Partille Port.

Another example is high quality mineral aggregates for asphalt made of slag, a byproduct of the steel industry. Peab is also holding discussions with material suppliers about manufacturing products that contain recycled material. This is yet another important measure to drive development towards circular material flows.

Seminal contracts for increased reuse

Every year thousands of tons of construction material are thrown

TRANSITION IN PROGRESS

Pilot project for reclaiming timber

Together with Beijer Byggmaterial and Wihlborgs Peab started a pilot project to increase the reuse of timber from construction sites. As part of the concept Gen2 office building.



Reducing waste by remediation on site

Peab's civil engineering operations work with remediating contaminated land and dredged soil and this contributes to reducing hazardous substances in the environment. In order to lower the amount of waste that has to be taken care of, where applicable, we can provide so-called in situ remediation which entails rendering the pollutants harmless where they are deposited instead of removing the soil. This also means less transportation of replacement soil for filling, which is a boon for the climate. We work on developing the methods used and a practical example of this is the project Bobergsgatan in Norra Djurgårdsstaden where we remediate a contaminated area by injecting chemicals that break down the pollutants.



away and we want to find new ways to recycle and reuse it. To reduce the amount of waste and increase circular material flows in 2021, as the first major construction and civil engineering company, Peab signed a framework agreement for reuse with two large reuse actors in Malmö and Gothenburg. Dismantled and leftover material from construction sites that cannot be returned to suppliers like doors, windows and kitchen fittings can now be picked up by the reuse actors. Everything from used windows and closets to toilets and kitchens have been picked up in the project Textile Factory in Gothenburg and we have already turned over around 650 used windows and doors for reuse in the renovation project HSB Brf Fyrverkaren in Helsingborg.

During the year we also established new guidelines for how leftover material at our construction sites is to be handled aimed at enabling greater reuse while complying with laws and our Code of Conduct.

Protection and development for biodiversity

Biodiversity means having variations within and between species as well as different types of life environments. Biodiversity is crucial to human welfare and access to such essentials as potable water and basic foodstuffs. The issue of shielding and preserving biodiversity is highly topical for our sector. Peab's operations entail, as does all land use, encroaching on nature and the risk of displacing species. This is why we are careful to take steps to protect life and species, and even add to the biodiversity in the environments where we operate, especially in our quarries. 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 and identify any possible protection measures.

In Sweden sometimes Peab draws up biodiversity plans in connection with new quarry permits in order to identify the best way to protect and even benefit various species. Quarries offer unique life environments for a number of threatened species and

can therefore contain higher natural values than their surroundings. In 2021 we began work on a strategy for biodiversity. Peab fosters biodiversity by developing green infrastructure like fish passes and fauna passageways. Biodiversity is also a factor considered in environmental certification of buildings, for example the Nordic Swan Ecolabel. Our ambition is not only to protect a wealth of species but add to these riches when we can.

Phasing out and replacing environmental and health hazardous products

Peab's third environmental target is to phase out environmentally and health hazardous products by 2030. We want to protect people and the environment from toxic exposure in both production and usage. We also want to avoid mixing in toxic substances in material that will be reused.

In order to phase out hazardous products we work together with suppliers and producers to find new and better alternatives. During the year we implemented a substitution staircase and defined the criteria which inform the phasing out process, the so-called Peab criteria. We are also working on implementing a digital chemical management system into most of our operations to facilitate monitoring and steering chemical consumption.

Right from the start and traceable

Our prerequisites to phase out environmentally and health hazardous products are largely dependent on making the right decision to begin with. Quite simply, hazardous products should never get into our operations. We use environmental assessment systems such as Byggvarubedömmningen and Basta to help us choose products. We develop methods and systems to steer purchasing towards better product selection by, for instance, integrating information on environmental assessments and ecolabelling into our purchasing processes. Traceability helps us identify



substances we do not currently consider hazardous but which may later prove to be so. Keeping a logbook on built-in material is a way of ensuring traceability.

Continued focus on environmental certification of buildings

Buildings affect our environment during their entire lifecycle, from construction and operation to dismantling and demolition. Environmental certification systems provide a well-defined framework to work with in planning and production to assess how environmentally sustainable a building is and support us in our efforts to reduce our environmental impact.

Peab's own developed apartment buildings produced in Sweden and Norway are certified according to the Nordic Swan Ecolabel. Peab Construction Norway received its service license to build Swan ecolabeled buildings in 2021. Our own developed commercial buildings in Sweden are certified according to BREEAM or Miljöbyggnad. In Finland Peab's property development business uses the environmental certification system LEED instead. During the year a project in Finland was started as a pilot project for Swan ecolabel certification and since the summer of 2021 all our own developed housing projects in Finland are built with energy class A.



TRANSITION IN PROGRESS

Greater access to binder that replaces cement

Peab's subsidiary Swecem has its own factory for Merit production, a binder based on slag which is a byproduct from the steel industry. Merit can replace parts of the cement in concrete thereby reducing both the need for cement and concrete's climate footprint. During the year Swecem has continued to expand warehousing locations for the binder so that Merit is accessible to more projects. There are now terminals established in Helsingborg, Skellefteå, Oxelösund (Sweden) and Koverhar (Finland). In addition, there is a storage silo in Trollhättan. Investments in the terminal in Skellefteå have been partially financed by the Climate Leap Initiative.

Reporting according to the EU Taxonomy

The EU Taxonomy Regulation (EU) 2020/852 entered into force in July 2020 and this is Peab's first taxonomy report. The EU Taxonomy is a classification system that is meant to help investors and other stakeholders assess how sustainable a business is and thus steer capital flows to environmentally better alternatives. The basis is the range of economic activities listed in the Taxonomy. For an economic activity to be classified as environmentally sustainable it must substantially contribute to one or more of the established environmental objectives, do no significant harm to any of the other objectives as well as meet certain minimum social safeguards. There are two environmental objectives defined for 2022: Climate change mitigation and climate change adaptation.

The Regulation requires a large number of European companies to report on how much of their business is eligible according to the Taxonomy. As of 2022 reporting will be complemented with to what extent that business meets the criteria for being defined as sustainable according to the Taxonomy.

As a community builder Peab has broad and diversified operations. We are active in four Nordic countries with an extensive geographic presence as well as customers in both the private and public sectors. Our four business areas Construction, Civil Engineering, Industry and Project Development are independent but ensure through collaboration that we utilize local resources as far as possible in the form of our own personnel and input goods. In other words, Peab's business comprises different kinds of activities that come under the Taxonomy.

Operations considered eligible according to the Taxonomy

A team of representatives for all four business areas and the Group functions finance and treasury, the environment, sustainability and investor relations was created at Peab and during the year the team has evaluated activities included in the Taxonomy. As a result of the analysis we consider the following activities relevant and material for Peab:

Manufacturing

- 3.6 Manufacture of other low carbon technologies

Includes net sales, operating expenses and capital expenditures in Peab's own developed ECO-products in business area Industry such as ECO-Asfalt which is manufactured with biofuel in asphalt plants, ECO-Betong (ECO-Concrete) which is manufactured with alternative binder that partially replaces cement and ECO-Prefab where climate-improved concrete is used and the reinforcement consists of recycled steel.

Transport

- 6.14 Infrastructure for rail transport
- 6.16 Infrastructure enabling low carbon water transport

Includes net sales and operating expenses from engineering contracts to external customers for rail transports and port and water transports in business area Civil Engineering.

Construction and real estate

- 7.1 Construction of new buildings
- 7.2 Renovation of existing buildings
- 7.7 Acquisition and ownership of buildings

Includes net sales in new construction, renovation, rebuilding and extensions for external customers in business area Construction as well as sales of our own developed, newly built buildings in business area Project Development. Further, it includes rental income from owned buildings and net sales from the divestiture of project and development property recognized as inventories in business area Project Development. It also includes operating expenses in the form of R&D regarding new construction.

All the operations in business area Construction and Project Development are completely taxonomy-eligible. Operations we consider taxonomy-non-eligible are in business area Civil Engineering's mainly contracts in road and land projects, infrastructure projects and operation and maintenance work. Operations in business area Industry not classified in the Taxonomy are mineral aggregates operations, paving contracts where ECO-Asfalt is not used, rental operations and product sales.

Double counting has been avoided since only external sales have been included in summation of the relevant activities. The use of our own ECO-products in construction and civil engineering contracts has been excluded in activity 3.6 and is included in the reporting in contracts for external customers in activity 7.1.

As is the entire industry, we are at the start of a challenging transition that will require changing the way we work and additional monitoring. An example of this is that several certification systems have already begun adapting to the Taxonomy, which sets a new standard for the industry. Our work will continue in 2022 by measuring to what extent the taxonomy-eligible operations also meet the sustainability criteria.

	Total Group (MSEK)	Portion of taxonomy-eligible activities (%)	Portion of taxonomy-non-eligible activities (%)
Net sales	58,923	62	38
Operating expenses	494	32	68
Capital expenditure	1,346	22	78

Applied accounting principles

Net sales: Net sales include external net sales according to IFRS 15 Revenue from contracts with customers and IFRS 16 Leasing (rental income) in taxonomy-eligible activities. For business areas Construction and Civil Engineering this means the income from contracts with external customers. For business area Industry net sales refer to external revenue from paving contracts with ECO-Asfalt and sales of ECO-Betong (ECO-Concrete), ECO-Prefab and ECO-Stommar (ECO-Frames). In business area Project Development this includes external revenue from divestitures of various kinds of homes and commercial property as well as rental income from buildings.

Operating expenses: Operating expenses include operational costs related to tangible assets in taxonomy-eligible activities, primarily in business area Industry. For the most part these consist of reparations and maintenance of factories, machines and equipment for ECO-products. Operating expenses also include R&D expenses related to business areas Industry and Construction.

Capital expenditures: Capital expenditures refer to acquisitions of buildings and land classified as tangible assets as well as machines and equipment. Capital expenditures are related to business area Industry and manufacturing ECO-products along with leased assets regarding buildings.

Acquisitions regarding project and development property in business area Project Development have not been included in taxonomy-related capital expenditures since they are recognized as current assets in the Group.

Climate risks and opportunities according to TCFD

Peab works long lastingly 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 targets 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.

Steering

Peab's Board and executive management regularly work with issues associated with climate-related risks and opportunities. The Group's environmental targets are adopted by executive management and approved of by the Board. The Board has given executive management the overriding responsibility for steering and monitoring climate work. The Group's Head of Environment is responsible for strategically driving and coordinating Group climate work together with BA managers and specialists. Climate-related risks and opportunities are part of the strategic dialogue. Achievement of climate targets is monitored as a part of other results.

Strategy

Peab has identified climate-related risks and opportunities. A simple scenario analysis is the basis for identification of these. Examples of transition risks are more stringent legal requirements and higher costs for emissions. Examples of physical risks are extreme weather and floods that affect Peab's production and solution selections.



Risk management

Peab works continuously to identify, assess and manage climate-related risks and opportunities – both physical and transition-related. We have begun the work to assess the financial effect these risks can have and judge the company's resilience in relationship to them. The result from the consolidated risk analysis is processed by both the Board and executive management. More about risk management in Peab is found here and in the CDP report.

Targets and measurements

Peab has three long-term environmental targets, of which one is climate neutrality 2045, read more. Peab uses a number of measurements to monitor target achievement and climate impact, including Scope 1-2 and parts of Scope 3. These are presented in the Annual and Sustainability Report and in the CDP report.





Sustainability aspects

- Quality ensured supply chain
- Ethics and anti-corruption

Sustainable throughout the entire chain

For us the basis of sustainable business is a quality-ensured supply chain where business ethics, human rights and the environment are fostered and respected. Sustainable business presupposes steering from executive management all the way out to every workplace as well as making demands on, and monitoring, the entire production chain. It also entails collaboration and transparency. Peab's Code of Conduct is the foundation of our sustainable business.

Knowledge and monitoring foster good ethics

Peab has zero tolerance to any and all forms of corruption and ethical violations. Our industry is full of risks with its decentralized operations and complex value chain, which in of itself increases the risk for ethical violations and corruption. Peab works preventively through long-range and systematic measures, in particular by ensuring our employees' knowledge concerning ethics, anti-corruption and competition law.

Our ability to hinder ethical violations is augmented by the fact that our operations and next to all our employees are in the Nordic region. In 2021 we trained 2,064 (4,434) employees in ethics where our policies and procedures regarding anti-corruption are a significant part of the education. Expectations, support and consequences must be obvious to everyone at Peab's workplaces and

anyone collaborating with us, as is also made clear in our Code of Conduct. Every violation has consequences.

Incidences are reported, dealt with and followed up

An ethically sustainable business is built on transparency. Peab encourages all employees and partners to report any possible law infringements, violations against our Code of Conduct or any other kind of infringement. 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 under *Steering*. 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.

During 2021 (0) 0 incidents of anti-competitive activities, breaches of the competition law or monopolistic behavior leading to legal action were discovered. Peab has not been involved in any legal process during the year nor was there any ongoing legal process at the end of 2021.

In 2021 Peab discovered 1 (2) case of suspected corruption and 0 (1) internal incidents of suspected financial irregularity. The responsible manager handled the matter with support from the Ethical Council and the incident was reported to the police by Peab. During the year we have worked to make our regulations and reporting requirements more explicit in regards to employees' side occupations. We have also worked on revamping our procedures regarding recruitment checks and this process will continue in 2022.

Nordic collaboration against corruption

Peab's engagement for an ethical industry stretches outside 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 development sector and 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.

Complete respect for human rights

Respect for human rights are a given in every part of Peab's business and throughout the entire value chain. This commitment is explicitly expressed in our Code of Conduct and permeates our sustainability work. The risk of violating human rights exists in all our areas of operation, internally and externally. Read more in the section on risks. These risks are particularly prominent in the various parts of the supply chain. Therefore at Peab we work with risk analysis, and to rectify faults in our own operations and quality-ensure our supply chain to reduce the risk of disrespect for human rights.

Risk management in the supply chain

The production chain in the construction and civil engineering industry is complex and consists of a large number of actors. Analyzing, preventing and managing risks is key to our ability to foster a sustainable supply chain where neither ethics, the environment nor human rights are at risk. Making demands and checks, and then following up is just as crucial to sustainable business.

At Peab we manage 57,000 suppliers annually. Around 1,500 suppliers make up 80 percent of the Group's total purchase volume, of which 60 are internal suppliers. We are major buyers in the Nordic region which means we have a good platform for promoting secure and

sustainable procurement. This requires good purchasing steering, which Peab has prioritized for quite some time. The process begins when a supplier is first assessed and then continues via risk analysis, requirements, checks and follow-up. Processes and procedures are important but they must also be complemented by a reliable system support. We have digitalized checks in our supplier register, which gives a good overview of our suppliers. The system flags various risks which can then be handled based on the specific area that needs to be checked. We classify suppliers into three different levels depending on what their relationship to Peab is: safe workplace, secure payment and secure supplier.

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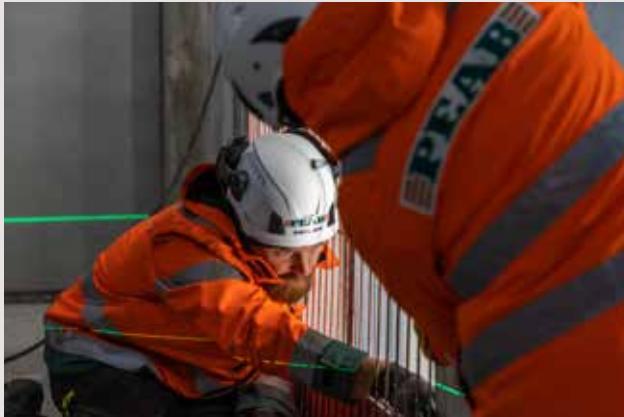
We are major buyers in the Nordic region which means we have a good platform for promoting secure and sustainable procurement.

During the year we also introduced the new measurement: secure procurement. In short, the definition of a secure procurement is that it has been made from an approved supplier, is covered by a written agreement and is digitally traceable. A secure supplier meets the requirements of the decision matrix and their social obligations such as regular payments of employer contributions. We also check that suppliers have collective bargaining agreements. Peab's purchasing behavior is systematically monitored and documented quarterly.

Peab's total purchasing volume is divided up into purchase categories. We currently have round 300 different purchase categories, of which frameworks and facades, installations and site transportation, and construction equipment services are the largest. Each category has a contact person responsible for it. The point of a category-steered purchasing system is to gather Peab's total purchase volume into a specific category in order to sign contracts for the entire category with advantageous prices and the right requirements. This way we can steer our purchase volumes to certain framework contract suppliers, making it easier for production since only call-off orders from approved suppliers with predefined terms are made, instead of signing contracts for each project.

Clarity through our Code of Conduct

Peab's Code of Conduct applies to everyone who works for and with us – our employees, suppliers, interns, subcontractors and other partners. The code makes explicit demands on compliance and respect in a number of areas like child labor, forced labor and the right to organize, climate responsibility, non-discrimination and anti-corruption. In 2021 we developed and implemented an e-learning in sustainability for all our employees in our four countries which included the basic tenets of our Code of Conduct.



TRANSITION IN PROGRESS

Order with third party checkpoints

In 2021 Peab introduced third party checkpoints in Swedish operations to ensure that no unauthorized persons could have access to or be at our workplaces. During the year 68 workplaces were inspected and checks of 2,241 individuals were made. Workplace inspections are a well-established method in Peab to promote safe workplaces. Results from these workplace inspections confirmed that everything is in order and that through the electronic personnel ledger system we can verify both the employee's information and where they are employed. We also have a link to our supplier register where the employer is checked based on the criteria for "safe workplace". Every night the system retrieves information from public sources and credit check companies, which means the information is always current.

Every year we conduct an analysis of our purchase categories and select several prioritized ones. We choose these categories based on a number of parameters, in particular issues related to human rights such as the work environment, child labor and discrimination. We then monitor our prioritized categories throughout the year and a cross-functional audit team consisting of category heads and QEW responsible supervisors conduct a supplier audit. An example of a category-steered process is how we work with risk categories. A risk category is earmarked by a special or high level of risk concerning the work environment, labor conditions and other human rights. The risk categories Peab has identified are staffing, piercing, demolition, cleaning, scaffolding construction and decontamination.

As part of our continuous improvement work several years ago we began increasing checks on our subcontractors and suppliers. As a result of this more and more subcontractors apply the industry-wide requirements in "UE 2021 (Subcontractor 2021)", which is a framework continually developing through cooperation in the industry, especially through tougher sustainability demands. This entails a responsibility for ensuring that all subcontractors in the supply chain have collective bargaining agreements and a F-tax certificate, and that they are not involved in disputes regarding back wages or other remuneration to employees. The primary purpose is to rid the industry of unscrupulous actors, get control over the subcontractor chain and create safe workplaces. This is right in line with Peab's ambition to strive for a healthy construction industry that safeguards good business ethics, quality, the work environment and environmental consideration.

Peab also takes advantage of the opportunities for exchanging experiences over national borders. In the purchasing function, for example, there is a team that assesses suppliers from a Nordic perspective.

Supplier audits for a secure production chain

In 2021 Peab's cross-functional audit team continued to conduct onsite audits at our prioritized suppliers which have been identified based on volumes and the analyzed level of risk. Our Code of Conduct is the basis of our requirements and consequent follow-up, and our method is always the learning dialogue. Our goal is to promote improvement and create a sustainable, secure production chain by working on it together. In 2021 we conducted 15 (6) supplier audits. In 2022 we plan to increase the number of audits and the scope of them through additional questions about quality.

Business benefits from local initiatives with customers

One of the areas our customers emphasize more and more is the importance of working together in shared social responsibility for the local community. For Peab, with our extensive local presence all over the Nordic region, this is a positive development and key to our business model. It might be a matter of providing internships and jobs for newly arrived immigrants or for people with disabilities, creating safe residential areas or aiding youths in their development and education. See the section Social for more details.

Stakeholder collaboration for a more sustainable industry

As the Nordic Community Builder it's a given for Peab to contribute to developing our industry, not only through collaboration with customers but other stakeholders as well. In 2021 we continued to engage in, for instance, the industry's work on Maintain Zero and a more secure ID06, the National Board of Housing, Building and Planning's initiative for a safe project culture and the work for healthy competition. The current national and global challenges we face require all the actors in society to work together. Therefore collaboration is a prioritized part of our locally produced community building.

Summary sustainability data

	Target	Target year	2021	2020	2019
Most satisfied customers					
SCI	always over 75		81	80	78
Best workplace					
eNPS (employee Net Promotor Score)	Surpass industry benchmark 15 (2021)		24	18	18
Serious accidents	Contracting trend		28	39	-
<i>Own personnel</i>			10	19	-
<i>Subcontractors</i>			18	20	-
Leader in social responsibility					
Number of employees	-		14,895	15,252	14,258
Number of white-collar workers	-		6,879	7,028	6,566
Number of skilled workers	-		8,016	8,224	7,692
Women %	-		14.0	13.3	13.4
Women on the Board and in executive management %	-		38	27	29
Employment form					
<i>Permanent employees</i>	-		14,481	14,685	13,814
<i>Project/temporary employees</i>	-		414	567	444
Employment type for permanent employees					
<i>Full-time employees</i>	-		14,338	14,495	13,645
<i>Part-time employees</i>	-		143	190	169
Sick leave %			5.1	3.7	-
<i>White-collar workers</i>	-		2.7	2.1	-
<i>Skilled workers</i>	-		7.1	5.0	-
Equal opportunity recruitment, production management and production support (WCW) %	>28.5		34.9	-	-
Equal opportunity recruitment, production and processing (SW) %	>5.0		6.8	-	-
Average number education hrs, women	-		14.4	12.7	17.2
Average number education hrs, men	-		11.7	9.5	14.0
Number of persons educated in diversity and equal opportunity	-		1,641	1,052	1,586
Number of risk observations	-		62,071	61,238	39,300
Total energy consumption	-		1,195,000	1,220,000 ¹	636,000
Energy intensity	-15%	2023	-16%		
Renewable fuel %	-		20	18	41
Total amount generated waste, tons	-		736,000 ²	935,000	-
Non-hazardous waste %	-		95	-	-
Treatment method for generated waste					
<i>Recycled %</i>	-		70	-	-
<i>Directed to disposal %</i>	-		30	-	-
CO ₂ e emissions, tons					
<i>Scope 1</i>	-		215,000	243,000	- ³
<i>Scope 2 location-based calculation method</i>	-		8,000	10,000	-
<i>Scope 2 market-based calculation method</i>	-		17,000	19,000	-
<i>Scope 3</i>	-		1,100,000 ⁴	83,000	-
CO ₂ intensity own production (Scope 1+2)	-60%	2030	-40%	-	-
CO ₂ intensity input goods and purchased services (Scope 3)	-50%	2030	-3%	-	-
Total number certifications	-		22	30	27
Number of persons educated in ethics and anti-corruption	-		2,064	4,434	1,208
Number of corruption cases	0		1	2	1
Number of supplier audits	-		15	6	9
Secure procurement %	-		71	-	-

¹ 2020 Peab acquired YIT's Nordic paving and mineral aggregates operations.

² Amount generated waste depends largely on Peab's contract-based commissions and can vary from year to year.

³ The broader scope and better quality of collated data makes reporting figures for 2019 irrelevant.

⁴ In 2021 Scope 3 was expanded to include purchased products and services and upstream transportation and distribution.

For complete GRI reporting, please see peab.inpublix.com/2021

Auditor's report on the statutory sustainability statement

To the general meeting of the shareholders of Peab AB (publ), corporate identity number 556061-4330

Engagement and responsibility

It is the Board of Directors who is responsible for the statutory sustainability statement for the year 2021 on pages 12-14, 18-22, 24-39, 62-65 and 138-142 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 RevR 12. The auditor's opinion regarding the statutory sustainability statement. This means that our examination of the corporate governance statement 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 statutory sustainability statement has been prepared.

Förslöv March 25, 2022

Ernst & Young AB

Jonas Svensson
Authorized Public Accountant



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 2021 financial year.

The Group has different accounting principles in segment accounting for our own housing development projects and IFRS 16 (previously operational leases) compared to accounting according to IFRS. For more information concerning accounting principles and the differences between segment accounting and accounting according to IFRS see note 1 and 4. For information concerning alternative performance measures see the section Alternative performance measures and definitions.

Net sales

Group net sales according to IFRS for 2021 decreased by two percent to SEK 58,923 million (59,852). Even after adjustments for acquired and divested units net sales decreased by two percent. Adjustment to the completion method for own housing development projects affected net sales by SEK -1,103 million (2,491). During the year, more homes have been production-started than have been completed. In the comparable year more homes were completed than production-started.

Group net sales according to segment reporting increased by five percent and amounted to SEK 60,026 million (57,417). Even after adjustments for acquired and divested units net sales increased by five percent. Of the year's net sales SEK 17,298 million (17,005) were attributable to sales and production outside Sweden. Customers in the public sector stood for 42 percent (43) while private customers stood for 58 percent (57) of total net sales.

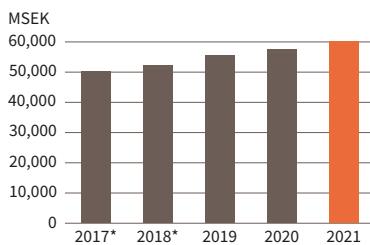
Net sales in business area Construction were unchanged compared to last year. In both Sweden and Norway net sales increased while they contracted in Finland. The proportion of housing projects has increased compared to last year. Net sales in business area Civil Engineering increased by ten percent and the increase is related to Local market and Operation and maintenance. Net sales in business area Industry were largely unchanged compared to last year. Net sales increased in Mineral Aggregates, Concrete and Construction System while they contracted in Rentals and Transportation and Machines. Paving had lower volumes during the year but as a result of higher prices for bitumen net sales were on the same level as last year. In business area Project Development net sales increased by 27 percent, the increase primarily due to Housing Development where there has been more activity in both Sweden and Finland. The greater number of production-started homes, resulting from a continued good housing market in all countries, has had a positive effect on net sales.

Profit/loss

Operating profit for 2021 according to IFRS declined to SEK 2,975 million (3,922). Adjustment to the completion method for own housing development projects affected operating income by SEK -152 million (331). The operating margin was 5.0 percent (6.6).

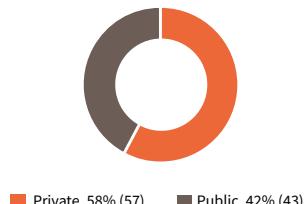
Operating profit according to segment reporting for 2021 amounted to SEK 3,098 million (3,541). Last year included the effect of the distribution of Annehem Fastigheter by SEK 952 million. Operating profit for 2021 includes the repayment of AGS premiums of SEK 179 million recognized in Group functions. The operating margin was 5.2 percent (6.2). Excluding the effect of the distribution of Annehem Fastigheter the operating margin in 2020 was 4.5 percent. During the year the cost of certain construction materials as well as energy prices have gone up but so far the financial consequences for Peab have been limited.

Net sales, segment reporting



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

Net sales per customer type, segment reporting 2021



■ Private, 58% (57) ■ Public, 42% (43)

The operating margin in business area Construction improved to 2.6 percent (2.5) in 2021. Earnings increased in both Sweden and Finland while operating profit decreased in Norway. In business area Civil Engineering the operating margin improved to 3.3 percent (3.0). Earnings were good in all the product areas in Civil Engineering. All in all the operating margin for construction contract businesses Construction and Civil Engineering amounted to 2.9 percent (2.6).

Operating profit was lower in business area Industry compared to the last year and the operating margin was 5.0 percent (5.9). The lower operating margin is primarily due to seasonal effects in Paving and Mineral Aggregates related to the acquisition of paving and mineral aggregates operations in 2020. Peab acquired YIT's Nordic paving and mineral aggregates operations on April 1, 2020. The acquired operations have a very clear seasonal pattern which means the first quarter carries 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 2020 would have been affected by SEK -297 million. Depreciation on surplus values related to customer contracts in taken over order backlog and tangible assets have charged profit by SEK -80 million (-189). The comparable year also included acquisition costs and transfer tax of SEK -55 million. The long, cold winter in the beginning of 2021 has had a negative effect on profit in operations in business area Industry since the season started up later than last year.

Operating profit in Project Development was lower compared to 2020 but excluding the effect of the distribution of Annehem Fastigheter by SEK 896 million in Property Development in 2020 operating profit improved. A strong housing market in all three countries contributed to a higher operating profit in Housing Development and the operating margin improved to 11.2 percent (9.6). Excluding the effect of the distribution of Annehem Fastigheter last year operating profit was higher in Property Development in 2021 where capital gains from real estate transactions had a positive effect of SEK 218 million (51). During the year, among other things, office buildings in Helsingborg and Solna were sold to Annehem Fastigheter. Profit contributions from partially owned companies have been somewhat lower compared to 2020. Some operations connected to travel and tourism have been negatively affected by the corona pandemic which lowered operating profit in Property Development by SEK -20 million (-64). The comparable period included SEK -44 million related to Ängelholm-Helsingborg Airport, of which SEK -20 million referred to the write-down of goodwill.

Elimination and resolution of internal profit in our own projects have affected operating profit during the year by net SEK -31 million (23). Last year included the resolution of construction gains in connection with the distribution of Annehem Fastigheter of SEK 56 million. Elimination is reversed in connection with the external divestment of a project.

Depreciation and write-downs according to IFRS were SEK -1,707 million (-1,734).

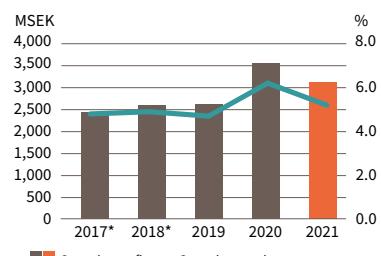
Depreciation and write-downs according to segment reporting were -1,341 million (-1,412).

Net financial items according to IFRS amounted to SEK -73 million (-177), of which net interest amounted to SEK -194 million (-247). A large part of the interest expenses refer to financing of own housing development projects, which are capitalized on the properties. Last year net interest included interest expenses attributable to Annehem Fastigheter of SEK -36 million.

Net financial items according to segment reporting amounted to SEK -22 million (-108) of which net interest was SEK -59 million (-56). In net financial items exchange rate differences had an effect of SEK 7 million (-88).

Pre-tax profit according to IFRS was SEK 2,902 million (3,745). Tax for the year was SEK -525 million (-564) corresponding to a tax rate of 18 percent (15).

Operating profit and margin, segment reporting



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

Operating margin

Operating profit in percentage of net sales according to segment reporting.

TARGET: >6% OUTCOME: 5.2%

Pre-tax profit according to segment reporting was SEK 3,076 million (3,433). Tax for the year was SEK -569 million (-485) corresponding to a tax rate of 18 percent (14). The lower tax rate last year was primarily due to non-taxable income linked to the distribution of Annehem Fastigheter.

Profit for the year according to IFRS was SEK 2,377 million (3,181).

Profit for the year according to segment reporting was SEK 2,507 million (2,948).

Financial position

Total assets according to IFRS per December 31, 2021 were SEK 47,170 million (42,164). The adjustment of differences in accounting principles in relation to segment reporting has affected total assets according to IFRS by SEK 6,840 million (5,560). Own housing development projects have increased during the year while IFRS 16, additional leases decreased. Equity according to IFRS amounted to SEK 13,682 million (12,443) which means the equity/assets ratio was 29.0 percent (29.5). Net debt according to IFRS amounted to SEK 10,515 million (9,682).

Total assets according to segment reporting per December 31, 2021 were SEK 40,330 million (36,604). Equity amounted to SEK 14,656 million (13,251) which means the equity/assets ratio was 36.3 percent (36.2). Interest-bearing net debt decreased during the year and amounted to SEK 2,404 million (3,873) at the end of December 2021. Net debt includes the unsold part of our own housing development projects as long as they are in production. The unsold part was SEK 958 million (1,055) and the reduction is due to a higher proportion of sold homes. The acquisition of paving and mineral aggregates operations in business area Industry on April 1, 2020 increased net debt by SEK 3,125 million at the time of the acquisition. After the acquisition positive cash flow effects have contributed to lower net debt. The average interest rate in the loan portfolio, including derivatives, was 1.4 percent (1.4) on December 31, 2021.

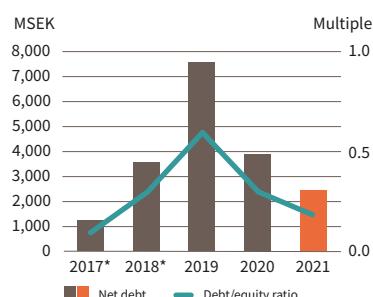
Group liquid funds according to IFRS, including unutilized credit facilities but without project financing, were SEK 10,590 million at the end of the year compared to SEK 8,822 million on December 31, 2020.

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. Group contingent liabilities, including joint and several liabilities in trading and limited partnerships, amounted to SEK 3,263 million at the end of the year compared to SEK 3,500 million on December 31, 2020. Surety for credit lines in tenant-owner associations regarding the unsold part after deconsolidation made up SEK 19 million of contingent liabilities compared to SEK 238 million on December 31, 2020.

Net debt

MSEK	Dec 31 2021	Dec 31 2020
Bank loans	1,285	2,135
Commercial papers	1,206	110
Bonds	2,746	2,249
Financial leasing liabilities	699	634
Project financing, unsold part of housing projects	958	1,055
Other interest-bearing liabilities	11	-
Interest-bearing receivables	-1,550	-1,342
Liquid funds	-2,951	-968
Net debt, segment reporting	2,404	3,873
Additional leasing liabilities according to IFRS 16	1,720	1,808
Project financing, sold part of housing projects	6,391	4,001
Net debt, IFRS	10,515	9,682

Net debt and debt/equity ratio, segment reporting



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

Net debt/equity ratio
Net debt in relation to equity according to segment reporting.

TARGET: 0.3-0.7 OUTCOME: 0.2

Investments and divestments

During the year tangible and intangible fixed assets and investment property according to IFRS were net invested for SEK 1,765 million (1,109).

During the year tangible and intangible fixed assets and investment property according to segment reporting were net invested for SEK 1,453 million (732). The investments refer primarily to investments in machines and business combinations.

Net investments in project and development properties according to IFRS totaled SEK 2,202 million (net divestitures SEK 2,842 million) during 2021. During the year more own housing development projects were started-up and are ongoing than have been completed.

Net investments in project and development properties according to segment reporting totaled SEK 1,067 million (net divestitures SEK 1,917 million) during 2021. During the year part of the property Stockholm Primus 1 on Lilla Essingen in Stockholm with development rights for more than 40,000 m² GFA (gross area) and an underlying property value of SEK 1,167 million was acquired. Project and development properties include the unsold part of our own ongoing housing development projects. During the year the number of production-started housing projects increased while last year more homes were sold and completed than production-started.

Cash flow

Cash flow from current operations according to IFRS amounted to SEK 2,818 million (7,693), of which cash flow from changes in working capital was SEK -1,275 million (3,106). More of our own housing developments were production-started than completed and turned over which had a negative effect on cash flow. Last year more homes were sold and turned over than production-started.

Cash flow from current operations according to segment reporting amounted to SEK 4,807 million (6,749), of which cash flow from changes in working capital was SEK 874 million (2,886). After acquisition of the paving and mineral aggregates operations in 2020 business area Industry has a stronger seasonal pattern which has affected cash flow negatively in the first half of 2021 but has had a positive effect during the second half of the year. During last year a lot of working capital was released primarily in Housing Development due to the fact that more housing projects were sold and turned over than were production-started. The number of production starts of our own housing developments increased in 2021. In December part of the property Stockholm Primus 1 on Lilla Essingen in Stockholm with an underlying property value of SEK 1,167 million was acquired which had a negative effect on cash flow from working capital. Cash flow from current operations included dividends of SEK 307 million (306) from partially owned companies.

Cash flow from investment activities according to IFRS was SEK -1,766 million (-3,940).

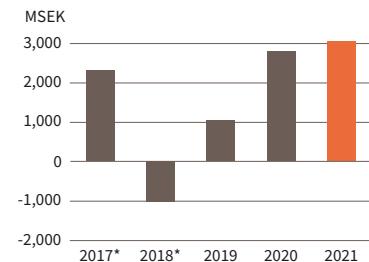
Cash flow from investment activities according to segment reporting was SEK -1,766 million (-3,970) and for the most part consisted of machine investments, business combinations as well as increased engagement in joint ventures in business area Project Development. The purchase price of the paving and mineral aggregates operations in Industry was included in the comparable year by SEK -3,125 million.

Cash flow before financing according to IFRS amounted to SEK 1,052 million (3,753).

Cash flow before financing according to segment reporting improved during the year and amounted to SEK 3,041 million (2,779).



Cash flow before financing, segment reporting



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

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.

The level of orders received increased by twelve percent in 2021 and amounted to SEK 55,848 million compared to SEK 49,735 million for the last year. The level of orders received increased in all business areas. The increase in business area Industry is primarily related to the paving and mineral aggregates operations that were taken over from YIT on April 1, 2020. Group orders received for the year are well spread both in product segment and geographically.

Order backlog yet to be produced at the end of the year amounted to SEK 45,318 million compared to SEK 42,709 million at the end of 2020. Of the total order backlog, 34 percent (32) will be produced after 2022 (2021). Swedish operations accounted for 75 percent (78) of the order backlog.

Orders received

MSEK	2021	2020
Construction	30,903	26,597
Civil Engineering	14,819	12,752
Industry	10,568	9,893
Project Development	9,981	6,940
Eliminations	-10,423	-6,447
Group	55,848	49,735

Order backlog

MSEK	Dec 31, 2021	Dec 31, 2020
Construction	30,142	26,558
Civil Engineering	13,955	13,075
Industry	3,886	3,921
Project Development	6,555	5,151
Eliminations	-9,220	-5,996
Group	45,318	42,709

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 4, Operating segments.

Group functions

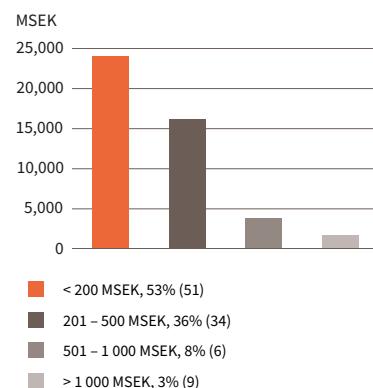
In addition to the business areas, central companies, certain subsidiaries and other holdings are reported as Group functions. The central companies primarily consist of the parent company Peab AB, Peab Finans AB, Peab Support (Shared Service Center) and Peab Utveckling AB. Peab AB's operations consist 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 within the process-oriented operational areas Accounting, Payroll and IT operations to all Group entities. Peab Utveckling AB provides services to Group entities in the form of administration and development of IT systems, digitalization and strategic initiatives.

Operating profit for the year for Group functions was SEK -228 million (-310). The repayment of AGS premiums of SEK 179 million was included in Group functions.

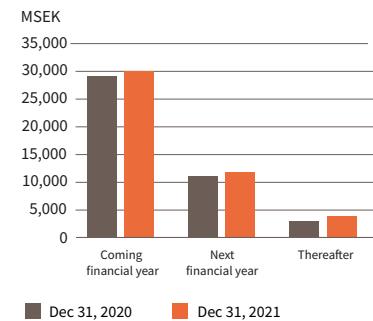
Annehem Fastigheter, which was distributed to Peab's shareholders in December 2020, was reported in 2020 as a separate unit outside of segment reporting.

For more information on differences between segment reporting and reporting according to IFRS, see note 1 and note 4. Read more about Peab's business areas in the coming sections.

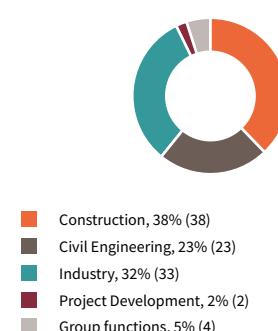
Project allocation of order backlog, December 31, 2021



Order backlog allocated over time



Employees per December 31, 2021

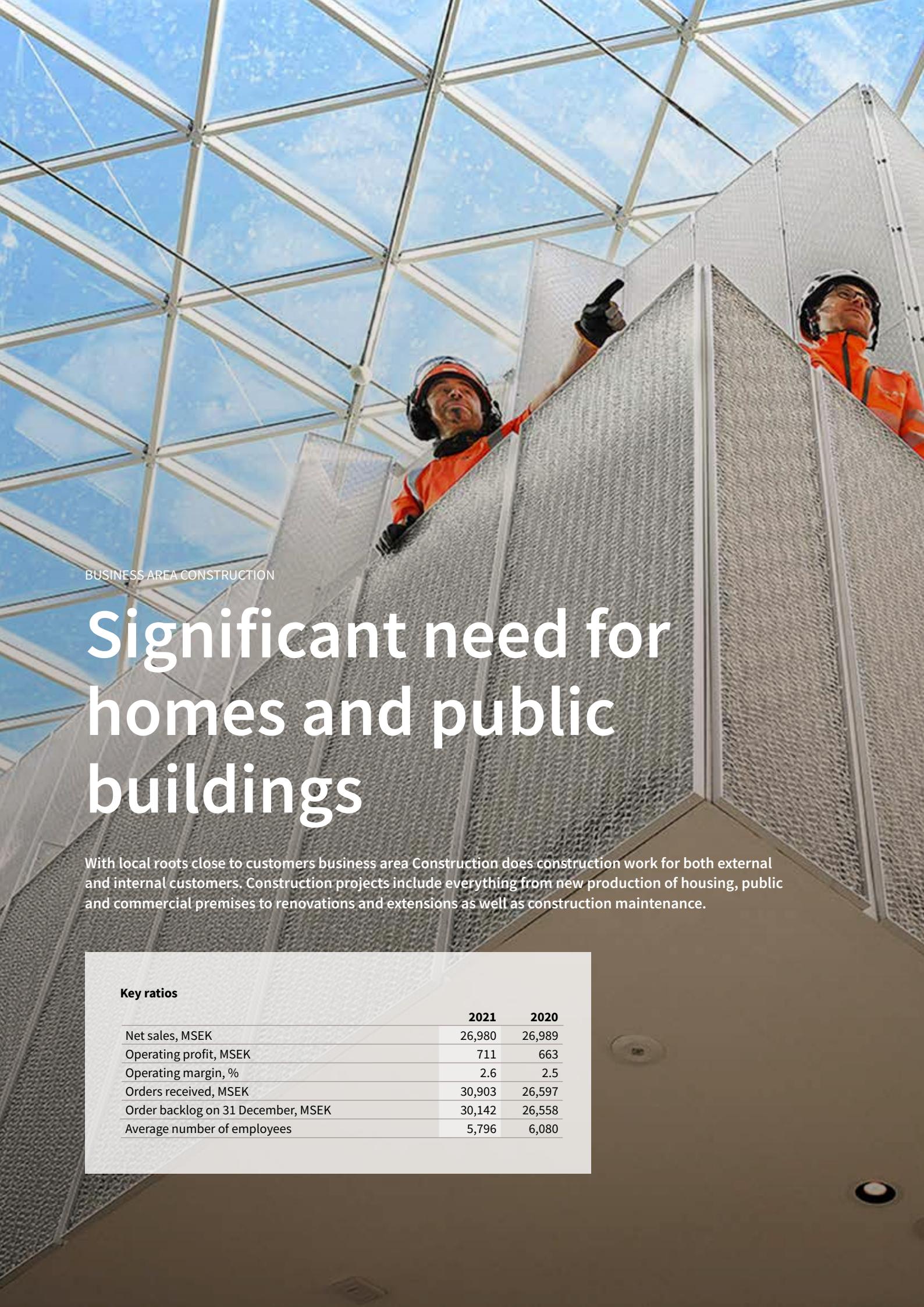


On December 31, 2021 the total number of employees in the Group amounted to 14,895 (15,252).

Net sales and operating profit per business area

MSEK	Net sales	Operating profit		Operating margin		
	2021	2020	2021	2020	2021	2020
Construction	26,980	26,989	711	663	2.6%	2.5%
Civil Engineering	14,180	12,843	471	391	3.3%	3.0%
Industry	18,787	18,720	938	1,105	5.0%	5.9%
Project Development	9,497	7,500	1,237	1,669	13.0%	22.3%
- of which Property Development	521	375	231	982	44.3%	261.9%
- of which Housing Development	8,976	7,125	1,006	687	11.2%	9.6%
Group functions	1,314	1,206	-228	-310		
Eliminations	-10,732	-9,841	-31	23		
Group, segment reporting	60,026	57,417	3,098	3,541	5.2%	6.2%
Adjustment housing to IFRS	-1,103	2,491	-152	331		
IFRS 16, additional leases	-	-	29	34		
Annehem Fastigheter ¹⁾	-	171	-	30		17.5%
Eliminations	-	-227	-	-14		
Group, IFRS	58,923	59,852	2,975	3,922	5.0%	6.6%
<i>Of which construction contract businesses according to segment reporting (Construction and Civil Engineering)</i>	<i>41,160</i>	<i>39,832</i>	<i>1,182</i>	<i>1,054</i>	<i>2.9%</i>	<i>2.6%</i>

¹⁾ Refers to January-November 2020



BUSINESS AREA CONSTRUCTION

Significant need for homes and public 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

	2021	2020
Net sales, MSEK	26,980	26,989
Operating profit, MSEK	711	663
Operating margin, %	2.6	2.5
Orders received, MSEK	30,903	26,597
Order backlog on 31 December, MSEK	30,142	26,558
Average number of employees	5,796	6,080

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 focused on big city regions. Other regions are responsible for all types of construction projects in their geographic area.

The Business 2021

In 2021 housing construction increased and there is a growing need for public buildings like schools and sports facilities. We – along with more and more customers – continue to work towards more climate smart construction and sustainable products. Many of the properties we build are energy efficient and environmentally and climate certified, particularly the projects Peab develops on its own. The year has also been marked by dealing with rising material and energy costs and alternative solutions to cement in concrete.



In 2021 housing construction increased and there is a growing need for public buildings like schools and sports facilities.

Major housing shortage

Housing represents a substantial portion of net sales in the business area and an increasing amount of order backlog. During the year we continued to develop our new concept for predesigned apartment buildings, NärBo, which is a modifiable, cost-efficient and sustainable Building Type Concept. The first finished product in the concept was a low-rise apartment building. In 2021 we developed a NärBo tower block.

During the year business area Construction has received a number of housing projects all over the Nordic region. In Linnéstaden in Kalmar Peab is building 162 rental apartments for PPE Fastigheter i Kalmar AB. The apartment building will made of modern material and be energy efficient. On Öster Mälarstrand in Västerås Peab is building 183 rental apartments for Bostads AB Mimer. The project has a laser focus on the environment and will be certified according to Miljöbyggnad Silver. In Stockholm the second stage of construction of student quarters continues in Lappkärrsberget (Campus Lappis) for Stockholms Studentbostäder. This project will also be certified according to Miljöbyggnad Silver and adds another 182 student apartments. In Jönköping Peab is building 149 rental apartments for HSB Göta. One of the building materials used is ECO-Betong (ECO-Concrete) that reduces carbon emissions. There will also be solar panels on the roof and a big recycling room for simpler waste sorting.

In Ålesund in Norway Peab is building the third and final stage of the apartment project Fri Sikt with 46 new apartments in a 14 story apartment building with a view over the fjord. When the building is ready there will also be a completely new city borough surrounding it. In Porsgrunn in Larvik Municipality Peab is

building 46 rental apartments for Majorbygg, a joint venture owned by Peab and PBBL. The project will be Swan ecolabeled and the building and construction material as well as the actual building process will meet comprehensive demands on energy consumption, chemicals and quality.

In Finland Peab is building 179 apartments in Oulu. The customer is Health City Finland Oy and the apartments will be allocated in two high-rises. Peab is building two high-rises in Vanda as well with a total of 159 apartments for Sato-Rakennuttajat Oy.

Government investments in public buildings

Our order books have been filled with different kinds of public buildings in 2021 due to the growing population in the Nordic region. The need for new schools and universities is on the rise and Peab has started construction on a number of schools during the year. One example is the Westerlundska High School in Enköping which will accommodate 1,600 students, 200 teachers and other personnel. The school will be built with natural and robust material and have a wooden and brick frame. The project is permeated by a focus on sustainability and climate consideration.

Peab is building an elementary school with a gym and swimming pool in the Norwegian municipality of Kautokeino. The Lappish culture is a fundamental component of the architecture and the school will be designed space efficiently and according to national requirements with the extensive use of solid wood. In Finnish Turku Peab is extending the Sirkkala School and renovating premises from different eras.

There is a substantial need for new swimming facilities in Sweden and Peab has extensive experience in building these. During the year Peab signed contracts to build a number of swimming facilities. In Uddevalla a new swimming pool is being built in the Rimner area for Uddevalla Municipality. In Snurrom in Kalmar Peab is building a new pool and wellness facility at Kunskapsporten and in Årjäng in Värmland Peab is building a new pool facility with a relaxation section.

During the year Peab was commissioned to build several prisons and jails, among them Skänninge Prison outside Mjölby with two new housing sections containing a total of 96 cells and premises for work and studies. The buildings will be certified according to Miljöbyggnad Gold.

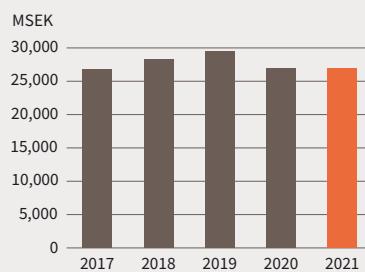
Peab is building a retirement home with 90 apartments in Jönköping and a nursing home in Oslo for 130 residents and a day activity center in a four story building of solid wood. The nursing home will be environmentally certified according to BREEAM Excellent and be a zero emission building. Peab is also building hospitals at several sites in the Nordic region and Southern Älvborg Hospital in Borås and The County Hospital in Kalmar are two major projects about to be turned over to our customers.

Other major projects

Peab has been commissioned to build a new poultry production plant for the food company Atria in Seinäjoki. The new factory building will be 200 meters long and 130 meters wide making up a total area of 36,000 m². Peab has been commissioned by Forsvarsbygg to build a hangar, warehouse, workshop and administration building for military flight surveillance airplanes at Evenes Airport in Northern Norway.

Net sales

Net sales for 2021 was unchanged and amounted to SEK 26,980 million (26,989). Net sales in Sweden and Norway increased while it decreased in Finland. The proportion in net sales of housing and public sector projects has grown compared to last year.

Net sales**Per type of operation, 2021**

- New, construction 69% (69)
- Renovation, 22% (20)
- Construction maintenance, 10% (11)

Per product area, 2021

- Housing, 39% (36)
- Construction maintenance, 7% (9)
- Sports facilities, 5% (3)
- Industrial, 4% (4)
- Offices, 15% (7)
- Logistics, 1% (2)
- Service and retail, 4% (7)
- Schools and education, 10% (9)
- Health and social care, 9% (8)
- Other building construction, 6% (5)

Per customer type, 2021

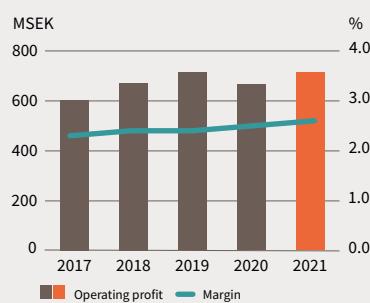
- Private, 45% (46)
- Public, 39% (39)
- Internal/other, 16% (15)

Per geographic market, 2021

- Sweden, 72% (72)
- Norway, 15% (14)
- Finland, 13% (14)

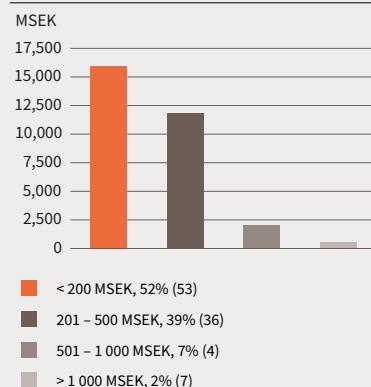
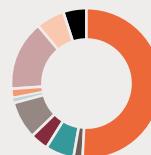
Profit

Operating profit for the year increased amounting to SEK 711 million (663) and the operating margin improved to 2.6 percent (2.5). Earnings increased in both Sweden and Finland during the year while the operating profit contracted in Norway.

Operating profit and margin**Orders received and order backlog**

Orders received increased by 16 percent in 2021 to SEK 30,903 million (26,597). The orders received are well spread regarding products and location even though a large part consists of housing.

Order backlog on December 31, 2021 was SEK 30,142 million compared to SEK 26,558 million at the end of December 2020. There is a higher proportion of housing as well as schools and educational premises than at the end of 2020. Risk in the order backlog is well spread since 91 percent (89) of the projects are under SEK 500 million.

Project allocation of order backlog, Dec 31, 2021**Order backlog per product area, Dec 31, 2021**

- Housing, 51% (46)
- Construction maintenance, 2% (2)
- Sports facilities, 6% (6)
- Industrial, 4% (3)
- Offices, 8% (12)
- Logistics, 1% (1)
- Service and retail, 2% (3)
- Schools and education, 15% (11)
- Health and social care, 6% (9)
- Other building construction, 5% (7)

Order backlog allocated over time

Better infrastructure drives civil engineering investments

Business area Civil Engineering is a leading actor in Sweden and with operations in Norway. 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 three specialized product areas: Local market, Infrastructure and heavy construction and Operation and maintenance.

Key ratios

	2021	2020
Net sales, MSEK	14,180	12,843
Operating profit, MSEK	471	391
Operating margin, %	3.3	3.0
Orders received, MSEK	14,819	12,752
Order backlog on 31 December, MSEK	13,955	13,075
Average number of employees	3,634	3,625



Local market, which represents more than half of net sales in business area Civil Engineering, works with landscaping and pipelines, foundation work and builds different kinds of facilities as well as offers services in power and electricity distribution. 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 national borders to share in the development of core skills and to create scale advantages in larger and more complex projects.

The Business 2021

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. During the year Peab acquired 90 percent of the shares in HGT AS. It's a general contractor in civil engineering domiciled in Bergen and in 2020 had net sales of NOK 150 million. With this acquisition Peab strengthens its position in civil engineering in Norway.



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

Roads, railroads and infrastructure

There is a substantial need for better infrastructure in the Nordic region, especially because of the sustainability transition going on in our society. Public investments in Nordic infrastructure are therefore high.

During the year Peab signed a number of contracts with the Swedish Transport Administration, among them for restructuring Volvomotet in Gothenburg to augment safety and passability. The project includes widening a kilometer of Hisingsleden into a four lane road with a center guardrail. Peab is also revamping Tingstad Tunnel in Gothenburg for the Swedish Transport Administration. The project includes renovating the entire construction of the tunnel, replacing the surface of the walls and roof as well as repaving the road through it, all with the intention of extending the life of the tunnel. On Highway 35 outside of Linköping more than eight kilometers of road will be broadened and rebuilt into a divided 2+1 highway with a center guardrail. Outside Vara Peab is restructuring E20 along a seven kilometer stretch of road between Ribbingsberg and Eling.

Peab has received a number of commissions as part of the public sector's program to enlarge the railroad system in the Nordic region. In Hallsberg 13 kilometers double track railway and grade separated intersections are being built as part of the Godsstråket

through Bergslagen line. Norwegian Bane NOR has commissioned Peab to renovate Reinsvoll station on the Gjøvik line. The project includes building intersection tracks almost 600 meters long that enable two trains with double sets of interconnected carriages to pass each other. In Stockholm Peab is creating better conditions for mass transit. Peab is also building a concrete tunnel for Region Stockholm for the new subway line through the south side of the city.

Peab has been commissioned to rebuild a wastewater treatment plant in Henriksdal, Stockholm. The project comprises a new wastewater tunnel and a new plant along with rebuilding existing basins. Peab has been commissioned to build a new waterworks in Hindås outside of Gothenburg. The new waterworks will deliver 60 liters drinking water per second and contribute to a secure supply of drinking water to the people living in the municipality.

Operation and maintenance

Contributing to roads that are safe for traffic with good passability is essential to a functioning society. During the year Peab won a number of operation and maintenance contracts from the Swedish Transport Administration in, for example, Kungsbacka, Kungälv, SE Värmland, Västerås and Sveg for about 4,500 kilometers of road. This means snow plowing and anti-icing with a 24/7 response in the winter and during the bare ground road season repairing roads, fixing drainage as well as reparation and installation of road signs and road barriers. Peab maintains 23 of 108 operation areas run by the Swedish Transport Administration, making it one of the largest actors on the Swedish market in national road operation.

Ports and seas

Part of the ongoing transition entails more environmentally-adapted freight carriage to and from ports. In recent years Peab has developed expertise and knowhow in port and seaside contracts. In Norwegian Nordland Peab has been commissioned to rebuild four ferry berths to accommodate electric ferries trafficking northern Tysfjord. The project includes expanding docks to receive larger ferries and installing more charging stations with the accompanying technology infrastructure in order to charge electric ferries. Peab is also building a new container port adjacent to Tunadal Port in Sundsvall. In addition to the port the harbor basin will be dredged to allow entrance to larger, deeper ships.

Energy

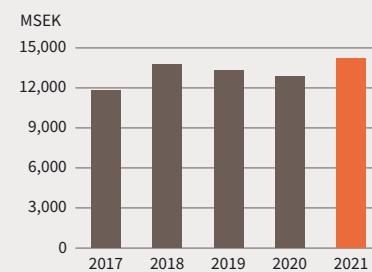
Energy-related contracts are growing in business area Civil Engineering, particularly in wind power production where Peab is working with a number of installations.

Peab's subsidiary ATS Kraftservice has signed a number of framework contracts during the year for electricity grid services. In Helsingborg and Ängelholm Peab was once again entrusted by Öresundskraft to be their main supplier of service and maintenance, construction and local electricity grid services. In northern Norrland, Stockholm, Norrköping and Skåne Peab renewed contracts with Eon for local network projects. Vattenfall once again entrusted ATS Kraftservice as their supplier of electricity grid services in northern Sweden and the Stockholm region.

Net sales

Net sales increased in 2021 by ten percent and amounted to SEK 14,180 million (12,843). Even after adjustments for acquisitions net sales increased by ten percent.

The increase in net sales refers to Local market as well as Operations and maintenance. Infrastructure and heavy construction had fewer major ongoing road projects in 2021 compared to 2020.

Net sales**Per product area, 2021**

- Operations and maintenance, 17% (16)
- Energy, 9% (7)
- Streets and groundwork, 30% (30)
- Ports and sea, 8% (5)
- Industrial, 8% (10)
- Roads and other infrastructure, 28% (32)

Per customer type, 2021

- Private, 23% (21)
- Public, 68% (70)
- Internal/other, 9% (9)

Per geographic market, 2021

- Sweden, 90% (91)
- Norway, 10% (8)
- Finland, 0% (1)

Profit

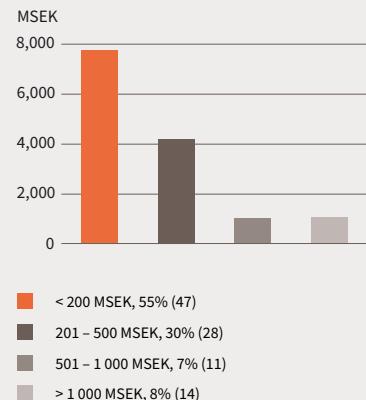
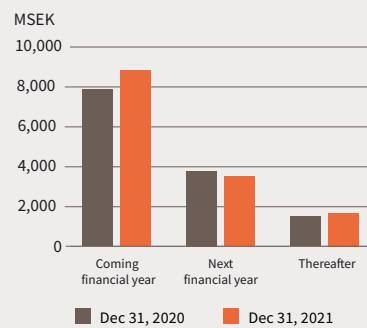
Operating profit for 2021 amounted to SEK 471 million (391) and the operating margin improved to 3.3 percent (3.0). Earnings in all the product areas were good during the year.

Operating profit and margin**Orders received and order backlog**

Orders received during the year increased by 16 percent to SEK 14,819 million (12,752). Order backlog on December 31, 2021 amounted to SEK 13,955 million (13,075). Street work, landscaping and energy rose while infrastructure projects contracted in order backlog compared to the end of 2020. Risk is well spread in order backlog since 85 percent (75) of projects are under SEK 500 million.

Order backlog per product area, Dec 31, 2021

- Operations and maintenance, 22% (22)
- Energy, 9% (2)
- Streets and groundwork, 23% (21)
- Ports and sea, 4% (7)
- Industrial, 6% (7)
- Roads and other infrastructure, 36% (41)

Project allocation of order backlog, Dec 31, 2021**Order backlog allocated over time**

BUSINESS AREA INDUSTRY

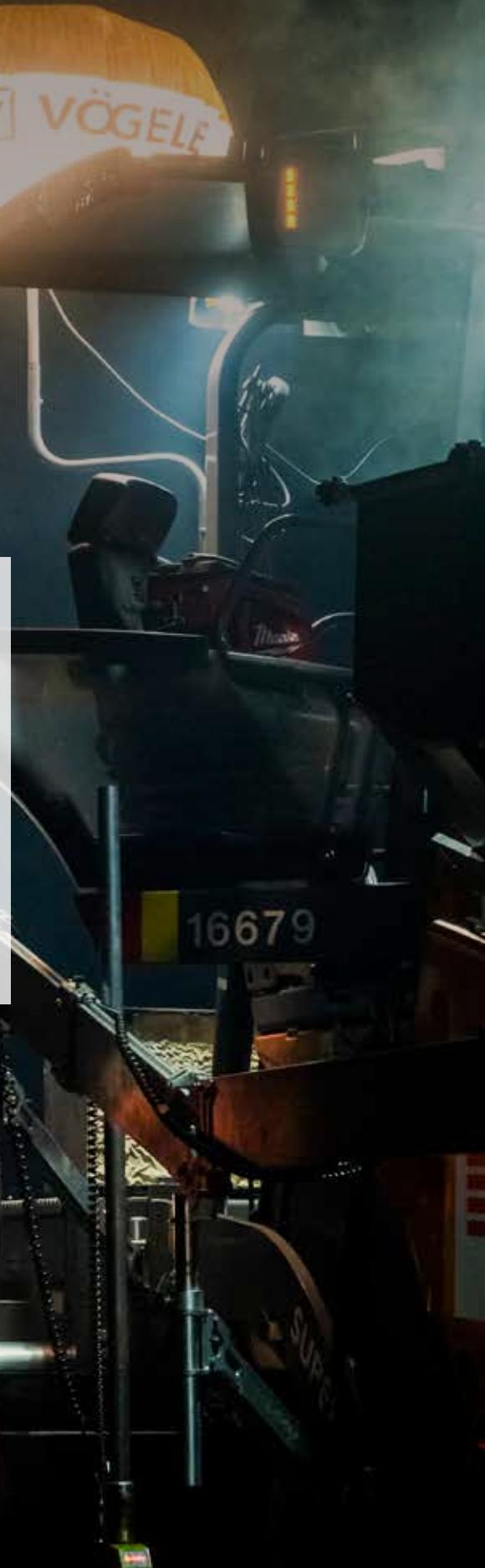
Nordic supplier focused on the environment

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

Key ratios

	2021	2020
Net sales, MSEK	18,787	18,720
Operating profit, MSEK	938	1,105
Operating margin, %	5.0	5.9
Orders received, MSEK	10,568	9,893
Order backlog on 31 December, MSEK	3,886	3,921
Capital employed on 31 December, MSEK	9,266	8,822
Average number of employees	5,110	4,892
Concrete, thousands of m ³ ¹⁾	1,379	1,372
Paving, thousands of tons ¹⁾	7,431	8,396
Mineral Aggregates, thousands of tons ¹⁾	31,762	32,229

¹⁾ Refers to sold volume



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, 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 a number of strong brands such as Swerock, Peab Asfalt, Lambertsson, Cliffton, Swecem, Byggelement and Smidmek.

The Business 2021

In recent years Peab has worked to develop our own environmentally adapted ECO-products used in construction and civil engineering projects. Our ECO-concept entails reducing the use of fossil fuels and augmenting circular flows. In addition to the brands ECO-Asfalt and ECO-Betong (ECO-Concrete) we have added ECO-Ballast (ECO-Mineral aggregates), ECO-Prefab and ECO-Stomme (ECO-Frame) to our products available on the market. During the year, ECO-Asfalt was launched in Finland, Denmark and Norway and is thus available throughout the Nordic region. Read more under the section Environment.

Climate adapted paving operations are gaining ground

Peab continues to have a strong market position in Paving in the Nordic region and carried out a number of municipal and state paving contracts as well as work for private customers. A growing number of projects are using ECO-Asfalt and reclaimed asphalt pavement. Paving with reclaimed asphalt pavement saves natural resources. We also reduce transportation since we place mobile asphalt plants close to roadwork. Finland is in the lead where 28 percent of all asphalt production in 2021 contained reclaimed asphalt pavement, followed closely by Denmark. The oil-based binder bitumen is a vital raw material in Paving. In order to replace bitumen we have continued our work on developing asphalt with lignin during the year. Lignin is the natural binder in wood and is a byproduct from forestry. So far we have paved five test stretches with lignin in asphalt in Sweden and one in Finland.

Greater access to circular material

We are always working to ensure access to raw material in Mineral Aggregates. With C&D Recycling Wash Plants we can recycle surplus material from construction and civil engineering projects and in 2021 business area Industry started up its third facility in Jessheim, Norway. The synergies in establishing concrete and asphalt plants and recycling operations close to mineral aggregates are significant.

In ECO-Ballast (ECO-Mineral aggregates) we offer safe products with properties equivalent to virgin mineral aggregates. The raw materials can be byproducts from industrial processes or come from surpluses in construction or civil engineering projects such as excavated soil or blasted rock from tunnel blasting. ECO-Ballast is made of at least 50 percent recycled raw material and is both CE marked and has an environmental and health declaration.

During the year business area Industry made a number of supplementary acquisitions. In Trøndelag Peab acquired Frøseth AS with 40 employees, nine quarries, an asphalt plant and modern machines and equipment. Frøseth has operations in

paving, mineral aggregates, transportation and recycling. In 2020 the acquired business had net sales of NOK 104 million. Another acquisition was a concrete and mineral aggregates business with two quarries and a concrete factory near Luleå.

ECO-Betong (ECO-Concrete) factory for the future

Peab is a major Nordic concrete supplier. Concrete production was high in 2021, although it varied from region to region.

During the year we opened a new concrete plant in Malmö where the environmental has been a top priority throughout the process – from operation and production to finished products and shipping. The plant heating system is fossil free, the mineral aggregates and binder partially consist of recycled material and process water is recirculated. The new factory is quiet and dust free which improves the work environment.

In ECO-Betong part of the energy intense cement is replaced with slag which means up to 50 percent less carbon emissions. Concrete containing slag has been thoroughly tested internationally and has many technical advantages. We produce slag under the brand Merit in a completely new plant in Oxelösund, which during the year successively increased production. Investing in new terminals for binder in Oxelösund, Skellefteå and Helsingborg as well as expanding silo capacity in our existing concrete plants makes our progress with ECO-Betong possible. All this reduces our need for cement which is good for the environment and delivery reliability. This is particularly important considering the uncertainty around Cementa's long-term limestone mining on Gotland. For more information see section Risks and risk management.

More electric vehicles in Transportation and Machines

Part of our climate responsibility is to reduce carbon emissions generated by our vehicles. Therefore during the year we have increased the number of electric vehicles in production. In partnership with Volvo Trucks we are test driving an electric concrete mixer truck and a electric hook lift truck. Using Volvo's electric trucks lowers carbon emissions compared to diesel driven trucks by more than 80 tons annually per truck, calculated on 8,300 Swedish miles per year. We also have a hybrid roller, around 30 electric light trucks and 15 hybrid concrete mixer trucks. More and more construction machines are run on the fossil free fuel HVO. During the year we also invested in the first electric truck with a platform and hydraulic ramp.

Environmentally adapted range in Rentals

Crane operations in Sweden, Norway and Finland developed well in 2021. We were one of the first companies in the world to use electric mobile cranes on caterpillar tracks. This new crane also reduces noise and exhaust emissions at workplaces. In addition, we have developed more customer-adapted concepts focused on the environment, the work environment and energy efficiency. Investments in fossil free machines increased during the year.

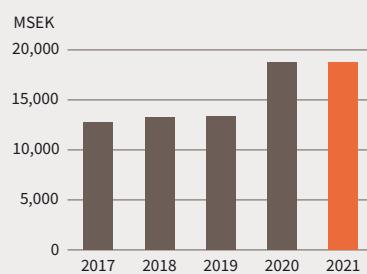
Investment in sustainable frames and prefab

Construction System's ECO-Prefab and ECO-Stomme (ECO-Frame) have been well received by the market. Investments in green transportation, green electricity in production and rebar made of recycled steel as well as a greater portion of Merit in concrete means we can now offer products with up to 50 percent lower climate impact.

Net sales

Net sales for 2021 amounted to SEK 18,787 million (18,720). Adjusted for acquisitions, net sales contracted by one percent compared to last year. Net sales increased in Mineral Aggregates, Concrete and Construction System while they decreased in Transportation and Machines and Rentals. Volumes were lower in Paving during the year but due to a higher bitumen price net sales were on par with last year.

Net sales



Per product area, 2021



- Paving, 48% (48)
- Concrete, 13% (11)
- Mineral Aggregates, 14% (13)
- Transportation and Machines, 9% (11)
- Rentals, 10% (12)
- Construction System, 6% (5)

Per geographic market, 2021



- Sweden, 64% (64)
- Norway, 10% (10)
- Finland, 22% (23)
- Denmark, 4% (3)

Share of net sales, 2021



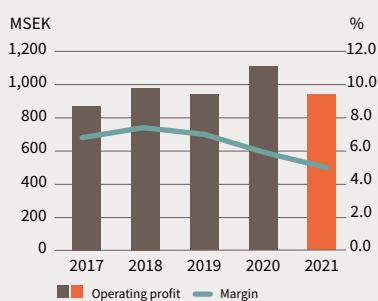
- External sales, 80% (81)
- Internal sales, 20% (19)

Profit

Operating profit amounted to SEK 938 million (1,105) with an operating margin of 5.0 percent (5.9). Peab acquired YIT's Nordic paving and mineral aggregates operations on April 1, 2020. The acquired operations have a very clear seasonal pattern where 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. Depreciation of surplus values related to customer contracts in taken over order backlog and fixed assets charged operating profit by SEK -80 million (-189). In the comparable year acquisition costs and transfer tax charged profits by SEK -55 million. The long, cold winter at the beginning of 2021 had a negative effect on profit in the businesses in Industry since the season started later than in 2020.

Capital employed at the end of the year was SEK 9,266 million compared to SEK 8,822 million at the end of 2020. The increase is due to machine investments and business combinations.

Operating profit and margin



Orders received and order backlog

Orders received during 2021 increased to SEK 10,568 million (9,893). In 2020 orders received in the acquired paving and mineral aggregates operations were included as of April 1, 2020.

Order backlog on December 31, 2021 amounted to SEK 3,886 million (3,921).



BUSINESS AREA PROJECT DEVELOPMENT

Investments in a stable market

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

Key ratios

	2021	2020
Net sales, MSEK	9,497	7,500
<i>of which Property Development</i>	521	375
<i>of which Housing Development</i>	8,976	7,125
Operating profit, MSEK	1,237	1,669
<i>of which Property Development</i>	231	982
<i>of which Housing Development</i>	1,006	687
Operating margin, %	13.0	22.3
<i>of which Property Development</i>	44.3	261.9
<i>of which Housing Development</i>	11.2	9.6
Capital employed on 31 December, MSEK	13,523	12,189
Orders received, MSEK	9,981	6,940
Order backlog on 31 December, MSEK	6,555	5,151
Average number of employees	242	290

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's ambition is to be a forerunner in sustainable urban development which entails investing in safe neighborhoods that are alive with places for people to meet, climate and environmentally adapted buildings and sustainable communications. Our new, own developed apartment buildings in Sweden and Norway are certified according to the Swan ecolabel. In Finland similar measures are being taken to increase energy efficiency and reduce climate impact. In addition, the Group is working on developments in energy, construction material and construction tech solutions so that we can offer products and services that reduce our climate impact.

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 knowledge about the different market conditions in Sweden. 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.

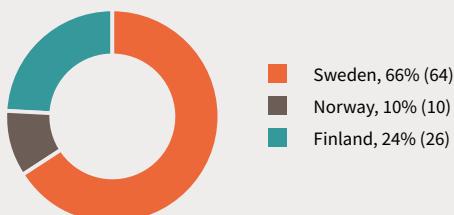
Property Development develops offices, premises and sometimes whole city boroughs in collaboration with municipalities and other partners. The business is primarily focused on the big city areas throughout the Nordic region.

Net sales and profit

Net sales for the year 2021 in Project Development increased by 27 percent to SEK 9,497 million (7,500). The increase is primarily due to Housing Development. Operating profit was SEK 1,237 million (1,669). The effect of distributing Annehem Fastigheter was included in operating profit 2020 by SEK 896 million. The operating margin amounted to 13.0 percent (22.3). Excluding the effect of distributing Annehem Fastigheter the operating margin in 2020 was 10.3 percent.

Net sales

Per geographic market, 2021



Capital employed in Project Development at the end of the year amounted to SEK 13,523 million (12,189). The increase is primarily due to investments in project and development property and an increase in the value of the shares in joint ventures.

Capital employed

MSEK	Dec 31 2021	Dec 31 2020
Operations property	52	161
Investment property	36	112
Project and development property	10,628	9,060
<i>of which housing development rights</i>	6,629	4,819
<i>of which commercial development rights</i>	613	585
<i>of which unsold part of ongoing housing projects</i>	1,549	1,730
<i>of which ongoing rental projects in Sweden</i>	727	1,100
<i>of which ongoing commercial projects</i>	483	226
<i>of which completed property</i>	123	311
<i>of which other</i>	504	289
Participation in joint ventures	2,371	1,873
Loans to joint ventures	1,177	1,213
Working capital and other	-741	-230
Total	13,523	12,189
<i>of which Property Development</i>	4,265	3,766
<i>of which Housing Development</i>	9,258	8,423

Housing Development

Peab offers a broad range of housing forms including apartment buildings with tenant-owner apartments, condominiums and apartments for rent. Demand during 2021 was good in all three Nordic countries and housing and property markets have developed positively. In the latter part of the year, however, rising construction costs began to make their presence felt.

Peab's development rights portfolio is well spread geographically and every year Peab starts new projects all over the Nordic region. Several major housing projects in Sweden are part of urban development projects where collaboration between many partners is an important success factor.

In Sweden one such housing development project is Varvstaden in Malmö that Peab owns together with Balder in the company Centur. Around 2,500 new homes are under construction in close cooperation with Malmö City. This type of urban development gives Peab the opportunity to offer the market new homes in attractive areas over the course of several years. Projects in Varvstaden have a clear sustainability and climate profile and reusing material from the old shipyard is an important component. Among the project start-ups in 2021 is Brf Varvporten with 116 apartments in total. The strong housing market in southern Sweden has led to several start-ups in other places such as Brf Alba in Lund with 85 apartments and Brf Cubo with 113 apartments.

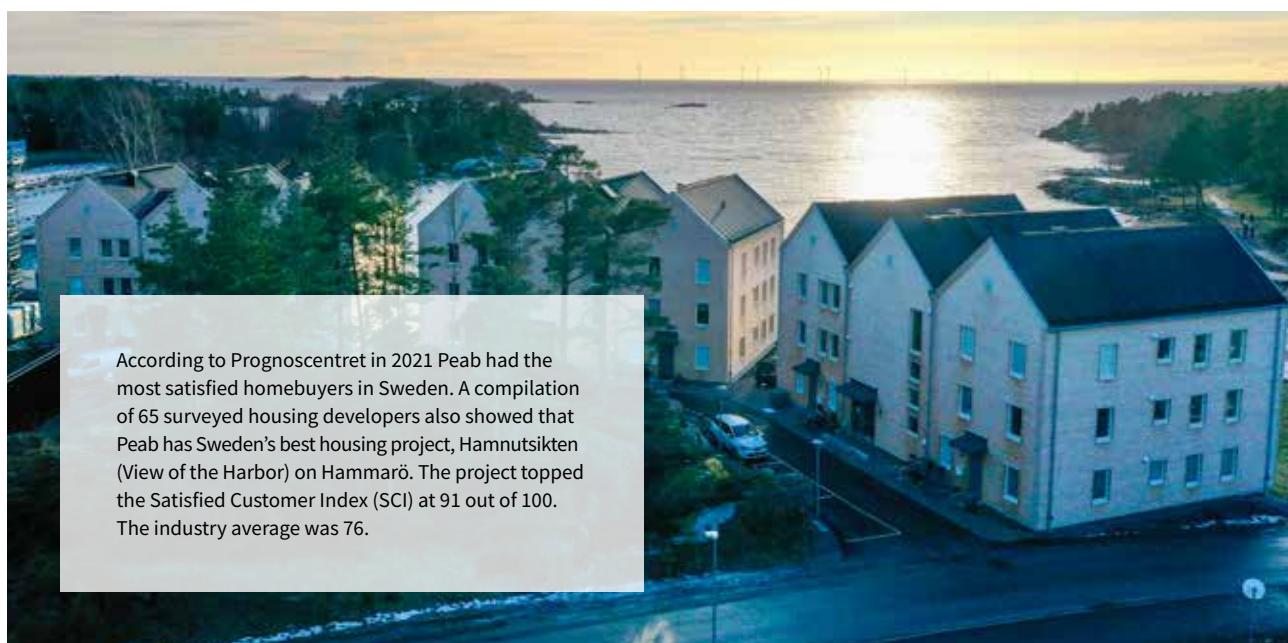
In the past year Housing Development has advanced its position in the Stockholm region, in part through more project start-ups and in part through strategic property acquisitions. Under the umbrella of the urban development project Kvarnholmen in Nacka we started up Brf Solhatten with 66 apartments. In Järfälla we acquired development rights for around 700 apartments and on Lilla Essingen in Stockholm we acquired development rights of

over 40,000 GFA (gross area) for developing a new city borough. We have also started several other housing projects in the Stockholm area to meet the growing demand.

Even in other parts of the country developments have been positive during the year. We made several major rental apartment deals such as the one in Borås for 110 apartments. The rental apartments are built on our own balance sheet and will be recognized when turned over. Other major project starts are the tenant-owner projects Brf Gamlestads Plaza with 75 apartments in Gothenburg and Brf Panorama with 63 apartments in Hudiksvall.

The Finnish housing market also developed positively during the year. Focusing on the big city regions we started projects in Vanda with 72 apartments, in central Helsinki with 69 apartments and in Tampere with 74 apartments to name a few. All the housing projects are being built with green electricity and their carbon footprint is measured.

The housing market in Norway developed well in 2021 with continued good price development, especially in the Oslo area. Peab started up many new housing projects, among them two in Tromsø, Norheim Trinn 2 with 84 apartments and Inga Sparboe Street with 111 apartments. We also work in projects with partners in joint ventures. For example, we started construction on Osebakken Park in Porsgrunn with the first 46 Swan ecolabeled apartments in a total of 155. Half the project is owned by Porsgrunn Boligbyggerlag. In Oslo we started construction on the third stage of Tunkvartalet with 93 apartments in a total of 405, which Peab owns together with USBL and in Skien we started construction on Herkules Park with 39 apartments in a total of 84. The project is owned together with Citycon.





Net sales and profit

Net sales increased by 26 percent to SEK 8,976 million (7,125) and the increase is mainly related to Sweden and Finland. Operating profit increased and amounted to SEK 1,006 million (687) and the operating margin improved to 11.2 percent (9.6). The operating margin improved in every country compared to last year.

The number of start-ups of our own developed homes amounted to 3,020 units (2,291), of which 426 (228) were converted from rentals. The start-ups are well spread geographically. The number of sold homes was 3,047 (2,682). 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 4,702 (4,014). The level of sold homes in production was 76 percent (73). The number of repurchased homes per December 31, 2021 has decreased and was 144 (222) most of which were in Sweden. During the year 676 homes (502) were production-started on our own balance sheet and 91 homes (4) were sold. There were 922 (763) homes in rental apartment projects in production at the end of the year, of which 638 are sold to investors and will be recognized in profit/loss when turned over.

Capital employed has grown and at the end of the year amounted to SEK 9,258 million (8,432). The increase is largely due to investments in housing development rights. For instance, in 2021 Peab acquired the property Stockholm Primus 1 on Lilla Essingen in Stockholm with an underlying property value of SEK 1,167 million.

Housing development rights

	Dec 31 2021	Dec 31 2020
Number, approx.		
Development rights on our own balance sheet	19,500	18,900
Development rights via joint ventures	4,600	4,400
Development rights via options etc.	10,500	9,700
Total	34,600	33,000

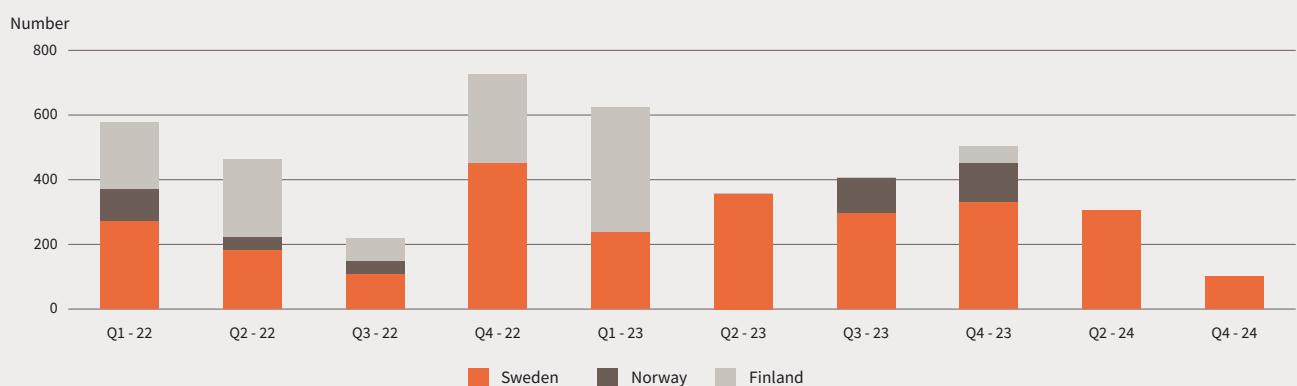
Own housing development construction

	Jan-Dec 2021	Jan-Dec 2020
Tenant-owner associations, ownership and residential limited companies		
Number of production-started homes during the period	3,020 ¹⁾	2,291 ¹⁾
Number of sold homes during the period	3,047	2,682
Total number of homes under production, at the end of the period	4,702	4,014
Portion of sold homes under production, at the end of the period	76%	73%
Number of repurchased homes on our balance sheet, at the end of the period	144	222
Rentals		
Number of production-started homes during the period	676	502
Number of sold homes during the period	91	4
Number converted to tenant-owner associations during the period	426	228
Total number of homes in production, at the end of the period	922 ²⁾	763

¹⁾ Includes 426 (228) homes which have been converted from rentals

²⁾ Of which 638, corresponding to 69 percent, are contracted to be sold upon completion

Timepoint for completion of ongoing own housing development projects ¹⁾



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

Property Development

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

Despite COVID-19 the leasing market for office buildings in Nordic big city regions was relatively stable during the year. The growing trend is that offices become more flexible and a place where people meet and exchange ideas. Rent levels have more or less remained on the same level as in 2020.

At the beginning of the year the market for developing office buildings continued to be cautious. During the year this successively moved in a positive direction. The leasing rate, inquiries and interest in planned projects accelerated during the latter part of the year. Nonetheless, because of the lingering uncertainty it is important to carefully monitor the signals sent by the market.

During the year we acquired the centrally located property Magasin 113 in Gothenburg. The property will be turned into a destination for creative businesses together with the concept developer A house, which has already successfully established this concept in Stockholm. Peab also started up the office building project Gamlestads Smedja in Gothenburg. The property is

located close to communications in an area under development. The building will be environmentally certified according to BREEAM Excellent and equipped with solar panels in combination with an energy storage system. Peab started the office building The Corner in Hyllie in Malmö during the year, which will be certified according to Miljöbyggnad and WELL. In Malmö work also continues on the project Gjuteriet in Varvstaden through the company Centur which Peab owns together with Balder.

At the end of 2021 Peab signed a contract for the acquisition of the mall Knallerian with four properties in the commercial area Knalleland in Borås. Peab will continue to run the mall parallel with developing the area. The acquisition took place on February 1, 2022.

Furthermore Peab continues to develop property in Swedish and Norwegian mountainside regions with SkiStar. During the year three jointly owned lodges were gathered together in the half-owned company Skib Invest AB. In addition, the company acquired three new lodges including the development rights for around 60,000 GFA for future development. In conjunction with the transaction SkiStar signed new leases on both the newly acquired properties and the previously jointly owned property. These are triple net leases that run between 12-25 years with an average longevity of 17 years.

Net sales and profit

During 2021 net sales increased to SEK 521 million (375) and operating profit was SEK 231 million (982). Last year operating profit included the effect of distributing Annehem Fastigheter by SEK 896 million. Capital gains from property sales were SEK 218 million (51) which included the sales of office buildings in Helsingborg and Solna to Annehem Fastigheter. Profit contributions from partially owned companies was slightly lower than in 2020. Some operations connected to air travel and tourism have been negatively affected by the corona pandemic which charged operating profit in Property Development by SEK -20 million (-64). The comparable period included SEK -44 million related to Ängelholm Helsingborg Airport where SEK -20 million was a write-down of goodwill.

At the end of the year capital employed in Property Development was SEK 4,265 million (3,766). Most of the capital employed consists of shares in partially owned companies and loans to partially owned companies.

The table below presents the larger ongoing property projects per December 31, 2021. During the year a contract was signed for the sales of the logistics facility in Almnäs, Södertälje to Annehem Fastigheter with an underlying property value of SEK 96 million. The property will be certified according to Miljöbyggnad Silver. Disinvestment of the completed property is planned for the second quarter 2022.

Property projects

Type of project	Location	Rentable area in m ²	Degree rented, %	Recognized value, MSEK	Total investment at completion, MSEK	Timepoint of completion	Level of com- pletion, %
Sports hall	Sundsvall	14,700	100	195	223	Q2-2022	88
Logistic facility	Södertälje	2,200	100	60	67	Q2-2022	90
Padel hall	Trollhättan	3,900	100	16	52	Q4-2022	31
Office building	Malmö	7,100	28	98	296	Q1-2023	33
Office building	Gothenburg	13,100	25	101	516	Q1-2024	20
Other ongoing projects				13			
Total				483			

Significant joint ventures

Peab's significant joint venture companies Fastighets AB Centur, Fastighets AB ML4, Point Hyllie Holding AB, Skiab Invest AB and Tornet Bostadsproduktion 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. Regular 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 affect booked values in the joint venture companies are not included in Peab's accounts.

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, 2021¹⁾:

SEK 7,497 million (7,103)

Peab's portion of unrecognized fair value exclusive tax¹⁾:

SEK 573 million (427)

Major ongoing projects: Gjuteriet Varvsstaden, Malmö, renovation of around 4,600 m² (tenant Oatly)

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, 2021:

SEK 1,991 million (1,956)

Major ongoing projects: No major ongoing projects

Point Hyllie Holding AB

Own and manage the office property The Point as well as own and manage the hotel property Värdshuset 5 (Operator Quality Hotel View).

Peab's share: 50 percent

Partner: Volito

Location: Hyllie, Malmö

Recognized value on properties December 31, 2021:

SEK 1,385 million (1,356)

Major ongoing projects: No major ongoing projects

Skiab Invest AB

Develop, own and manage commercial property and housing in the Scandinavian mountains.

Peab's share: 50 percent

Partner: SkiStar

Location: Scandinavian mountains

Recognized value on properties December 31, 2021¹⁾:

SEK 2,093 million (41)

Peab's portion of unrecognized fair value exclusive tax¹⁾:

SEK 16 million (-)

Major ongoing projects: Sadelbyn 7 with 42 tenant-owner apartments in Åre, Concept Store with 2,500 m² in Lindvallen, Sälen which is rented out to Skistar.

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, 2021¹⁾:

SEK 5,649 million (5,019)

Peab's portion of unrecognized fair value exclusive tax¹⁾:

SEK 417 million (357)

Major ongoing projects: LP Parken, Gothenburg 15,000 m² rentable area , Tallbohov, Järfälla 10,500 m² rentable area and other apartment building projects in Helsingborg, Lund and Umeå

¹⁾ Valued at market price in joint venture companies. The market prices on properties that affect the recognized values in the joint venture companies are not included in Peab's accounts.

Key ratios 2021 significant joint ventures¹⁾

MSEK	Fastighets AB Centur	Fastighets AB ML4	Point Hyllie Holding AB	Skiab Invest AB	Tornet Bostadspro- duktion AB
Net sales	406	97	59	42	220
Profit for the year	396	12	-10	68	202
Total assets	7,722	2,276	1,431	2,349	5,859
- of which recognized value of properties	7,497	1,991	1,385	2,093	5,649
Peab's portion of unrecognized fair value exclusive tax	573			16	417

¹⁾ Refers to the recognized value of joint venture companies for January – December 2021 and per December 31, 2021. Since Fastighets AB Centur, Skiab Invest AB 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 18.

Risks and risk management

The ability to systematically identify, analyze 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 and thereby our ability to run our business.

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, talent management 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 out over the world and the pandemic has raged ever since, although a stage was reached in the beginning of 2022 where countries and companies more or less opened up. During the pandemic governments and central banks introduced different forms of crisis packages to reduce its financial effects. The effects of the corona pandemic on Peab's operations have been limited but we closely follow developments to continually assess any further possible effects.

An uncertainty that can still upset the market is access to cement. In 2021 the Supreme Land and Environment Court dismissed Cementa's application for a renewed permit to continue to quarry limestone in Slite on Gotland. The government granted Cementa a time-limited license until December 31, 2022 but this has been appealed to the Supreme Administrative Court and the issue of a long-term solution remains unresolved. A substantial shortage of cement would impact the entire construction and civil engineering market in Sweden. As a significant actor Peab would therefore also be affected by the situation. Peab has already begun working with our own alternative binder and certain degree of cement importation to handle the risk of lower or no cement deliveries.

In 2021 material and energy prices rose dramatically and thereby inflation as well. So far Peab has handled the rise in prices in our operations well and therefore the financial consequences have been limited. We continually work to streamline production all the while expecting a gradual increase in construction costs if the trend in material and energy prices does not turn.

The recent dramatic developments in Ukraine have a key impact on the world around us. In addition to the tragedy for the people the war touches, the situation risks hampering macroeconomic growth in the world. In Sweden this can affect the construction industry through greater uncertainty and cautiousness concerning investments, continued high material and energy prices and material shortages and delivery problems. We follow developments carefully to continually assess any effects on Peab.

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 2.

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 as well as in Group functions. 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 prioritized activities are also important for risk management.

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 team from 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
Information security	Peab's digitalization raises demands for access to information. 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.	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 an audit plan and continuity planning. Focus is on preventative actions to ensure access to information and IT tools from internal and external sources. Peab follows explicit procedures concerning IT and digitalization as well as works to increase awareness and knowledge in our employees regarding information security risks.
Contract work risks	Peab's business is largely 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. Price risks can be unforeseen cost increases for materials or subcontractors. Other risks can be linked to technical solutions, method choices and amount calculations.	Structured risk analysis is crucial to ensure that risks are identified and correctly priced in bids in the underlying calculations. The right resources in projects ensure that they will be carried out according to contract terms and established processes and procedures. 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. Price risks are handled through purchasing processes with the right suppliers which are mostly procured via central purchasing contracts.
Suppliers and sub-contractors (SC)	Flaws or vulnerabilities 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. 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 and SCs or shortcomings in audits and analyses before a contract is signed are other risk factors.	Peab's 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 in Sweden, Norway and Finland. In Sweden Peab has initiated third party checks of workplaces. Peab also works with audits of certain suppliers. Peab signs framework contracts to minimize risks in projects, particularly quality deficiencies and delivery delays. To further reduce vulnerability Peab works with strategic supply plans and to broaden our base for the number of supplier and alternative materials.
Talent management and skills development	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 equal opportunity and diversity. There is also a risk that employees do not possess the right competence to deliver on customers' demands.	Peab works strategically with short and long term talent management 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. Peab's goal-oriented work with diversity and equal opportunity is also important and we have set targets for equal opportunity recruitment to make sure we always work on this. We have a 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.
Work environment	Work related accidents at Peab's workplaces can lead to employees or suppliers/SCs being injured 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. Another risk area is the organizational and social work environment, which includes risks concerning stress and victimization.	Focus is on planning and risk analysis observations 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 organizational learning about where, when and why risks occur. Peab also teaches employees about equal treatment to prevent discrimination and victimization and to promote equal opportunity.

External and market risks	Description	Action
Macro factors	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.	Peab's broad geographic presence and our mix of operations and products dampens the effect of declining economies and markets. This was evident in the acquisition we made in 2020 in paving and mineral aggregates that contributes to spreading risks on both counts. In general, we work continually to augment flexibility in our overhead to better handle external and market risks. In business area Project Development, for example, we reduce sales risks through set requirements for advance sales before production starts in housing projects. The corresponding risk management for commercial property developments is a required level of rented space before production starts.
Market	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.	Peab's broad geographic presence and our mix of operations and products dampens the effect of declining economies and markets. Peab also continues to develop our dialogue with customers, we work with so-called market navigators that map ongoing projects in sub-markets.
Political factors	Political decisions and currents influence Peab's business. This is true for politics in the Nordic region as well as international politics. Public investments in community building have direct consequences for Peab's business. 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.	Peab's broad geographic presence and our mix of operations and products contributes to dampening political risks as well. Project development's operations, for example, work to shorten lead times from land acquisition to finished project in view of the risk for changed market prerequisites.
Environment and climate	Peab is exposed to environmental and climate related risks, which can lead to injuring people and damaging our business. A lack of competence and adjusting too slowly can lead to Peab's products and services not meeting the demands and expectations of customers and other stakeholders. Global warming can 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. 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.	Risk prevention comes under the Group's three prioritized environmental aspects which also have set targets; climate neutrality, resource efficiency and phasing out environmentally and health hazardous products. We have also begun climate analyses according to TCFD. For more information see the section Environment. Our environmental and climate 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, enable practical support of environmental steering in a project and regulate environmental delegation in order to ensure responsibility. 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 changes, for example by developing new products with a lower climate footprint.

Compliance risks	Description	Action
Ethics	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, 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. During the year Peab gathered all issues concerning ethics, regulation compliance and steering in the new Group function corporate governance and regulation compliance. 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.

Financial risks	Description	Action
Financial risk-taking	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 through investments 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.
Financial risks	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 Treasury function is centrally organized. For further information on financial risks, see note 35.

Financial reporting	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.
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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 according to segment reporting is affected by changes in some of the important Group variables.

MSEK	Calculation basis	Change	Pre-tax profit effect
Segment reporting			
Volume (operating margin constant)	60,026	+/- 10%	+/- 312
Operating margin (volume constant) ¹⁾	5.2%	+/- 1 percentage point	+/- 600
Production costs	43,003	+/- 1%	+/- 430
Financial			
Average effective interest rate	1.4%	+/- 1%	+/- 45

¹⁾ 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 4 490 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 35.

Peab's sustainability work

As a Nordic community builder Peab's operations have an impact on society, and thereby we have a big responsibility. We take that responsibility whether it's contributing to more climate-adapted material use, healthy competition or safe and inclusive workplaces. Working sustainably is a strategic matter for Peab that should be completely integrated into our operations. What we carry out should be ethical and sustainable throughout an entire life cycle. Every employee should work sustainably in their role based on our core values, business concept, mission, strategic targets and Code of Conduct.

Our material sustainability aspects are summarized in our external and internal targets within the framework for our four strategic targets, of which leader in social responsibility is new as of 2021 and our strategic targets comprise our prioritized sustainability aspects. Peab's strategic sustainability work is based on local community building. Our four business areas that collaborate locally give us better control over the supply chain. Our 15,000 employees ensure that we as far as possible use local resources in the form of our own employees, our own input goods and subcontractors. This together with our engagement in the community and integrated climate and environmental work forms the foundation of what we call locally produced community building.

When it comes to Peab's climate impact our material use is a particularly important area where our operations generate carbon emissions. This is why we try to husband resources and to a greater extent use local material as well as to develop more climate-adapted material. Our investments in ECO-Betong (ECO-Concrete) and ECO-Astalg are two practical examples where we both reuse material and mix in alternative binder to reduce carbon dioxide impact. Peab is also a driving force in several development initiatives for optimizing material and verifying quality. In 2021 we became the first company to sign a contract for the use of fossil free steel in construction projects. The contract was part of an ongoing collaboration with SSAB on analyzing possible future ways to reduce the industry's climate footprint through fossil free steel. In addition to this Peab is making in-depth climate calculations in order to compare different methods from a lifecycle perspective.

In accordance with the Annual Reports Act chapter 6 paragraph 11 Peab has chosen to present the statutory Sustainability Report outside of the Board of Directors' Report. The parts required in a sustainability report can be found under sections Targets and strategies (page 12-14), Our take on sustainable business (page 18-22), Social (page 24-28), Environment (page 29-33), Economic (page 36-39), Risks and risk management (page 62-65) and Corporate governance report (page 138-142).

Research and development

The purpose of Peab's research and development is to provide society, our customers and other stakeholders with added value. It's about using new discoveries to improve or develop new products, services and production processes. During the year Peab established a new R&D Group function to support our business areas and executive management with knowledge, in monitoring external developments and with analyses for future business development.

Peab also collaborates with universities, colleges and trade organizations and is an active participant in many trade organization projects. We participate in strategic and tactical operative programs in order to take responsibility from both a long-term perspective and current needs. Some of these programs are LFM 30 (Local roadmap for a climate neutral construction and civil engineering sector in Malmö 2030), Infrasweden 2030 (promotes a competitive and climate neutral transport infrastructure sector by 2030), Smart Built Environment (innovation for the community building sector) and Mistra Carbon Exit (research for climate neutrality 2045).

Peab's investment in the above-named ECO-products is important, for instance, ECO-Betong has been developed to further reduce climate impact and dependence on cement.

In recent years Peab has started new R&D projects in biodiversity and handling invasive species.

Focus on construction sites

Construction sites are receiving more and more attention and here Peab energy classifies construction barracks. The purpose is to reduce energy consumption in barrack establishment through a new energy classification system that promotes energy efficient barracks and barrack establishment. The project is a collaboration with other actors in the industry such as contractors, barrack renters, barrack-makers and general contractors. Peab also has well thought out conceptual measures on how to best establish a construction site to meet future climate requirements but also to drive continual development in line with both national guidelines and customers' demands.

In order to streamline productivity in recent years Peabs has worked together with LTH, Faculty of Engineering in testing an autonomous robot dog on construction sites. This increases our ability to do follow-ups, laying out and ensure quality and safety in heights. The autonomous robot dog can freely move around a construction site while work is ongoing.



Other information and appropriation of profit

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 permits 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, impact on ecosystems, emissions and noise.

Operations required to notify authorities are concrete manufacturing, production of prefabricated concrete elements, permanent and mobile asphalt plants, mobile C&DW crushing plants, actions 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 ongoing.

Important events during the year

Corona pandemic

In the beginning of 2020 the coronavirus spread out over the world and the pandemic has raged ever since, although a stage was reached in the beginning of 2022 where countries and companies more or less opened up. During the pandemic governments and central banks introduced different forms of crisis packages to reduce its financial effects.

The effects of the corona pandemic on Peab's operations have been limited but naturally we closely follow developments to continually assess any further possible effects. We also continue to follow The Public Health Agency of Sweden's guidelines and instructions as well as corresponding guidelines in the other countries we work in.

Meanwhile the pandemic has demonstrated what a strength it is for Peab 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.

The AGM's election of Board members

In accordance with the proposal of the Nomination Committee the AGM decided the Board would contract from nine to eight ordinary members elected by the AGM. The AGM reelected Karl-Axel Granlund, Liselott Kilaas, Kerstin Lindell, Fredrik Paulsson, Malin Persson, Lars Sköld and Anders Runevad and elected Magdalena Gerger as a new Board member. Anders Runevad was elected the new Chairman of the Board. The previous Chairman of the Board Göran Grosskopf and Board member Mats Paulsson declined reelection and therefore left the Board.

Nomination Committee

According to the AGM's decision in 2021 Peab's Nomination Committee consists of a representative for each of the three shareholders holding the largest number of votes according to the share register per September 30 as well as the Chairman of the Board. The three shareholders holding the largest number of votes according to the share register per September 30 were: Ekhaga Utveckling which has appointed Anders Sundström, AB Axel Granlund which has appointed Ulf Liljedahl and Mats Paulsson with family which has also appointed Anders Sundström. Anders Runevad is a member of Peab's Nomination Committee in his role as Chairman of the Board of Peab. The Nomination Committee has appointed Ulf Liljedahl as Chairman of the Nomination Committee.

Peab has issued green bonds for SEK 1,500 million

On August 30, 2021 Peab issued bonds for a total value of SEK 1,500 million. The issue is allocated as follows: SEK 1,000 million with a maturity of 3 years with a variable interest rate of 3 months Stibor (the Stockholm Interbank Offered Rate) plus 1.05 percentage points and SEK 500 million with a maturity of 5 years with a variable interest rate of 3 months Stibor plus 1.30 percentage points.

Funds from the issue will be used to finance investments in green and energy efficient buildings, ECO products and a more environmentally-adapted production, green transportation and water and waste management. The green bonds were issued within the framework of Peab's Swedish MTN program and the newly instituted framework for green financing. The framework has been audited by the independent company CICERO Shades of Green which has classified it at level "medium green".

Payment regarding Group sickness insurance (AGS)

Afa Insurance decided to pay out consolidation funds in AGS insurance in 2021. The payments are based on previous repayment of AGS premiums for the years 2004-2008. The payments were made during October-November and entailed a positive effect on Peab's operating profit in the fourth quarter 2021 of SEK 179 million. This amount was recognized in the Group under Group functions.

Important events after the end of the year

War in Ukraine

The recent dramatic developments in Ukraine have a key impact on the world around us. In addition to the tragedy for the people the war touches, the situation risks hampering macroeconomic growth in the world. In Sweden this can affect the construction industry through greater uncertainty and cautiousness concerning investments, continued high material and energy prices and material shortages and delivery problems. We follow developments carefully to continually assess any effects on Peab.

The Peab share

At the end of 2021 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, 2021 there were approximately 57,000 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 48.3 percent of the votes. At the end of 2021 the collective ownership connected to the Paulsson families amounted to a total of 26.1 percent of the capital and 59.3 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 May 6, 2021 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, 2021 the foundation owned 12,458,000 B shares in Peab, corresponding to 4.2 percent of the total number of shares.

Holdings of own shares

At the beginning of 2021 Peab's own B shareholding was 1,086,984 which corresponds to 0.4 percent of the total number of shares. On May 6, 2021 Peab's AGM 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 2021 which means that Peab's own shareholding was 1,086,984 B shares at the end of 2021. For more information see note 28.

Corporate governance

For a detailed description of the work of the Board of Directors, corporate governance and systems for internal control see the 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 9.

Expectations concerning future development

The financial situation in Sweden continued to develop positively during the end of 2021, although material shortages, the continued spread of COVID-19 and rising inflation held back development and contributed to uncertainty. This upturn is expected to be followed by weaker growth in 2022 since both housing investments and other building construction are expected to remain on the same level as in 2021. The ongoing uncertainty concerning the supply of cement can create a bumpy market. Civil engineering investments are expected to suffer a slight downturn in 2022 after having grown at a good rate in 2021. There is, however, a risk that rising energy prices and supply disturbances, resulting from the war in Ukraine, can have a negative impact on both households and industry.

The Norwegian economy continued to recover in the latter part of 2021. The forecast for its GNP was adjusted in a positive direction and the strong financial growth will probably continue in 2022, since the unemployment rate is expected to decrease. It appears the total volume of building construction will decline in 2022

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	2,818,396,659
Profit for the year	1,243,709,498
Total	6,369,315,141

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

Dividend, 296,049,730 shares at SEK 5.00 per share	1,480,248,650
Carried forward ¹⁾	4,889,066,491
Total	6,369,315,141
¹⁾ Of which to share premium reserve.	2,308,208,948

after a broad upturn in 2021. The exception is new construction of apartment buildings where development was negative last year. All in all housing investments are expected to rise in 2022 while other building construction is expected to decline. The need for civil engineering investments continues to be strong and in 2022 civil engineering investments are expected to show significant growth. However, total investments may be stymied by weak oil industry investments, a labor shortage in industry and rising interest rates and energy prices as well as supply disturbances resulting from the war in Ukraine.

A quick recovery in employment, which stimulates household consumption, together with the upturn in investments was behind growth in the Finnish economy in 2021, and this is also expected to drive growth in 2022. The GNP forecast was adjusted in a positive direction and now indicates an increase by about 3.5 percent for last year and 3.0 percent for 2022. The increase in total building construction in 2021 was considerable due to industrial investments and growing housing construction. However, a downturn in 2022 may be on the horizon since both housing investments and other building construction is expected to contract. As in 2021 the forecast for 2022 indicates horizontal development in civil engineering construction. The uncertain situation in the world, resulting from the war in Ukraine, can have a negative impact on investments in 2022.

Parent company

The parent company's business consists of executive management and Group functions. Net sales in 2021 were SEK 293 million (346) and consisted primarily of internal Group services. Operating profit for the year was SEK -131 million (-199). Profit after net financial items amounted to SEK -116 million (243). In the comparable year net financial items included dividends from subsidiaries of SEK 500 million. Of the appropriations, Group contributions were SEK 2,104 million (1,587). Profit for the year amounted to SEK 1,243 million (1,304).

Dividend

The target is surpass 50 percent of profit for the year. Measured according to segment reporting.

TARGET: >50%

OUTCOME: 59%

Income statement – the Group

MSEK	Note	2021	2020
Net sales	3,4	58,923	59,852
Production costs	11	-53,022	-53,711
Gross profit		5,901	6,141
Sales and administrative expenses	11	-3,300	-3,359
Distribution of Annehem Fastigheter		-	952
Other operating income	6	391	229
Other operating costs	7	-17	-41
Operating profit	4,8,9,10,18,36	2,975	3,922
Financial income		94	96
Financial expenses		-167	-273
Net finance	12	-73	-177
Pre-tax profit		2,902	3,745
Tax	14	-525	-564
Profit for the year		2,377	3,181
Profit for the year attributable to:			
Shareholders in parent company		2,377	3,182
Non-controlling interests		0	-1
Profit for the year		2,377	3,181
Profit per share before and after dilution, SEK		8.06	10.79

Statement of comprehensive income – the Group

MSEK	Note	2021	2020
Profit for the year		2,377	3,181
Other comprehensive income			
Items that have been reclassified or can be reclassified to profit for the year			
Translation differences when translating foreign operations for the year		184	-172
Translation differences transferred to profit for the year		-	-22
Change for the year in fair value of cash flow hedges		8	2
Change in fair value of cash flow hedges carried over to profit for the year		-2	3
Tax referring to items that have been reclassified or can be reclassified to profit for the year	14	-1	-21
Other comprehensive income for the year		189	-210
Total comprehensive income for the year		2,566	2,971
Total comprehensive income for the year attributable to:			
Shareholders in parent company		2,566	2,972
Non-controlling interests		0	-1
Total comprehensive income for the year		2,566	2,971

Balance sheet – the Group

MSEK	Note	Dec 31 2021	Dec 31 2020
Assets			
Intangible assets	15	3,769	3,679
Tangible assets	16, 36	7,674	7,571
Investment property	17,36	55	130
Participation in joint ventures	18	2,327	1,813
Securities held as fixed assets	21,34,35	55	60
Interest-bearing long-term receivables	20,30,34,35	1,208	1,257
Deferred tax recoverables	14	174	164
Other long-term receivables	22	109	143
Total fixed assets		15,371	14,817
Project and development properties	23,36	16,258	14,074
Inventories	24	1,318	1,269
Accounts receivable	25,34,35	7,802	7,482
Interest-bearing current receivables	20,34,35	342	85
Tax assets		15	102
Worked-up not invoiced income	26	1,578	2,038
Prepaid expenses and accrued income	27	483	514
Other current receivables	22	1,052	815
Liquid funds	34,35	2,951	968
Total current assets		31,799	27,347
Total assets		47,170	42,164
Equity			
Share capital	28	1,584	1,584
Other contributed capital		2,576	2,576
Reserves		-25	-214
Profit brought forward including profit for the year		9,546	8,496
Equity attributable to shareholders in parent company		13,681	12,442
Non-controlling interests		1	1
Total equity		13,682	12,443
Liabilities			
Interest-bearing long-term liabilities	29,34,35	5,281	4,289
Interest-bearing long-term liabilities, project financing	29,34,35	346	75
Other long-term liabilities	32,34	272	88
Deferred tax liabilities	14	321	183
Provisions	31	1,313	1,481
Total long-term liabilities		7,533	6,116
Interest-bearing current liabilities	29,34,35	2,386	2,647
Interest-bearing current liabilities, project financing	29,34,35	7,003	4,981
Accounts payable	34,35	4,992	4,687
Tax liabilities		178	194
Invoiced income not worked-up	26	4,356	3,954
Accrued expenses and deferred income	33	4,258	4,345
Other current liabilities	32,34	2,542	2,608
Provisions	31	240	189
Total current liabilities		25,955	23,605
Total liabilities		33,488	29,721
Total equity and liabilities		47,170	42,164

Report on changes in equity – the Group

MSEK	Equity attributable to owners in parent company						Non-controlling interests	Total equity
	Share capital	Other contributed capital	Translation-reserve	Hedging-reserve	Profit brought forward including profit for the year	Total		
Opening balance equity 2020-01-01	1,584	2,576	6	-10	7,401	11,557	2	11,559
Total comprehensive income for the year								
Profit for the year					3,182	3,182	-1	3,181
Other comprehensive income for the year			-214	4		-210		-210
Total comprehensive income for the year	-	-	-214	4	3,182	2,972	-1	2,971
Contribution from, and value transferred to, owners								
Distributions costs					-22	-22		-22
Distribution Annehem Fastigheter					-2,065	-2,065		-2,065
Total contribution from, and value transferred to, owners	-	-	-	-	-2,087	-2,087	-	-2,087
Closing balance equity 2020-12-31	1,584	2,576	-208	-6	8,496	12,442	1	12,443
Opening balance equity 2021-01-01								
Total comprehensive income for the year	1,584	2,576	-208	-6	8,496	12,442	1	12,443
Profit for the year					2,377	2,377	0	2,377
Other comprehensive income for the year			184	5		189		189
Total comprehensive income for the year	-	-	184	5	2,377	2,566	0	2,566
Contribution from, and value transferred to, owners								
Cash dividend					-1,327	-1,327		-1,327
Total contribution from, and value transferred to, owners	-	-	-	-	-1,327	-1,327	-	-1,327
Closing balance equity 2021-12-31	1,584	2,576	-24	-1	9,546	13,681	1	13,682

Cash flow statement – the Group

MSEK	Note	2021	2020
Current operations	43		
Pre-tax profit		2,902	3,745
Adjustments for non-cash items		1,549	1,147
Income tax paid		-358	-305
Cash flow from current operations before working capital changes		4,093	4,587
Cash flow from changes in working capital			
Increase (-) /Decrease (+) project and development properties		-1,718	2,243
Increase (-) /Decrease (+) inventories		13	-108
Increase (-) /Decrease (+) current receivables		190	1,571
Increase (+) /Decrease (-) current liabilities		240	-600
Cash flow from changes in working capital		-1,275	3,106
Cash flow from current operations		2,818	7,693
Investment operations			
Acquisition of subsidiaries/businesses, net effect on liquid funds		-202	-2,384
Redemption of loan to seller upon acquisition of business		-	-746
Sale of subsidiaries/businesses, net effect on liquid funds		-	20
Acquisition of intangible assets		-53	-94
Acquisition of tangible assets		-1,028	-848
Sale of tangible assets		372	90
Acquisition of investment property		-	-9
Sale of investment property		78	-
Acquisition of financial assets		-1,887	-348
Sale of financial assets		954	379
Cash flow from investment operations		-1,766	-3,940
Cash flow before financing		1,052	3,753
Financing operations			
Raised loans		3,142	4,024
Loan amortization		-4,253	-2,637
Raised bonds		2,247	751
Bond amortization		-1,750	-750
Leasing liabilities amortization		-622	-524
Raised loans Swedish tenant-owner associations		4,177	3,034
Loan amortization Swedish tenant-owner associations		-1,795	-5,674
Change in issued commercial papers		1,088	-1,248
Dividend distributed to shareholders in parent company		-1,327	-
Distribution Annehem Fastigheter ¹⁾		-	-55
Distribution costs		-	-28
Cash flow from financing operations		907	-3,107
Cash flow for the year		1,959	646
Cash at the beginning of the year		968	373
Exchange rate differences in cash		24	-51
Cash at year-end		2,951	968

¹⁾ Refers to liquid funds in distributed operations

Income statement – the parent company

MSEK	Note	2021	2020
Net sales	4	293	346
Administrative expenses	9,10	-425	-545
Other operating income		1	0
Operating profit		-131	-199
Profit/loss from financial investments	12		
Profit/loss from participation in Group companies		63	499
Profit/loss from securities and receivables held as fixed assets		1	1
Interest expenses and similar profit/loss items		-49	-58
Profit/loss after financial items		-116	243
Appropriations	13	1,638	1,266
Pre-tax profit		1,522	1,509
Tax	14	-279	-205
Profit for the year ¹⁾		1,243	1,304

¹⁾ 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	2021	2020
Assets			
Fixed assets			
Intangible assets	15	4	43
Tangible assets	16	1	1
Financial assets			
Participation in Group companies	41	11,728	12,109
Other securities held as fixed assets	21,34,35	0	0
Deferred tax recoverables	14	140	125
Total financial assets		11,868	12,234
Total fixed assets		11,873	12,278
Current assets			
Current receivables			
Accounts receivable	25,34,35	0	0
Receivables from Group companies	34	2,271	1,655
Current tax assets		12	86
Other current receivables	22	2	30
Prepaid expenses and accrued income	27	9	10
Total current receivables		2,294	1,781
Cash and bank	34	0	0
Total current assets		2,294	1,781
Total assets		14,167	14,059
Equity and liabilities			
Equity			
Restricted equity			
Share capital		1,584	1,584
Statutory reserve		300	300
Fund for development costs		–	14
Non-restricted equity			
Share premium reserve		2,308	2,308
Profit brought forward		2,819	2,828
Profit for the year		1,243	1,304
Total equity		8,254	8,338
Untaxed reserves	42	3,190	2,724
Provisions			
Other provisions	31	45	43
Total provisions		45	43
Long-term liabilities			
Liabilities to Group companies	29,34	2,281	2,697
Total long-term liabilities		2,281	2,697
Current liabilities			
Accounts payable	34	20	36
Liabilities to Group companies	34	269	129
Other current liabilities	32	9	8
Accrued expenses and deferred income	33	99	84
Total current liabilities		397	257
Total liabilities		2,678	2,954
Total equity and liabilities		14,167	14,059

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	
Opening balance equity, 2020-01-01	1,584	300	17	2,308	3,585	1,263	9,057
Profit and comprehensive income for the year						1,304	1,304
Total comprehensive income for the year	-	-	-	-	-	1,304	1,304
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
Closing balance equity, 2020-12-31	1,584	300	14	2,308	2,828	1,304	8,338
Opening balance equity, 2021-01-01	1,584	300	14	2,308	2,828	1,304	8,338
Profit and comprehensive income for the year						1,243	1,243
Total comprehensive income for the year	-	-	-	-	-	1,243	1,243
Allocation of profit					1,304	-1,304	-
Change in fund for development costs			-14		14		-
Cash dividends					-1,327		-1,327
Closing balance equity, 2021-12-31	1,584	300	-	2,308	2,819	1,243	8,254

Cash flow statement – the parent company

MSEK	Note	2021	2020
Current operations	43		
Pre-tax profit		-116	243
Adjustments for non-cash items		-60	12
Income tax paid		-221	-231
Cash flow from current operations before working capital changes		-397	24
Cash flow from changes in working capital			
Increase (-) /Decrease (+) current receivables		30	19
Increase (+) /Decrease (-) current liabilities		-3	2
Cash flow from changes in working capital		27	21
Cash flow from current operations		-370	45
Investment operations			
Shareholder contributions		-62	-2,098
Sale of intangible assets		38	-
Sale of financial assets		550	0
Cash flow from investment operations		526	-2,098
Cash flow before financing		156	-2,053
Financing operations			
Received Group contribution		1,649	2,423
Paid Group contribution		-62	-293
Loan amortization		-416	-49
Distribution costs		-	-28
Dividend distributed		-1,327	-
Cash flow from financing operations		-156	2,053
Cash flow for the year		0	0
Cash at the beginning of the year		0	0
Cash at year-end		0	0

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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, 2022. 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 5, 2022.

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 2.

Amended accounting principles

Changed IFRSs applied as of 2021

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 35 for information concerning risks and hedging accounting. The financial instruments held by Peab and in cases where hedging accounting is applied refer to markets where IBOR is expected to continue to be the reference rate. No material effects are hereby anticipated from the reference interest rate reform.

Other amended IFRSs applied as of 2021 have not had any 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. 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. For Peab the requirement to allocate other directly referable costs is a change that can affect the Group's profit and financial position. However, this effect is not expected to have any material impact on the Group.

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 single homes 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 instead 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, net 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. This is because Peab has a guarantee obligation to acquire unsold homes six months after completion.

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 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, Peab Support (Shared Service Center) and Peab Utveckling AB. 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

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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.

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.

The equity method is applied up to the time controlling interest ceases to exist.

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 eventually 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 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 events can occur leaving the final level of profit/loss higher or lower than expected. The degree of uncertainty is higher at the start of a project, particularly in projects spanning over a long period of time. Reviews of a project's total estimated revenue and expenses are performed regularly during the entire production period.

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

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

Sales of goods

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

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Sales of property projects***Own housing development projects***

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

Sales of property

In this revenue flow revenue is recognized from project and development property, operations property and investment property, primarily in business area Project Development. These sales are either direct sales of the asset or via the sale of shares. The underlying sales value of project and development property sold in the form of a company via shares is recognized as net sales. The net profit effect from the sales of operations property or investment property is recognized as Other operating income or Other operating costs.

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

Transportation services

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

Rent revenue

Rent revenue from investment property as well as from cranes and machinery is recognized linearly according to IFRS 16 Leases. Rent rebates are spread linearly as a reduction in rent over the contract period, except for rebates given because certain factors temporarily curtail a renter's ability to fully utilize an already rented premise (for example, delayed customization to a 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 include 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 acquisition 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 recognized in other comprehensive income or equity, in which case the relevant 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.

Current tax liabilities are set off against tax recoverables and deferred tax recoverables are set off against deferred tax liabilities when the company has a legal right to offset these items against each other and also intends to do so.

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. Temporary differences for the difference generated by recognition of consolidated goodwill or the temporary difference from the acquisition of subsidiaries 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 properties 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 discount 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 transaction 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 differences 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 are removed from 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. Profit and loss from derecognition or modification are recognized in profit/loss.

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

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 additional 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. The effective part of 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 effective part of 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 value change is reported in profit/loss in the income statement.

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.

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".

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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

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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.

Write-downs of anticipated credit losses in 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 certain receivables an individual assessment is made in cases where impairment has been particularly identified. For other receivables a collective reserve is made for anticipated credit losses based on the Group's history of credit losses in the different business areas. The model is updated regularly to take into account changes in loss statistics over time.

The loss reserve for other receivables is calculated by the Group assessing the probability of default in the counterpart based on available statistics from rating institutes as well as the loss the Group would suffer in the eventuality of a loss given default.

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

1

Impairment tests for other assets

The principles for write-downs of inventories and deferred tax recoverables are presented in the respective sections above.

2

Equity**Repurchase of own shares**

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

3

Dividends

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

4

When value transfers of non-cash assets occur through dividends to owners a liability is recognized in the consolidated accounts corresponding to the fair value of the net assets subject to distribution at the point in time the AMG approves of the value transfer. The reported amount of the dividend liability corresponds to an equally sized reduction of Group equity. During the time between approval and distribution of the dividend the dividend liability is revalued to the current fair value with a corresponding revaluation recognized in equity. At the point in time the dividend is distributed to the owners the dividend liability is derecognized while a revaluation profit (loss) is recognized in consolidated profit/loss corresponding to the realized difference between the fair value distributed to the owners and the recognized value of distributed net assets.

5

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

6

Transaction fees directly due to distribution are recognized directly in Group equity after any tax. Transaction fees primarily comprise costs for producing preparation documents to support shareholders in the decision on dividends and for information in general to the market concerning the distribution.

7

Earnings per share

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

8

Employee benefits**Defined contribution pension plans**

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

9

Defined benefit pension plans

Pension plans that are not defined contribution plans are defined benefit plans, which means the employer is obligated to pay pension fees on a certain benefit level. The Group's defined benefit plans consist of the Swedish ITP 2 Plan for Salaried Staff which is managed through insurance with Alecta. The ITP 2 pension plan, which is secured through insurance from Alecta, is recognized as a defined benefit plan that encompasses several employers. However, the plan is recognized as a defined contribution plan since Alecta cannot provide the necessary information required for each member company to report its proportional share of the plan obligations, assets and expenses. There are no other defined benefit pension plans.

10

Pension plans with endowment insurance

There are pension plans where the Group has acquired endowment insurance which is hedged in favor of employees through pledges. The employees in question only have the right to compensation equal to the value of the endowment insurance at redemption. These pension plans are classified and recognized as defined contribution plans. 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.

11

Remuneration upon dismissal

A provision for remuneration relating to the dismissal of staff is only established if the company is demonstrably subject to, without any realistic opportunity for avoidance, the termination of employment prior to the normal time and the affected groups of employees have been informed about the dismissal plan. Provisions are made for severance compensation which will be paid without requiring any service from the employee.

12

Short-term remuneration

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

13

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

14

Provisions

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

15

Contingent liabilities

Contingent liabilities are provided when there is a possible obligation attributable to events that have occurred, the occurrence of which can only be confirmed by one or more uncertain future events out of the control of the Group, or when there is an undertaking not recognized as 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 reliability.

16

Fixed assets held for sale/distribution and discontinued operations

The reason why a fixed asset or divestment group is classified as a holding for sale or value transfer to owners is that their reported value will be recuperated primarily through divestment or distribution and not 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.

17

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.

18

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.

19

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.

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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 2020.

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 16 Leases 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.

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Note 2 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 3,112 million (3,068). The acquisition of YIT's Nordic paving and mineral aggregates operations in April 2020 within the business area Industry, SEK 1,397 million in goodwill was added.

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 15. As is apparent in the description in note 15, changes beyond what can reasonably be expected during 2022 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 since the acquisition in 2020 and follows plan 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 to a large extent exceed the booked values in cases where the goodwill values are significant amounts.

Project and development property

Project and development property amounts to SEK 16,258 million (14,074), of which SEK 15,932 million (13,670) refers to owned assets and SEK 326 million (404) 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 23.

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 31.

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 14.

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 3 Revenue

Group Jan-Dec 2021 MSEK	Construction	Civil Engineering	Industry	Project Development	Group functions	Eliminations	Group Segment	Differences in accounting principles ¹⁾	Group IFRS
Allocation per external/internal									
External sales	22,555	12,866	15,075	9,471	59		60,026	-1,103	58,923
Internal sales	4,425	1,314	3,712	26	1,255	-10,732		-	
Total	26,980	14,180	18,787	9,497	1,314	-10,732	60,026	-1,103	58,923
Allocation per country									
Sweden	19,513	12,664	11,704	6,262	1,070	-8,485	42,728	-1,270	41,458
Norway	3,963	1,501	1,905	913	142	-926	7,498	100	7,598
Finland	3,504	15	4,364	2,322	101	-1,318	8,988	67	9,055
Denmark			792		1	-3	790		790
Other			22				22		22
Total	26,980	14,180	18,787	9,497	1,314	-10,732	60,026	-1,103	58,923
Allocation per type of customer									
Public sector	10,480	9,604	5,123	8	45		25,260		25,260
Private customers	12,075	3,262	9,952	9,463	14		34,766	-1,103	33,663
Internal customers	4,425	1,314	3,712	26	1,255	-10,732		-	
Total	26,980	14,180	18,787	9,497	1,314	-10,732	60,026	-1,103	58,923
Allocation per point in time									
At one point in time	11	6	6,404	1,814	56	-1,319	6,972	5,759	12,731
Over time	26,959	14,166	10,448	7,602	1,083	-7,930	52,328	-6,862	45,466
Rent revenue ²⁾	10	8	1,935	81	175	-1,483	726		726
Total	26,980	14,180	18,787	9,497	1,314	-10,732	60,026	-1,103	58,923
Allocation per type of revenue									
Construction contracts	26,959	14,166	10,448	7,602	68	-6,919	52,324	-6,862	45,462
Sales of goods		1	4,975			-902	4,074		4,074
Sales of property projects				1,750		-16	1,734	5,759	7,493
Transportation services			1,241			-308	933		933
Administrative services					1,015	-1,011	4		4
Rent revenue ²⁾	10	8	1,935	81	175	-1,483	726		726
Other	11	5	188	64	56	-93	231		231
Total	26,980	14,180	18,787	9,497	1,314	-10,732	60,026	-1,103	58,923

¹⁾ 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.

²⁾ Rent revenue is recognized according to IFRS 16.

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								Differences in accounting principles¹⁾	
	Group Jan-Dec 2020 MSEK	Construction	Civil Engineering	Industry	Project Development	Group functions	Eliminations	Group Segment	Group IFRS
Allocation per external/ internal									
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	-
Total	26,989	12,843	18,720	7,500	1,206	-9,841	57,417	2,435	59,852
Allocation per country									
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
Total	26,989	12,843	18,720	7,500	1,206	-9,841	57,417	2,435	59,852
Allocation per type of customer									
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	-
Total	26,989	12,843	18,720	7,500	1,206	-9,841	57,417	2,435	59,852
Allocation per point in time									
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 ²⁾	23	9	1,824	108	184	-1,391	757	89	846
Total	26,989	12,843	18,720	7,500	1,206	-9,841	57,417	2,435	59,852
Allocation per type of revenue									
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 ²⁾	23	9	1,824	108	184	-1,391	757	89	846
Other	32	20	207	131	56	-137	309	14	323
Total	26,989	12,843	18,720	7,500	1,206	-9,841	57,417	2,435	59,852

¹⁾ 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 of SEK 171 million attributable to Annehem Fastigheter during January–November 2020, including internal revenue from other Peab Group companies.

²⁾ 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.

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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 2021-12-31, MSEK	Coming financial year	Next financial year	Thereafter	Total
Construction	20,435	8,155	1,552	30,142
Civil Engineering	8,806	3,466	1,683	13,955
Industry	3,057	829	–	3,886
Project Development	3,766	1,740	1,049	6,555
Eliminations	-6,181	-2,572	-467	-9,220
Total, segment reporting	29,883	11,618	3,817	45,318
Adjustment housing	3,274	796	-328	3,742
Total, IFRS	33,157	12,414	3,489	49,060
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	–	3,921
Project Development	3,286	1,410	455	5,151
Eliminations	-4,290	-1,499	-207	-5,996
Total, segment reporting	28,990	11,004	2,715	42,709
Adjustment housing	3,270	-65	-255	2,950
Total, IFRS	32,260	10,939	2,460	45,659

Note 4 Operating segments

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

As of the financial year 2020 Peab consolidates according to IFRS projects with Swedish tenant-owner associations until the time the final homebuyers take over their apartments. This means that projects are reported on the balance sheet as work-in-progress in the asset item project and development property and as interest-bearing liabilities (project financing). Revenue and costs for the projects are recognized as homebuyers take over their homes. As a result 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 are 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 our own single homes, Norwegian condominiums and share housing as well as 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.

As of the January 1, 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 and 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. For more information regarding accounting principles and important estimates and assessments, see note 1 and note 2.

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.

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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. Customers are in both the private and public sectors. Operations are run through thirteen regions in Sweden, three in Norway and two in Finland. There are three specialized housing production units located in Stockholm, Gothenburg and the Öresund region. Construction maintenance operations are run in a nationwide organization in Sweden focused on the big city regions. 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. 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, distribution of binder to the concrete industry, transportation as well as recycles production waste and excavation soil. The business is run in six product areas; Mineral aggregates, Paving, Concrete, Transportation and Machines, Rentals and Construction System. All of them operate 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 buildings 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 (development, ownership and management of commercial property and homes), Tornet Bostadsproduktion AB (development, construction and ownership of rentals), Fastighets AB ML4 (ownership and management of the research facility Max IV in Lund), Skia Invest AB (development, own and manage property in the Scandinavian mountains) and Point Hyllie Holding AB (ownership and management of the office building The Point and hotel property Värdshuset 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 2021, MSEK	Construction	Civil Engineering	Industry	Project Development	Group functions	Elimination	Group Segment	Differences in accounting principles ¹⁾	Group IFRS
External sales	22,555	12,866	15,075	9,471	59		60,026	-1,103	58,923
Internal sales	4,425	1,314	3,712	26	1,255	-10,732			-
Total revenue	26,980	14,180	18,787	9,497	1,314	-10,732	60,026	-1,103	58,923
Operating costs	-26,269	-13,739	-17,981	-8,302	-1,726	10,715	-57,302	980	-56,322
Other operating income	4	36	138	51	185	-23	391		391
Other operating costs	-4	-6	-6	-9	-1	9	-17		-17
Operating profit	711	471	938	1,237	-228	-31	3,098	-123	2,975
Operating margin, %	2.6	3.3	5.0	13.0			5.2	5.0	
Financial income							94		94
Financial expenses							-116	-51 ²⁾	-167
Pre-tax profit							3,076	-174	2,902
Tax							-569	44	-525
Profit for the year							2,507	-130	2,377
Depreciation	-23	-60	-1,110	-7	-56	-3	-1,259	-366	-1,625
Write-downs in operating profit	-2	-22	-19	-39	0		-82		-82
Capital gains/losses	0	14	84	50	0		148		148
Other significant non-cash items	46	3	122	-158	-21	-23	-31	41	10
Capital employed (closing balance)	-2,463	-615	9,266	13,523		1,850 ³⁾	21,561	7,137	28,698
Total assets							40,330	6,840 ⁴⁾	47,170
Equity							14,656	-974	13,682
Equity/assets ratio, %							36.3		29.0
Net debt							2,404	8,111	10,515
Cashflow before financing							3,041	-1,989	1,052

¹⁾ For more information about the allocation of revenue and profit items see note 3 and the section Overview business areas and Group functions in Board of Directors' report.

²⁾ Refers to IFRS 16, additional leases SEK -51 million.

³⁾ Unallocated capital employed.

⁴⁾ Divided between IFRS 16, additional leases SEK 1,699 million and housing projects SEK 5,141 million

Group 2020, MSEK	Construction	Civil Engineering	Industry	Project Development	Group functions	Elimination	Group Segment	Differences in accounting principles ¹⁾	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	-
Total revenue	26,989	12,843	18,720	7,500	1,206	-9,841	57,417	2,435	59,852
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
Operating profit	663	391	1,105	1,669	-310	23	3,541	381	3,922
Operating margin, %	2.5	3.0	5.9	22.3			6.2		6.6
Financial income							96	0	96
Financial expenses							-204	-69 ²⁾	-273
Pre-tax profit							3,433	312	3,745
Tax							-485	-79	-564
Profit for the year							2,948	233	3,181
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 ³⁾	19,434	5,001	24,435
Total assets							36,604	5,560 ⁴⁾	42,164
Equity							13,251	-808	12,443
Equity/assets ratio, %							36.2		29.5
Net debt							3,873	5,809	9,682
Cashflow before financing							2,779	974	3,753

¹⁾ For more information about the allocation of revenue and profit items see note 3 and the section Overview business areas and Group functions in Board of Directors' report.

²⁾ Divided between Annehem Fastigheter January–November 2020 of SEK -35 million and IFRS 16, additional leases SEK -34 million.

³⁾ Unallocated capital employed.

⁴⁾ Divided between IFRS 16, additional leases SEK 1,805 million and housing projects SEK 3,755 million.

Comments on the tables

Group net sales according to segment reporting increased during 2021 by five percent to SEK 60,026 million (57,417). Of the net sales SEK 17,298 million (17,005) were attributable to sales and production outside Sweden. Operating profit for 2021 according to segment reporting amounted to SEK 3,098 million (3,541). Last year included the effect of the distribution of Annehem Fastigheter by SEK 952 million, of which SEK 896 million was recognized in business area Project Development and SEK 56 million in Group functions. Operating profit for 2021 includes the repayment of AGS premiums of SEK 179 million recognized in Group functions. The operating margin for the Group was 5.2 percent (6.2). Excluding the effect of the distribution of Annehem Fastigheter the operating margin in 2020 was 4.5 percent.

Net sales in business area Construction were unchanged compared to last year and the operating margin improved to 2.6 percent (2.5). Net sales in business area Civil Engineering increased by ten percent and the

operating margin improved to 3.3 percent (3.0). Net sales in business area Industry were largely unchanged compared to last year. Operating profit was lower in business area Industry compared to last year and the operating margin was 5.0 percent (5.9). Peab acquired YIT's Nordic paving and mineral aggregates operations on April 1, 2020. The acquired operations have a very clear seasonal pattern which means the first quarter carries 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. In business area Project Development net sales increased by 27 percent and the increase is primarily due to Housing Development. Operating profit in Project Development was lower compared to 2020 but excluding the effect of the distribution of Annehem Fastigheter by SEK 896 million in Property Development in 2020, operating profit improved. A strong housing market in all three countries contributed to a higher operating profit in Housing Development and the operating margin improved to 11.2 percent (9.6).

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. The table below shows the amounts allocated per geographic region according to IFRS.

Group, MSEK	Sweden		Norway		Finland		Denmark		Other markets		Total		
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	
External sales	41,458	42,820	7,598	6,716	9,055	9,583	790	715	22	18	58,923	59,852	
Intangible and tangible assets and investment property	7,170	7,364	1,205	952	2,839	2,796	284	268	0	0	11,498	11,380	
Parent company, MSEK				2021	2020	2021	2020	2021	2020	2021	2020	Total ¹⁾	
Net sales				243	293	23	25	26	27	1	1	293	346

¹⁾ Included in Group functions.

Note 5 Business combinations

2021

During 2021 Peab acquired 90 percent of the shares in HGT AS. The company has been 100 percent consolidated through application of the anticipated acquisition method since there is a put/call option for the acquisition of the rest of the shares. HGT is a general contractor in civil engineering and is domiciled in Bergen. Peab has also acquired 100 percent of the shares in Frøseth AS. Frøseth operates in mineral aggregates, paving, transportation and recycling in the Trøndelag area in the middle of Norway. During the year the assets and liabilities of Snells Entreprenad AB, which has concrete and mineral aggregates operations in the Luleå area, were acquired.

The above acquisitions in 2021 individually had no material acquisition effects from the Group's perspective and information on acquisition effects is given collectively.

In the period after the acquisitions the above subsidiaries and operations contributed by SEK 155 million to Group revenue and SEK -5 million to Group profit/loss in 2021. If the acquisitions had occurred on January 1, 2021, the combined effect of these acquisitions on Group revenue would have been SEK 276 million and SEK -9 million on Group profit/loss.

Effects of acquisitions in 2021

The acquisitions' effects on Group assets and liabilities are shown below. Acquisition analyses may be adjusted during a twelve month period.

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 239 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 -240 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	2021	2020
Intangible assets	59	211
Tangible assets	189	1,636
Other financial assets	-	71
Deferred tax recoverables	-	158
Project and development properties and inventories	39	695
Accounts receivable and other receivables	62	359
Liquid funds	28	59
Interest-bearing liabilities	-36	-
Interest-bearing liabilities (leasing)	-55	-361
Shareholder loan to the selling company (acquired receivables) ¹⁾	-	-746
Deferred tax liabilities	-29	-57
Provisions	-5	-371
Accounts payable and other current liabilities	-41	-608
Net identifiable assets and liabilities	211	1,046
Group goodwill	28	1,397
Consideration transferred	239	2,443

¹⁾ 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	2021	2020
Liquid funds	230	2,443
Option liabilities/Promissory note	9	-
In addition redemption of shareholder loans to the selling company	-	746
Total settled consideration	239	3,189

Acquisitions after the balance sheet date

No substantial acquisitions have been made during 2022 as of the presentation of these financial reports.

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 expanded its presence in Sweden, Norway and Finland and became established in the paving business in Denmark, giving Peab a unique and market leading position in this business in the Nordic region. The acquisition also entailed 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 entailed 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 was 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 was part of the Group it 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 were 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 was that intangible assets were reduced by SEK 68 million and tangible assets increased correspondingly. Other differences were not consequential.

Other acquisitions

An asset acquisition of Burlöv Municipality's operation and maintenance operations took place in 2020. 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.

During 2020 assets were acquired through share acquisitions (asset acquisitions that are not business combinations) which resulted in a cash flow of SEK -147 million and referred primarily to project and development properties with development rights in Sweden and Norway.

Note 6 Other operating income

Group, MSEK	2021	2020
Capital gains from shares sold in businesses/joint ventures	47	77
Insurance compensation	19	18
Profit from sales of fixed assets	128	72
Exchange gains from receivables/liabilities relating to operations	-	17
Profit from participation in joint ventures	6	23
Payment regarding Group sickness insurance (AGS)	179	-
Other	12	22
Total	391	229

Note 7 Other operating costs

Group, MSEK	2021	2020
Capital loss from shares sold in businesses	-	-9
Loss from sales of fixed assets	-4	-8
Exchange loss from receivables/liabilities relating to operations	-1	-15
Costs for completed and uncompleted acquisitions	-8	-5
Other	-4	-4
Total	-17	-41

Note 8 Government grants

Government grants related to assets amounted in the Group to SEK 2 million (7) in 2021. 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 27 million (51) in 2021, and have reduced costs in the income statement. Of these SEK 25 million (49) are compensation as a result of the corona pandemic.

Note 9 Employees, personnel costs and remuneration to senior officers

Costs for remuneration to employees

Group, MSEK	2021	2020
Salaries and remuneration etc.	8,340	8,161
Pension costs, defined contribution plans	996	939
Social security ¹⁾	2,173	2,161
Total	11,509	11,261

¹⁾ 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 2021	Of which were women 2021 percent	No. of employees 2020	Of which were women 2020 percent
Parent company				
Sweden	160	52	168	52
Subsidiaries				
Sweden	10,689	13	11,080	13
Norway	1,849	11	1,761	11
Finland	1,926	14	1,947	14
Denmark	280	8	208	8
Poland	3	67	2	50
Total in subsidiaries	14,747	13	14,998	13
Group	14,907	13	15,166	13

Gender distribution in boards and other senior officers

	2021 Per- centage of women	2020 Per- centage of women
Parent company		
The Board of Directors	45	25
Other senior officers ¹⁾	20	25
Group		
Boards ²⁾	44	27
Other senior officers ³⁾	16	19

¹⁾ Refers to Executive management.

²⁾ Refers to the Board of Directors in the parent company and boards in subsidiaries.

³⁾ 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 2021, MSEK	Board of Directors and senior officers (16 persons) ¹⁾
Salaries and other remuneration	38
– of which variable remuneration	2
Pension costs	36
– of which pension costs for variable remuneration	23

¹⁾ The group senior officers refers to executive management. During 2021 the group consisted of eight persons, five of which were in the parent company and three persons in other subsidiaries.

Group 2020, MSEK	Board of Directors and senior officers (17 persons) ¹⁾
Salaries and other remuneration	37
– of which variable remuneration	1
Pension costs	25
– of which pension costs for variable remuneration	12

¹⁾ 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.

Salaries and other remuneration divided among senior officers and other employees as well as social security costs

Parent company 2021, MSEK	Board of Direc-tors and senior officers (13 persons) ¹⁾	Other employees	Total
Salaries and other remuneration	27	122	149
– of which variable remuneration	–	2	2
Social security costs	43	74	117
– of which pension costs	10	25	35
– of which pension costs for vari- able remuneration	17	2	19

¹⁾ The group senior officers refers to parts of executive management. During 2021 the group consisted of five persons in the parent company.

Parent company 2020, MSEK	Board of Direc-tors and senior officers (14 persons) ¹⁾	Other employ- ees	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 varia- ble remuneration	8	3	11

¹⁾ The group senior officers refers to parts of executive management. During 2020 the group consisted of four persons 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.

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Salaries and other remuneration for senior officers in 2021

Thousands, SEK	Basic pay/Board remuneration	Variable remuneration	LTI-program¹⁾	Other benefits/ remunerations	Pension costs	Total
Chairman of the Board, Anders Runevad	1,250					1,250
Other members of the Board						
Karl-Axel Granlund	700					700
Lars Sköld	700					700
Fredrik Paulsson	700					700
Kerstin Lindell	625					625
Liselott Kilaas	625					625
Malin Persson	550					550
Magdalena Gerger	625					625
Board of Directors fees, remuneration from the parent company	5,775					5,775
CEO, Jesper Göransson	7,968	4,781	2,435	485	4,240 ²⁾	19,909
Other senior officers, remuneration from the parent company	12,060	5,804	3,897	880	6,002 ³⁾	28,643
Other senior officers, remuneration from subsidiaries	8,543	5,127	2,611	566	3,248 ⁴⁾	20,095
Total	34,346	15,712	8,943	1,931	13,490	74,422
Remuneration from the parent company	25,803	10,585	6,332	1,365	10,242	54,327
Remuneration from subsidiaries	8,543	5,127	2,611	566	3,248	20,095

¹⁾ For more information see Long-term incentive program (LTI program).²⁾ Includes fees for endowment insurance of SEK 398 thousand.³⁾ Includes fees for endowment insurance of SEK 290 thousand.⁴⁾ Includes fees for endowment insurance of SEK 124 thousand.**Salaries and other remuneration for senior officers in 2020**

Thousands, SEK	Basic pay/Board remuneration	Variable remuneration	LTI-program¹⁾	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
Other members of the Board						
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
Board of Directors fees, remuneration from the parent company	5,325					5,325
CEO, Jesper Göransson	7,944	2,320	1,205	498	4,158 ²⁾	16,125
Other senior officers, remuneration from the parent company	10,305	2,609	1,513	720	4,738 ³⁾	19,885
Other senior officers, remuneration from subsidiaries	10,930	3,331	1,750	676	4,525 ⁴⁾	21,212
Total	34,504	8,260	4,468	1,894	13,421	62,547
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

¹⁾ For more information see Long-term incentive program (LTI program).²⁾ Includes fees for endowment insurance of SEK 338 thousand.³⁾ Includes fees for endowment insurance of SEK 228 thousand.⁴⁾ Includes fees for endowment insurance of SEK 300 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 30 for additional information about pensions.

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In 2021 the group senior officers consisted of eight persons, of which five were in the parent company. In 2020 the group 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 2020 the group was comprised of eight persons, of which five were in the parent company.

The Board of Directors

The 2021 AGM decided on a remuneration to members of the Board of SEK 5,775 thousand (5,325), of which SEK 4,950 thousand (4,500) refers to Board work and SEK 825 thousand (825) refers to committee work. Compensation for work as Chairman of the Board was SEK 1,100 thousand (900) and SEK 3,850 thousand (3,600) 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 2021 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. In 2021 Group goals were linked to Peab's external financial and non-financial targets.

Short-term incentives are determined for each financial year. Short-term incentives for the financial year 2021 were maximized at SEK 4,781 thousand (4,766) for the CEO and a total of SEK 10,931 thousand (12,209) 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 (excluding 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 2021 were maximized at SEK 3,187 thousand (excluding social security) for the CEO and a total of SEK 8,242 thousand (excluding 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 2021 received a salary and other remuneration, including benefits, totaling SEK 8,453 thousand (8,442). In addition, he has received short-term incentives for 2021 of SEK 4,781 thousand (2,320) and a provision for the LTI program of SEK 2,435 thousand (1,205) has been made, which was placed in pension savings in endowment insurance connected to the Peab share. Pension contributions including fees for endowment insurance for the year were SEK 4,240 thousand (4,158).

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 22,049 thousand (22,631). In addition, short-term incentives for 2021 amounted to SEK 10,931 thousand (5,940) which was placed in pension savings in endowment insurance connected to the Peab share, alternatively paid in cash. Provisions for the LTI program amounted to SEK 6,508 thousand (3,263), which was placed in pension savings in endowment insurance connected to the Peab share. Pension contributions including fees for endowment insurance during the year amounted to SEK 9,250 thousand (9,263).

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 any 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 new LTI program was launched for the business plan period 2021-2023 with annual reconciliation with operating margin targets 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 must 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 will be placed in a pension savings connected to the Peab share alternatively paid as cash salary. In 2021 the cost of the LTI program amounted to SEK 109 million including social security.

A LTI program was launched for 2018-2020 and was annually reconciled with operating margin goals for the Group. 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. In 2020 the cost of the LTI program amounted to SEK 51 million including social security.

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 entitlement work hours. Upon retirement shareholders can withdraw their share in the foundation. Under the foundation's investment policy, its assets must be mainly invested in shares in Peab. In 2021 Peab allocated SEK 91 million to the profit-sharing foundation. This amount less payroll tax will be paid into the foundation for the employees that are shareholders in 2022. In 2020 Peab allocated SEK 55 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 10 Fees and cost remuneration to accountants

MSEK	Group		Parent company	
	2021	2020	2021	2020
Ernst & Young AB				
Auditing assignments	13	-	2	-
Other additional audit-related work	1	-	1	-
Other services	0	-	0	-
KPMG AB				
Auditing assignments	5	17	3	5
Other additional audit-related work	-	2	-	1
Other services	4	12	2	6
Total	23	31	8	12

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 11 Operating costs divided by type

Group, MSEK	2021	2020
Production costs ¹⁾	41,807	42,545
Personnel expenses	12,039	11,855
Depreciation	1,625	1,639
Write-downs	82	95
Other operating costs	769	936
Total	56,322	57,070

¹⁾ Included in production costs are purchased material, sub-contractors, expenses for property projects and other production costs.

Note 12 Net financial income/expenses

Group, MSEK	2021	2020
Interest income ¹⁾	73	69
Net exchange rate fluctuation	7	-
Dividends received related to financial assets valued at fair value via profit/loss	12	21
Change in value of financial assets valued at fair value via profit/loss:		
Unlisted shares and participations	1	4
Change in value currency swaps	1	2
Financial income	94	96
Interest expenses ²⁾	-128	-132
Net exchange rate fluctuation	-	-90
Change in value currency swaps	-1	-2
Increase during the year in discounted amounts of provisions for restoration costs	0	-1
Change in value of financial assets valued at fair value via profit/loss:		
Unlisted funds	-9	-25
Other items	-29	-23
Financial expenses	-167	-273
Net financial income/expenses	-73	-177

¹⁾ Refers to items valued at accrued acquisition value.

²⁾ 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	2021	2020
Dividends	-	500
Write-downs ¹⁾	-	-1
Liquidation/sales result of participations	63	0
Total	63	499

¹⁾ For more information about write-downs, see note 41.

Profit from other securities and receivables held as fixed assets

Parent company, MSEK	2021	2020
Interest income, external	1	1
Total	1	1

Interest expenses and similar profit/loss items

Parent company, MSEK	2021	2020
Interest expenses, Group ¹⁾	-49	-58
Total	-49	-58

¹⁾ Interest expenses refer to interest from items valued at accrued acquisition value.

Note 13 Appropriations

Parent company, MSEK	2021	2020
Change in additional depreciation, intangible assets	9	-2
Change in additional depreciation, machinery and equipment	0	0
Transfer to tax allocation reserve	-475	-319
Received Group contribution	2,265	1,649
Paid Group contribution	-161	-62
Total	1,638	1,266

Note 14 Taxes

Recognized in the income statement

Group, MSEK	2021	2020
Current tax expenses/income		
Tax expenses for the year	-423	-421
Adjustment of tax attributable to previous years	0	-5
	-423	-426
Deferred tax expenses/income		
Temporary differences	19	-88
Capitalized tax value of loss carry-forwards during the year	15	1
Utilisation of capitalized tax value of loss carry-forwards	-159	-51
Changed tax rates	-	1
Revaluation of recognized deferred tax values	0	-1
Tax reduction investments in equipment	23	-
	-102	-138
Total recognized tax expenses in the Group	-525	-564
Parent company, MSEK	2021	2020
Current tax expenses/income		
Tax expenses for the year	-294	-211
	-294	-211
Deferred tax expenses/income		
Temporary differences	15	6
	15	6
Total recognized tax expenses in the parent company	-279	-205

Reconciliation of effective tax

Group, MSEK	2021	2021 (%)	2020	2020 (%)
Pre-tax profit	2,902		3,745	
Tax in accordance with tax rate for the parent company	-598	20.6	-801	21.4
Effect of other tax rates for foreign subsidiaries	2	-0.1	5	-0.1
Non-deductible expenses	-82	2.8	-46	1.2
Tax exempt income	65	-2.2	239	-6.4
Deductible non profit-influencing items	27	-0.9	16	-0.4
Revaluation of reported deferred tax values	0	0.0	-1	0.0
Utilized non-capitalized loss carry-forwards	1	0.0	1	0.0
Tax attributable to previous years	0	0.0	-5	0.1
Changed tax rates	-	-	1	0.0
Increase in loss carry-forwards without corresponding capitalization of deferred tax	-5	0.2	-1	0.0
Effect net profit of joint ventures	42	-1.5	28	-0.7
Tax reduction investments in equipment	23	-0.8	-	-
Recognized effective tax	-525	18.1	-564	15.1
Parent company, MSEK	2021	2021 (%)	2020	2020 (%)
Pre-tax profit	1,522		1,509	
Tax according to tax rate for the parent company	-313	20.6	-323	21.4
Non-deductible expenses	-4	0.3	-4	0.3
Tax exempt income	13	-0.9	107	-7.1
Deductible non profit-influencing items	25	-1.7	15	-1.0
Recognized effective tax	-279	18.3	-205	13.6

Tax attributable to other comprehensive income

	Pre-tax	After tax	Pre-tax	After tax
Group, MSEK	2021		2020	
Translation difference for the year foreign operations	184	-	184	-194
Cash flow hedges	6	-1	5	5
Other comprehensive income	190	-1	189	-189

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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	
	2021	2020	2021	2020	2021	2020	2021	2020
Intangible assets			-90	-71	-90	-71	-5	24
Tangible assets			-794	-806	-794	-806	26	-106
Investment property			-5	-5	-5	-5	0	-4
Financial fixed assets	2	2			2	2	0	1
Project and development properties			-1,205	-988	-1,205	-988	-193	487
Inventories			-1	-1	-1	-1	3	4
Accounts receivable	23	31			23	31	-10	-66
Worked-up not invoiced income	172	210			172	210	-45	44
Other receivables	74	89			74	89	-16	0
Interest-bearing liabilities	1,553	1,100			1,553	1,100	448	-434
Provisions for pensions	274	252			274	252	22	25
Provisions	146	172			146	172	-30	31
Invoiced income not worked-up			-92	-66	-92	-66	-26	1
Other liabilities	345	399			345	399	-54	-30
Loss carry-forwards	153	287			153	287	-144	-49
Tax allocation reserves			-724	-622	-724	-622	-102	-95
Safety reserve			-1	-2	-1	-2	1	29
Tax reduction investments in equipment	23				23			
Tax recoverables/tax liabilities	2,765	2,542	-2,912	-2,561	-147	-19		
Offset	-2,591	-2,378	2,591	2,378	-	-		
Net	174	164	-321	-183	-147	-19	-102	-138

Parent company, MSEK	Deferred tax recoverables		Changes recognized in profit/loss for the year	
	2021	2020	2021	2020
Provisions for pensions	134	123	11	6
Other liabilities	6	2	4	0
Net	140	125	15	6

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 deductability of individual deductions have been taken into consideration when evaluating deferred tax recoverables. The judgement per 2021-12-31 as well as 2020-12-31 is that there are no uncertainties regarding the deductability 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 608 million (537) remains uncertain. They have not been capitalized. The fiscal value of the non-capitalized loss carry-forward is SEK 134 million (118).

Changed tax rates

As of 2021 the tax rate in Sweden has changed to 20.6 percent.

The fiscal temporary differences are valued at the tax rate valid at the time the temporary differences are expected to cease to exist.

Note 15 Intangible assets

Group 2021, 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	3,092	280	145	271	289	147	4,224
Purchases					26	27	53
Purchases through acquired companies	28	7	10	44			89
Sales/disposals		-72			-11	-22	-105
Reclassifications				10	3	-2	11
Exchange rate differences	36	7	4	3	2		52
Closing accumulated acquisition value	3,156	222	159	328	309	150	4,324
Opening depreciation	-	-192	-131	-102	-59	-31	-515
Depreciation through acquired companies				-2			-2
Sales/disposals		70			11	16	97
Depreciation ¹⁾		-15	-15	-17	-23	-13	-83
Reclassifications					-1	1	-
Exchange rate differences	-4		-3		-1		-8
Closing accumulated depreciation	-	-141	-149	-121	-73	-27	-511
Opening write-downs	-24	-	-	-	-	-6	-30
Sales and disposals		2				6	8
Write-downs ²⁾	-20	-2					-22
Closing accumulated write-downs	-44	-	-	-	-	-	-44
Closing recognized value	3,112	81	10	207	236	123	3,769

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				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
Closing accumulated acquisition value	3,092	280	145	271	289	147	4,224
Opening depreciation	-	-188	-45	-88	-29	-24	-374
Depreciation through acquired companies					-17		-17
Sales/disposals		2	31				33
Depreciation ¹⁾		-12	-123	-14	-15	-7	-171
Exchange rate differences	6	6	2				14
Closing accumulated depreciation	-	-192	-131	-102	-59	-31	-511
Opening write-downs	-39	-	-	-	-	-6	-45
Sales and disposals	35						35
Write-downs ²⁾	-20						-20
Closing accumulated write-downs	-24	-	-	-	-	-6	-30
Closing recognized value	3,068	88	14	169	230	110	3,679

¹⁾ Depreciation is recognized in the following lines of the income statement:

MSEK	2021	2020
Production costs	-49	-152
Sales and administrative expenses	-34	-19
Total	-83	-171

²⁾ Write-downs are recognized in the following line of the income statement:

MSEK	2021	2020
Production costs	-22	-20
Total	-22	-20

Goodwill impairment testing in cash generating units

The Peab Group balance sheet 2021-12-31 included total goodwill of SEK 3,112 million (3,068). The table below shows goodwill per group of cash generating units for which goodwill is tested for impairment.

MSEK	2021	2020
Construction		
Construction Sweden	76	76
Construction Finland	66	65
Construction Norway	155	145
Civil Engineering		
Civil Engineering Sweden	125	142
Civil Engineering Norway	18	7
Industry		
Industry Sweden	1,416	1,411
Industry Finland	1,201	1,179
Industry Norway	12	
Industry Denmark	22	22
Project Development		
Housing Development Sweden	14	14
Housing Development Norway	7	7
Total	3,112	3,068

Goodwill write-downs

The Group has written down goodwill in 2021 by SEK 20 million (20). Write-downs for the year refer to business area Civil Engineering and are due to low profitability in existing operations. 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 7.8 percent (7.4), in Norway 7.8 percent (7.9), in Finland 7.8 percent (7.0) and in Denmark 7.8 percent (7.5). The corresponding pre-tax discount in Sweden was on average 7.9 percent (7.6), in Norway 7.9 percent (8.2), in Finland 7.8 percent (7.1) and in Denmark 7.8 percent (7.7).

Parent company 2021, MSEK	Intangible assets, external purchase	Intangible assets, internally developed	Total
	Other intangible assets	Balanced develop- ment costs	
Opening acquisition value	34	25	59
Sales	-28	-25	-53
Closing accumulated acquisition value	6	-	6
Opening depreciation	-5	-11	-16
Sales	4	11	15
Depreciation ¹⁾	-1		-1
Closing accumulated depreciation	-2	-	-2
Closing recognized value	4	-	4

Parent company 2020, MSEK	Intangible assets, external purchase	Intangible assets, internally developed	Total
	Other intangible assets	Balanced develop- ment costs	
Opening acquisition value	34	25	59
Closing accumulated acquisition value	34	25	59
Opening depreciation	0	-8	-8
Depreciation ¹⁾	-5	-3	-8
Closing accumulated depreciation	-5	-11	-16
Closing recognized value	29	14	43

¹⁾ Depreciation is recognized in the following line of the income statement:

MSEK	2021	2020
Administration expenses	-1	-8
Total	-1	-8

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1 Note 16 Tangible assets

2 Tangible fixed assets consist of owned and leased assets.

3 Group, MSEK	4 Note	5 2021	6 2020
Tangible fixed assets – owned		5,537	5,419
Rights of use – leased with	36	2,137	2,152
Total		7,674	7,571
7			
8			
9 Group 2021, MSEK	10 Buildings and land	11 Machinery and equipment	12 Construction in progress
Opening acquisition value	2,461	10,850	283
Purchases	80	698	250
Purchases through acquired companies	36	140	176
Sales/disposals	-56	-346	-91
Reclassifications	1	193	-76
Exchange rate differences	20	137	2
Closing accumulated acquisition value	2,542	11,672	368
Opening depreciation	-1,080	-7,087	-
Accumulated depreciation through acquired companies	-3	-54	-57
Sales/disposals	11	321	332
Depreciation	-84	-839	-923
Reclassifications	2	-119	-117
Exchange rate differences	-7	-95	-102
Closing accumulated depreciation	-1,161	-7,873	-
Opening write-downs	-2	-6	-
Sales/disposals	2		2
Write-downs ¹⁾		-5	-5
Closing accumulated write-downs	0	-11	-
Closing recognized value	1,381	3,788	368
			5,537

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
Closing accumulated acquisition value	2,461	10,850	283	13,594
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
Closing accumulated depreciation	-1,080	-7,087	-	-8,167
Opening write-downs	-2	-6	-	-8
Closing accumulated write-downs	-2	-6	-	-8
Closing recognized value	1,379	3,757	283	5,419

¹⁾ Write-downs are recognized in the following line of the income statement:

Group, MSEK	2021	2020
Production costs	-5	-
Total	-5	-

Loan interest of SEK 1 million (2) has been activated during the year.

Parent company, MSEK	Machinery and equipment	
	2021	2020
Opening acquisition value	2	2
Closing accumulated acquisition value	2	2
Opening depreciation	-1	-1
Closing accumulated depreciation	-1	-1
Closing recognized value	1	1

Note 17 Investment property

Investment properties consist of owned and leased assets.

Group, MSEK	Note	2021	2020
Investment properties – owned		36	111
Rights of use – leased with	36	19	19
Total		55	130

Group 2021, MSEK	Investment property
Opening acquisition value	138
Sales	-99
Closing accumulated acquisition value	39
Opening depreciation	-17
Sales	15
Depreciation	-1
Closing accumulated depreciation	-3
Opening write-downs	-10
Sales	10
Closing accumulated write-downs	-
Closing recognized value	36

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
Closing accumulated acquisition value	138	-	138
Opening depreciation	-52	-	-52
Distribution Annehem			
Fastigheter	47		47
Depreciation	-12		-12
Closing accumulated depreciation	-17	-	-17
Opening write-downs	-10	-	-10
Closing accumulated write-downs	-10	-	-10
Closing recognized value	111	-	111

Accumulated fair value

At year-end fair value amounted to SEK 56 million compared to the recognized value of SEK 55 million including rights of use. At the end of 2020 fair value amounted to SEK 140 million compared to the recognized value of SEK 130 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

Fair value has been determined through a combination of applying the location/price method, based on recognized comparable purchases and the yield method. 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. The valuation of the above fair values are classified on level 3 in the fair value hierarchy.

Effect on profit/loss for the year

Group, MSEK	2021	2020
Rental revenue	6	11
Direct costs for investment property that generated rent during the year (operational and maintenance costs, property tax and ground rent)	-2	-4
Direct costs for investment property that did not generate rent during the year (operational and maintenance costs, property tax and ground rent)	0	-1

Note 18 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 Värdshuset 5.

Skiab Invest AB, 50 percent ownership. The company will develop, own and manage commercial property and housing in the Scandinavian mountains. Skiab Invest AB, half-owned by Peab and SkiStar, signed contracts in May 2021 for the acquisition of three lodges with a property value of SEK 737 million and development rights worth SEK 305 million from SkiStar. Peab and SkiStar have owned and managed three lodges in Swedish and Norwegian mountainside locations through various jointly owned companies. These have now been gathered together in the half-owned company Skiab Invest AB. The transactions were finalized per July 2021.

Group, MSEK	Significant joint ventures 2021-12-31					Significant joint ventures 2020-12-31				1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45
	Fastighets AB Centur	Fastighets AB ML4	Tornet Bostadsproduktion AB	Point Hyllie Holding AB	Skib Invest AB	Fastighets AB Centur	Fastighets AB ML4	Tornet Bostadsproduktion AB	Point Hyllie Holding AB	
Net sales	406	97	220	59	42	408	101	188	43	
Operating profit ¹⁾	318	53	125	8	31	333	57	111	-7	
Interest expenses and similar profit/loss items	-120	-35	-41	-19	-2	-100	-36	-45	-19	
Tax	-35	-6	-18	1	5	-61	-5	-16	3	
Profit for the year	163	12	66	-10	34	172	16	50	-23	
Other comprehensive income and total comprehensive income for the year	163	12	66	-10	34	172	16	50	-23	
Less non-controlling interest	-5					-3				
Total comprehensive income less non-controlling interest	158	12	66	-10	34	169	16	50	-23	
¹⁾ Depreciation amounts to		43	35	32	12		43	26	31	
Fixed assets		204			51		178	5		
Investment property	6,355	1,991	4,536	1,354	1,723	6,255	1,956	4,076	1,324	
Short-term investments and liquid funds	201	79	199	41	148	84	39	57	66	
Other current assets	20	2	11	6	401	139	6	87	5	
Total assets	6,576	2,276	4,746	1,401	2,323	6,478	2,179	4,225	1,395	
Long-term financial liabilities	4,825	1,959	3,310	990	1,104	4,902	1,901	2,849	995	
Other long-term liabilities	310	62	12		1	281	58	24	1	
Current financial liabilities		85			10		39			
Other current liabilities	213	34	121	36	44	230	57	115	14	
Total liabilities	5,348	2,140	3,443	1,026	1,159	5,413	2,055	2,988	1,010	
Net assets	1,228	136	1,303	375	1,164	1,065	124	1,237	385	
Less non-controlling interest	-22		-31			-17		-31		
Net assets less non-controlling interest	1,206	136	1,272	375	1,164	1,048	124	1,206	385	
Group share of net assets at the beginning of the year	524	62	402	192	55	440	54	335	204	
Share of total comprehensive income	79	6	21	-5	17	84	8	17	-12	
Acquisitions			2							
Contribution / new issues	150				510				50	
Dividend received	-150									
Group share of net assets at year-end	603	68	425	187	582	524	62	402	192	
Group share of unrealized internal profit at the beginning of the year	-44	-57	-23	-108	-	-39	-55	-20	-108	
Reclassification of internal profit when restructuring partially owned company					-89					
Elimination of unrealized profit	-3	1	-4	-8		-5	-2	-3		
Group share of unrealized internal profit at year-end	-47	-56	-27	-116	-89	-44	-57	-23	-108	
Recognized value at year-end	556	12	398	71	493	480	5	379	84	
Profit is reported in the following line in the income statement:										
Production costs	76	7	17	-13	17	79	6	14	-12	
Total	76	7	17	-13	17	79	6	14	-12	
Recognized amount is reported in the following line in the balance sheet:										
Participation in joint ventures	556	12	398	71	493	480	5	379	84	
Total	556	12	398	71	493	480	5	379	84	

Information on other joint venture's value in the Group

Group, MSEK	2021	2020
Share of comprehensive income in other joint ventures	105	46
Profit is divided among the following items in the income statement:		
Productions costs	99	23
Other operating income	6	23
Total	105	46
Recognized value of other joint ventures	693	741
Recognized amount is divided among the following items in the balance sheet:		
Participation in joint ventures	797	865
Other provisions ¹⁾	-87	-108
Accrued expenses and deferred income ²⁾	-17	-16
Total	693	741

¹⁾ Refers to joint ventures where equity is negative.²⁾ Refers to joint ventures where the net sum of equity and internal profit elimination is negative.

Company	Corp. ID no.	Registered Office	Share percent		Company	Corp. ID no.	Registered Office	Share percent	
			2021	2020				2021	2020
Acturum Development AB	556910-5488	Stockholm	–	50	Runö Fastigheter				
Blindheim Kran AS	918 329 293	Ålesund	45	45	Handelsbolag	969723-2107	Stockholm	30	30
Bondistranda Utvikling AS	992 512 741	Lysaker	50	50	Scandinavian Mountains AB	556973-5631	Malung-Sälen	24.4	24.4
Brekkeveien 5 Bolig AS	991 935 177	Lysaker	50	50	Sicklaön Bygg Invest AB	556911-5479	Solna	50	50
Byggutveckling Svenska AB	556627-2117	Linköping	50	50	Skiab Invest AB	556848-5220	Malung-Sälen	50	50
Fastighets AB Centur	556813-6369	Stockholm	50	50	Skiab Invest AS	915 659 454	Trysil	–	50
Fastighets AB ML4	556786-2155	Malmö	50	50	Solligården Bolig DA	913 765 516	Lysaker	50	50
Fastighets AB Tornet	559008-2912	Gothenburg	50	50	Solligården Närings AS	913 764 862	Lysaker	50	50
Fjällvärme i Sälen AB	556536-1895	Malung-Sälen	50	50	Stadsliden Utveckling AB	556874-7413	Umeå	50	50
Fløifjellet Eiendom AS	915 467 407	Tromsø	50	50	Steindalen AS	914 738 091	Stjørdal	33.3	33.3
Fløtningen Park AS	992 212 330	Skien	50	50	Storsvingen Vest AS	999 210 953	Hammerfest	50	50
Frenvikrönningen AS	986 838 325	Skien	50	50	Strömbrytaren Holding AB	559116-6391	Stockholm	50	50
Fri Sikt Voldsdalsberga AS	990 529 396	Ulsteinvik	40	40	Sydpartner AB	556712-4952	Ängelholm	50	50
Forsøket Boliger AS	919 440 694	Tromsø	50	50	Tomasjord Park AS	983 723 853	Tromsø	–	50
Galtungveien Eiendom AS	927 660 407	Halden	50	–	Tornet Bostadsproduktion AB	556796-2682	Stockholm	33.3	33.3
Hans Haslums Vei Utvikling AS	914 498 937	Lysaker	50	50	Trysil Hotellutvikling AS	987 054 409	Trysil	–	50
Hälsostaden Ängelholm					Trysil Suiter AS	991 276 068	Trysil	–	50
Holding AB	556790-5723	Ängelholm	33.3	33.3	Tunveien Eiendom AS	916 321 007	Oslo	50	50
ITolv AB	556513-2478	Eksjö	43.8	43.8	Umeå Mark & Exploatering AB	556660-7064	Umeå	50	50
Kaldslettneset AS	911 692 058	Tromsø	50	50	Vardenbakken 99 AS	998 347 211	Oslo	50	50
KB Älvhögsborg	916899-2734	Trollhättan	50	50	Visio Råsunda Garage AB	556952-9992	Solna	50	50
Kirkebakken Vest AS	988 796 174	Horten	50	50	Överby Holding AB	559103-6818	Solna	–	50
Klostorfoss Utvikling AS	991 043 829	Skien	50	50					
Kungsörs Grusaktiebolag	556044-4134	Kungsör	50	50					
Lillegården Eiendom AS	886 804 512	Skien	50	50					
Ljusta Projektutveckling AB	556668-4899	Sundsvall	–	50					
Majorbygg AS	912 077 020	Skien	50	50					
Medkila Nord AS	998 565 545	Harstad	50	50					
Mountain Resort Trysil AS	996 284 115	Trysil	–	50					
Myren Parkering AS	912 024 733	Skien	26.4	26.4					
Nedre Holte AS	985 911 495	Harstad	50	50					
Nordasfalt AS	950 501 480	Bodø	50	50					
Nyheim Bolig AS	822 156 282	Tromsø	–	50					
Nyheim Temp AS	928 032 582	Tromsø	50	–					
PEKO Fastighets AB	559220-8911	Solna	50	–					
PeKum AB	559041-7464	Kumla	50	50					
Point Hyllie Holding AB	559023-4034	Solna	50	50					
PPE Holding AB	559003-7304	Solna	50	50					
PPE Holding i Borgholm AB	559309-7768	Kalmar	50	–					

Note 19 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	Share percent
	2021	2020
Dockan Exploatering AB, Malmö, 556594-2645	33.3	33.3
Mälarstrandens Utvecklings AB, Västerås, 556695-5414	44.0	44.0

Note 20 Interest-bearing receivables

Interest-bearing long-term receivables

Group, MSEK	2021	2020
Receivables in Group joint ventures	1,112	1,149
Other interest-bearing receivables	96	108
Total	1,208	1,257

Interest-bearing current receivables

Group, MSEK	2021	2020
Receivables in Group joint ventures	72	73
Other interest-bearing receivables	270	12
Total	342	85

Note 21 Securities holdings

Securities held as fixed assets

Group, MSEK	2021	2020
Financial assets valued at fair value via profit/loss		
Unlisted funds	32	37
Unlisted shares and participations	23	23
Total	55	60

Note 22 Other receivables

Other long-term receivables

MSEK	Group		Parent company	
	2021	2020	2021	2020
Receivables in Group joint ventures	1	32		
Receivables sold properties	49	9		
Paid advances, down payments	19	40		
Other long-term receivables	40	62		
Total	109	143	-	-

Other current receivables

MSEK	Group		Parent company	
	2021	2020	2021	2020
Receivables in Group joint ventures	93	4	-	-
Receivables sold properties	633	480	-	-
Paid advances, down payments	71	12	-	-
VAT, other taxes	170	216	0	27
Other current receivables	77	98	2	3
Derivate instruments held for hedging purposes	8	5	-	-
Total	1,052	815	2	30

Note 23 Project and development properties

Project and development properties consist of owned and leased assets.

Group, MSEK	Note	2021	2020
Project and development properties			
- owned		15,932	13,670
Rights of use – leased with	36	326	404
Total		16,258	14,074

Group, MSEK	2021	2020
Housing development rights	6,609	5,262
Commercial development rights	604	584
On going housing projects	7,018	5,985
On going rental projects in Sweden	616	1,023
On going commercial projects	457	216
Completed property	123	311
Other	505	289
Total	15,932	13,670

Project and development properties were written down during the year for a total of SEK 18 million (31). Loan interest of SEK 139 million (181) 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 15,932 million (13,670) some SEK 5,600 million (approximately 3,400) is expected to be recovered through 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 24 Inventories

Group, MSEK	2021	2020
Raw materials and consumables	495	569
Products in progress	4	2
Finished products and goods for resale	819	698
Total	1,318	1,269

Note 25 Accounts receivable

Total accounts receivables amounted to SEK 7,802 million (7,482). In business area Construction, Civil Engineering and Industry accounts receivables have increased while business area Project Development has decreased accounts receivables compared to 2020. For more information regarding accounts receivable see note 35.

Accounts receivables were written down in the income statement with actual and feared bad debts for a total of SEK 14 million (20). Actual bad debts amounted to SEK 13 million (12) in the Group, of which SEK 2 million were written down in 2020. 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 26 Construction contracts

Worked-up not invoiced income

Group, MSEK	2021	2020
Worked-up income on incomplete contracts	39,416	38,025
Invoiced sales on incomplete contracts	-37,838	-35,987
Total	1,578	2,038

Invoiced income not worked-up

Group, MSEK	2021	2020
Invoiced sales on incomplete contracts	53,717	55,948
Worked-up income on incomplete contracts	-49,361	-51,994
Total	4,356	3,954

Change in contract balances

Group, MSEK	Worked-up not invoiced income	2021		2020	
		Invoiced income not worked-up	Worked-up not invoiced income	Invoiced income not worked-up	Worked-up not invoiced income
Income recognized in the period included in invoiced income not worked-up at the beginning of the period			3,954		4,859
Invoiced during the year, reduced by amounts recognized as income during the year			-4,356		-3,954
Transferred from worked-up not invoiced income at the beginning of the period to accounts receivable		-2,038		-2,387	
Worked-up during the year, reduced by amounts invoiced during the year	1,578			2,038	
Exchange rate differences	19	-47		-20	-87

Income recognized during the report period from performance obligations met during previous periods was SEK -249 million (-207).

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 27 Prepaid expenses and accrued income

MSEK	Group		Parent company	
	2021	2020	2021	2020
Accrued operating income	137	128	-	-
Accrued interest income	0	2	-	-
Prepaid rents	55	32	-	-
Prepaid expenses	149	170	9	10
Other	142	182	-	-
Total	483	514	9	10

Note 28 Equity

Shares and share capital

Group	A shares	B shares	Number of issued fully paid shares	Share capital, SEK
Issued shares per January 1, 2021	34,319,957	261,729,773	296,049,730	1,583,866,056
Issued shares per December 31, 2021	34,319,957	261,729,773	296,049,730	1,583,866,056

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 ¹⁾	Amount that affected equity, MSEK ²⁾	
		2021	2020
Opening repurchased own shares	1,086,984	1,086,984	929
Closing repurchased own shares	1,086,984	1,086,984	929

¹⁾ A withdrawal of 5,500,000 shares was made in 2007.

²⁾ 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 reevaluating 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 5.00 (4.50) per share, totaling SEK 1,474,813,730 (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 5, 2022.

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.

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Note 29 Interest-bearing liabilities

Group, MSEK	2021	2020
Interest-bearing long-term liabilities	5,281	4,289
Interest-bearing long-term liabilities, project financing	346	75
Interest-bearing short-term liabilities	2,386	2,647
Interest-bearing short-term liabilities, project financing	7,003	4,981
Total	15,016	11,992

Long-term liabilities

Group, MSEK	2021	2020
Bank loans ¹⁾	1,289	1,943
Bonds	2,447	500
Leasing liabilities	1,891	1,921
Total	5,627	4,364

¹⁾ Of which SEK 346 million (75) consists of project financing.

Changes in liabilities

Group, MSEK	2020-12-31	Cash flow	Items that do not effect cash flow				
			New leasing contracts	Acquisitions ¹⁾	Other changes	Exchange rate difference	2021-12-31
Bank loans	4,164	-1,112		68		105	3,225
Commercial paper	110	1,088				8	1,206
Bonds	2,249	497					2,746
Leasing liabilities	2,442	-622	653	55	-148 ²⁾	39	2,419
Liabilities in Swedish tenant-owner associations	3,027	2,382					5,409
Other liabilities	-	1		10			11
Total	11,992	2,234	653	133	-148	152	15,016

Group, MSEK	2019-12-31	Cash flow	Items that do not effect cash flow					2020-12-31
			New leasing contracts	Acquisi-tions ¹⁾	Sales	Distribu-tion Annehem	Other changes	
Bank loans	4,160	1,387		46	-5	-1,084		-340
Commercial paper	1,359	-1,248						-1
Bonds	2,248	1						2,249
Leasing liabilities	1,343	-524	1,482	361	-14	-89	-18 ²⁾	-99
Liabilities in Swedish tenant-owner associations	5,667	-2,640						3,027
Total	14,777	-3,024	1,482	407	-19	-1,173	-18	-440
								11,992

¹⁾ Acquired liabilities including liabilities taken over in business and assets combinations.

²⁾ Refers to extensions, index changes and termination of contracts.

Parent company, MSEK	2020-12-31	Cash flow ¹⁾	2021-12-31	
			Liabilities to Group companies	Total
Liabilities to Group companies			2,697	-416
Total			2,697	-416
				2,281

Parent company, MSEK	2019-12-31	Cash flow ¹⁾	2020-12-31	
			Liabilities to Group companies	Total
Liabilities to Group companies			2,791	-94
Total			2,791	-94
				2,697

¹⁾ According to the cash flow analysis, changes in loans amounted to SEK -416 million (-49), which also includes changes in balances in Group accounts by SEK – million (45).

Note 30 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 2021 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 149 million (183). 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 0.71 percent (0.60) respective 0.66 percent (0.66).

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 2021, Alecta's surplus in the form of the collective consolidation level amounted to 172 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	
	2021	2020	2021	2020
Expenses for defined contribution plans	996	939	54	45
<i>Of which ITP 2 plans financed in Alecta</i>	187	190	9	9

Note 31 Provisions

Provisions which are long-term liabilities

Group, MSEK	2021	2020
Guarantee risk reserve	650	747
Restoration costs	333	366
Special payroll tax on pensions	151	148
Disputes	13	12
Obligations in joint ventures	87	108
Other	79	100
Total	1,313	1,481

Provisions which are current liabilities

Group, MSEK	2021	2020
Feared losses not worked-up	66	23
Guarantee risk reserve	107	103
Disputes	25	15
Other	42	48
Total	240	189

Provisions

Parent company, MSEK	2021	2020
Special payroll tax on pensions	45	43
Total	45	43

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		Feared losses not worked-up	Guarantee risk reserve	Restora-tion costs	Special payroll tax on pensions	Disputes	Obliga-tions in joint ventures	Other	Total
Group 2021, MSEK									
Opening recognized value		23	850	366	148	27	108	148	1,670
Provisions set aside during the year		46	516	24	52	19	21	32	710
Amounts requisitioned during the year		-3	-595	-27	-19	-9	-44	-59	-756
Provisions in acquired companies			1	4					5
Reversed unutilized provisions during the year			-23	-41	-30			-2	-96
Exchange rate differences			8	7		1	2	2	20
Closing recognized value		66	757	333	151	38	87	121	1,553
Of which are long-term provisions			650	333	151	13	87	79	1,313
Of which are current provisions		66	107			25		42	240
Group 2020, MSEK									
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
Closing recognized value		23	850	366	148	27	108	148	1,670
Of which are long-term provisions			747	366	148	12	108	100	1,481
Of which are current provisions		23	103			15		48	189
Parent company, MSEK		2021	2020						
Opening recognized value		43	41						
Provisions set aside during the year		20	14						
Amounts requisitioned during the year		-15	-12						
Reversed unutilized provisions during the year		-3	-						
Closing recognized value		45	43						
Of which are long-term provisions		45	43						

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 32 Other liabilities

Other long-term liabilities

MSEK	Group		Parent company	
	2021	2020	2021	2020
Derivate instruments held for hedging purposes	0	8		
Liabilities aquired properties	153	–		
Other liabilities	119	80		
Total	272	88	–	–

Other current liabilities

MSEK	Group		Parent company	
	2021	2020	2021	2020
Liabilities to joint ventures	41	14		
Contingent consideration	2	–		
Withholdings, social security costs	406	355	8	4
VAT	727	657	1	4
On account work-in-progress	852	1,251		
Derivate instruments held for hedging purposes	4	4		
Liabilities aquired properties	375	139		
Other liabilities	135	188		
Total	2,542	2,608	9	8

Note 33 Accrued expenses and deferred income

MSEK	Group		Parent company	
	2021	2020	2021	2020
Payroll expenses	1,912	1,831	58	45
Social security expenses	547	545	37	32
Operating expenses	1,730	1,896	4	7
Negative value joint ventures ¹⁾	17	16	–	–
Interest expenses	7	6	–	–
Rent revenue	45	51	–	–
Total	4,258	4,345	99	84

¹⁾ Refers to joint ventures where the net value of equity and internal profit elimination is negative.

Note 34 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 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 2021 Group contingent considerations were SEK 2 million (–).

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.

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		Valued at fair value via the income statement		Derivatives used in hedge accounting		Accrued acquisition value	Total recognized value		Fair value		
		2021	2020	2021	2020	2021	2020	2021	2020		
	Group, MSEK										
	Financial assets										
	Securities held as fixed assets	55	60				55	60	55	60	
	Interest-bearing long-term receivables				1,208	1,257	1,208	1,257	1,211	1,259	
	Other long-term receivables	0			69	72	69	72	69	72	
	Accounts receivable				7,802	7,482	7,802	7,482	7,802	7,482	
	Interest-bearing current receivables				342	85	342	85	342	85	
	Prepaid expenses and accrued income				0	2	0	2	0	2	
	Other current receivables	8	5		748	510	756	515	756	515	
	Liquid funds				2,951	968	2,951	968	2,951	968	
	Total financial assets	63	65	-	13,120	10,376	13,183	10,441	13,186	10,443	
	Financial liabilities										
	Interest-bearing long-term liabilities				5,281	4,289	5,281	4,289	5,281	4,289	
	Interest-bearing long-term liabilities, project financing				346	75	346	75	346	75	
	Other long-term liabilities	0		8	188	80	188	88	188	88	
	Interest-bearing current liabilities				2,386	2,647	2,386	2,647	2,386	2,647	
	Interest-bearing current liabilities, project financing				7,003	4,981	7,003	4,981	7,003	4,981	
	Accounts payable				4,992	4,687	4,992	4,687	4,992	4,687	
	Accrued expenses and deferred income				7	6	7	6	7	6	
	Other current liabilities	4	4	2	287	115	293	119	293	119	
	Total financial liabilities	4	4	2	8	20,490	16,880	20,496	16,892	20,496	16,892
	Unrecognized profit/loss ¹⁾								3	2	

¹⁾ 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 (0). The effects of valuing unlisted shares and funds including received dividends amounted to SEK 4 million (16).

		Valued at fair value via the income statement		Accrued acquisition value	Total recognized value		Fair value			
		2021	2020	2021	2020	2021	2020	2021	2020	
	Parent company, MSEK									
	Financial assets									
	Other securities held as fixed assets	0	0			0	0	0	0	
	Accounts receivable			0	0	0	0	0	0	
	Current receivables Group companies			2,271	1,655	2,271	1,655	2,271	1,655	
	Other current receivables			1	3	1	3	1	3	
	Cash and bank			0	0	0	0	0	0	
	Total financial assets	0	0	2,272	1,658	2,272	1,658	2,272	1,658	
	Financial liabilities									
	Long-term liabilities Group companies			2,281	2,697	2,281	2,697	2,281	2,697	
	Accounts payable			20	36	20	36	20	36	
	Current liabilities Group companies			269	129	269	129	269	129	
	Total financial liabilities	0	0	2,570	2,862	2,570	2,862	2,570	2,862	

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	
	2021	2020	2021	2020	2021	2020
Financial assets						
Securities held as fixed assets			55	60	55	60
<i>Whereof unlisted shareholdings and participations</i>			23	23	23	23
<i>Whereof unlisted funds</i>			32	37	32	37
Other current receivables	8	5			8	5
<i>Whereof currency derivatives</i>	1				1	-
<i>Whereof commodity hedging with futures</i>	7	5			7	5
Total financial assets	8	5	55	60	63	65
Financial liabilities						
Other long-term liabilities			8		-	8
<i>Whereof interest rate swaps</i>			8		-	8
Other current liabilities	6	4			6	4
<i>Whereof interest rate swaps</i>	2				2	-
<i>Whereof currency derivatives</i>	1	2			1	2
<i>Whereof commodity hedging with futures</i>	1	2			1	2
<i>Whereof contingent consideration</i>	2				2	-
Total financial liabilities	6	12	-	-	6	12

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, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Opening balance	37	58	23	24
Investments	4	4		
Sales				-1
Dividends received	-12	-21		
Reported in profit/loss for the period				
Net finance	3	-4		
Closing balance	32	37	23	23
Contingent consideration				
Opening balance			-	1
Aquisitions during the period			2	-
Payments during the year			-	-1
Closing balance			2	-

¹⁾ Recognized in net financial items.

The contingent consideration will amount from SEK 0 million to maximum of SEK 6 million.

Note 35 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.

Liquidity risk

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	2021-12-31	2020-12-31
Liquid funds and bank holdings	2,951	968
Unutilized overdraft facilities	400	951
Other unused credit lines	8,445	7,013
Liquidity commitment for outstanding commercial papers	-1,206	-110
Total	10,590	8,822

Financing risk

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 2021, the average loan period for utilized credits was 58 months (60), for unutilized credits 32 months (28), and for all granted credits 45 months (43). 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 455 million (1,393) 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 2021.

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 nominally worth EUR 118 million (11) corresponding to SEK 1,207 million (110).

Peab set up a MTN program in 2012 with a loan limit of SEK 5 billion. In 2021 new bond loans were issued with a nominal value of SEK 2,250 million (750) under the MTN program while bonds nominally worth SEK 1,750 million (750) matured during the year. At the end of the year 2021 Peab had outstanding bonds with a nominal value of SEK 2,750 million (2,250). Of the SEK 2,250 million in new bond loans SEK 1,500 million were green bonds. Funds from the green issue will be used to finance investments in green and energy efficient buildings, ECO-products and a more environmentally adapted production, green transportation and water and waste management. The green bonds were issued within the framework of Peab's Swedish MTN program and the framework for green financing instituted during the year. The framework has been audited by the independent company CICERO Shades of Green which has classified it at level "medium green".

Total credit commitments, excluding the unutilized part of the certificate program and the unutilized part of the MTN program, amounted to SEK 16,732 million (15,121) per December 31, 2021. Of the total credit commitments SEK 7,887 million (7,157) was utilized.

Age analysis of financial liabilities, undiscounted cash flow including interest

Group 2021, MSEK	Currency	Average interest rate on balance sheet day, %	Nominal value, original currency	Amount SEK	Matures 2022	Matures 2023	Matures 2024	Matures 2025	Matures 2026	Matures 2027-
Bank loans	SEK	1.3	683	683	244	207	130	75	27	
Bank loans	NOK	2.3	992	1,017	611	157	19	17	21	192
Bank loans	EUR	0.6	127	1,301	16	12	28	86	119	1,040
Bank loans	DKK	1.0	224	308	308					
Commercial papers	EUR	0.1	118	1,207	1,207					
Bonds	SEK	1.1	2,853	2,852	331	227	1,023	514	757	
Other liabilities	NOK	1.2	11	11	5	6				
Leasing liabilities ¹⁾	SEK	1.6	441	441	120	162	131	20	5	3
Leasing liabilities ¹⁾	NOK	2.5	171	175	60	47	31	21	8	8
Leasing liabilities ¹⁾	EUR	2.8	11	112	18	28	23	18	14	11
Leasing liabilities ¹⁾	DKK	1.1	10	13	4	4	4	1		
Total interest-bearing financial liabilities according to the Finance Policy				8,120	2,924	850	1,389	752	951	1,254
Leasing liabilities ²⁾	SEK	2.3	964	964	199	163	125	88	79	310
Leasing liabilities ²⁾	NOK	3.7	240	246	60	48	34	26	21	57
Leasing liabilities ²⁾	EUR	3.5	107	1,098	102	86	61	53	38	758
Leasing liabilities ²⁾	DKK	2.0	11	15	7	4	2	1	1	0
Bank loans in Swedish tenant-owner associations ³⁾	SEK	1.9	5,538	5,538	2,256	2,510	772			
Total interest-bearing financial liabilities, IFRS				15,981	5,548	3,661	2,383	920	1,090	2,379
Accounts payable	SEK	3,780	3,780	3,780						
Accounts payable	NOK	764	783	783						
Accounts payable	EUR	32	326	326						
Accounts payable	DKK	75	103	103						
Other liabilities	SEK	444	444	256	48	13	64	63		
Other liabilities	NOK	30	31	31						
Derivatives			4	4			0			
Total non-interest bearing financial liabilities				5,471	5,283	48	13	64	63	
Total financial liabilities				21,452	10,831	3,709	2,396	984	1,153	2,379

¹⁾ Previously financial leasing.²⁾ Previously operational leasing. Payments for leasehold fees in coming periods are included in the table above for leasing liabilities regarding leaseholds. For periods before 2027 the payments are recognized without discounts but for the period 2027 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, 2021 Group leasing liabilities regarding leaseholds amounted to SEK 359 million (442), see note 36 Leasing for further details.³⁾ 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, which in practice entails a shorter period of time than presented in the table above.

1	2	3	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-
4	5	6	7	8	9	10	11	12	13	14	15
Group 2020, MSEK	Currency										
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 ¹⁾	SEK	1.9	492	492	160	167	125	24	7	9	
Leasing liabilities ¹⁾	NOK	2.3	96	92	34	24	16	10	6	2	
Leasing liabilities ¹⁾	EUR	3.4	5	54	17	14	11	9	2	1	
Leasing liabilities ¹⁾	DKK	2.3	16	22	9	4	5	4			
Total interest-bearing financial liabilities according to the Finance Policy				7,287	4,174	737	548	188	150	1,490	
Leasing liabilities ²⁾	SEK	1.6	962	962	192	152	119	91	67	341	
Leasing liabilities ²⁾	NOK	4.4	268	256	62	47	36	26	22	63	
Leasing liabilities ²⁾	EUR	3.1	129	1,293	106	91	72	55	49	920	
Leasing liabilities ²⁾	DKK	3.4	19	25	10	7	4	2	1	1	
Bank loans in Swedish tenant-owner associations ³⁾	SEK	1.9	3,089	3,089	1,609	1,061	419				
Total interest-bearing financial liabilities, IFRS				12,912	6,153	2,095	1,198	362	289	2,815	
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					
Total non-interest bearing financial liabilities				4,894	4,836	56	2				
Total financial liabilities				17,806	10,989	2,151	1,200	362	289	2,815	

¹⁾ Previously financial leasing.²⁾ 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 36 Leasing for further details.³⁾ 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, which in practice entails a shorter period of time than presented in the table above.

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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 short fixed interest periods for outstanding credits. Per December 31, 2021 there were interest rate swaps totaling SEK 250 million (250) maturing in 1 month at an effective interest rate of 2.5 percent (2.5) 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, 2021 this fair value was SEK -2 million (-8).

Interest rate derivates

MSEK	Currency	Effective rate %	Amount SEK	Matures 2022
Interest rate swaps				
2021-12-31	SEK	2.5	250	250
Interest rate swaps				
2020-12-31	SEK	2.5	250	250

Interest-bearing liabilities excluding liabilities in Swedish tenant-owner associations and additional leasing according to IFRS 16 were per December 31, 2021 SEK 7,887 million (7,157). The interest-bearing credit facilities with a maturity of more than twelve months were SEK 4,230 million (2,876) and with a maturity of less than twelve months were SEK 3,657 million (4,281).

As the table below shows, the fixed interest period for SEK 7,545 million (6,781) of the Group's utilized credit facilities, including derivatives, is less than 1 year. Total interest-bearing asset items including liquid funds were SEK 4,501 million (2,310), of which SEK 3,055 million (1,124) 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 4,490 million (5,657). 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 derivates

2021-12-31

Fixed interest period	Amount, MSEK	Average effective interest rate, percent	Share, percent
2022	7,545	1.4	96
2023-	342	1.7	4
Total	7,887	1.4	100

Fixed interest rate period on utilized credits, including derivates

2021-12-31

Fixed interest period	Amount, MSEK	Average effective interest rate, percent	Share, percent
2022	7,545	1.4	96
2023-	342	1.7	4
Total	7,887	1.4	100

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.

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, 2021, including leasing and liabilities in Swedish tenant-owner associations but excluding currency and interest rate derivatives, was allocated as follows:

	2021-12-31		2020-12-31	
	Local currency in millions	MSEK	Local currency in millions	MSEK
SEK	10,104	10,104	7,214	7,214
EUR	312	3,190	348	3,490
NOK	1,353	1,388	1,096	1,046
DKK	243	334	179	242
Total		15,016		11,992

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. 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 7 million (-90) in 2021. 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 -1 million (2).

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 2021 (2020) there were no hedges in forward exchange contracts for foreign net assets.

Foreign net assets

Local currency in millions	2021	Of which hedged	
		2020	2021
NOK	2,239	-	2,187
EUR	166	-	146
DKK	2	-	17
PLN	0	-	0

A change in the euro exchange rate as of December 31, 2021 by ten percent would entail a translation effect on equity of SEK 170 million (146). A corresponding change in the exchange rate for the Norwegian krone and Danish krone, respectively, would entail a translation effect on equity of SEK 230 million (209) and 0 million (2).

Translation differences in equity (net assets in foreign subsidiaries) for the year amounted to SEK 184 million (-172).

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 2021, there were exchange rate hedges related to forecasted currency flows of EUR 15 million (5) and of PLN 25 million (2). 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. The price of bitumen generally follows the specific oil price index HSFO. Some contracts with customers have sales price clauses that regulate changes in the price of bitumen.

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. Peab handles the price risk of the bitumen component by hedging purchases through external derivatives.
2. Warehousing risk due to lead times. Peab stores bitumen in different depots during the off season. Peab handles the price risk of the bitumen component by hedging purchases through external derivatives.

The risk of fixed price sales and the warehousing risk are managed by Peab Finans via oil futures. On December 31, 2021 there were outstanding futures with HSFO as an underlying variable. Peab did not apply hedge accounting for the outstanding futures per December 31, 2021. Exposure is presented in the table below.

December 31, 2021

Fixed price contract	Total	<3 mon	3 mon-1 year	>1 year
Purchase of Bitumen/via HSFO contract, ton	12,851	3,644	6,985	2,222
Fair value hedging contract, MSEK	6	1	4	1
Warehouse contract	Total	<3 mon	3 mon-1 year	>1 year
Sale of Bitumen/via HSFO contract, ton	23,110	4,301	18,809	-
Fair value hedging contract, MSEK	-	-	-	-

December 31. 2020

Fixed price contract	Total	<3 mon	3 mon-1 year	>1 year
Purchase of bitumen/Hedging position via HSFO contract, ton	20,325	830	19,147	348
Fair value hedging contract, MSEK	3	-	3	-
Warehouse contract	Total	<3 mon	3 mon-1 year	>1 year
Sales of bitumen/Hedging position via HSFO contract, ton	4,825	2,230	2,595	-
Fair value hedging contract, MSEK	-1	-1	-	-

Effect of hedge accounting

The effect of hedge accounting on Group profit/loss and financial position is shown below.

Group, MSEK	2021-12-31			January – December 2021		
	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	
Raw materials risk						
Commodity hedging with futures, thousand tons	-	-	-	Other long-term liabilities	2	-2
Interest rate risk						
Interest rate swaps	250	-	2	Other short-term liabilities	12	-6
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	
Raw materials risk						
Commodity hedging with futures, thousand tons	25	5	2	Other long-term liabilities	-3	3
Interest rate risk						
Interest rate swaps	250	-	8	Other long-term liabilities	11	-6

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	2021		2020	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Recognized gross amount	8	4	5	12
Amount covered by netting agreement	-3	-3	-2	-2
Net sum after netting agreement	5	1	3	10

Peab did not suffer any financial instrument credit losses in 2021. Total counterparty exposure related to derivative trading calculated as a net receivable per counterparty amounted to SEK 5 million (3) at the end of 2021. The estimated gross exposure to counterparty risks related to liquid funds and current investments amounted to SEK 2,951 million (968). Most of the Group's liquid funds are placed in banks with the credit rating AA- from Standard & Poors.

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Loss reserves for interest-bearing receivables

Group, MSEK	2021	2020
Opening balance per January 1	9	3
Revaluating the loss reserve, net	0	6
Closing balance per December 31	9	9

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 2021 amounted to SEK 13 million (12). 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 1,554 million (1,845). Overdue accounts receivable are for the most part unclarities 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	2021	2020
Private customers	4,510	4,338
Public customers	3,126	3,019
Joint ventures	210	163
Accounts receivable, gross	7,846	7,520
Loss reserves	-44	-38
Accounts receivable, net	7,802	7,482

Accounts receivable written down

Group, MSEK	2021	2020
Opening balance per January 1	38	31
Write-downs acquired companies	1	3
Reversed write-downs	-13	-12
Write-downs	14	20
Reclassifications	2	-2
Exchange rate differences	2	-2
Closing balance	44	38

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	
	2021	2020	2021	2020
Equity attributable to shareholders in parent company	13,681	12,442	14,655	13,250

Financial targets

In order to further promote value creation we have updated everything from our mission, business concept and strategic target areas to internal and external financial and non-financial targets. As of 2021 Peab externally reports the performance of our business by monitoring nine targets, of which three are financial and based on segment reporting and six are non-financial targets. We consider the external targets particularly important and they are a subset of our internal targets and action plans. Both the internal and external financial and non-financial targets are categorized under the strategic targets; most satisfied customers, best workplace, most profitable company as well as the new, fourth strategic target, leader in social responsibility.

Our financial targets under the strategic target most profitable company are as follows and based on segment reporting:

- Operating margin > 6 %
- Net debt/equity ratio 0.3 – 0.7
- Dividend > 50 % of profit for the year

The target for the operating margin is that it will over time exceed six percent. Peab's operating margin in 2021 was 5.2 percent (6.2). Excluding the effect of the distribution of Annehem Fastigheter the operating margin was 4.5 percent in 2020. As a result of a strong cash flow the net debt/equity ratio in 2021 landed at 0.2 (0.3) which was lower than the target interval 0.3 – 0.7. Peab's target for dividends is to annually distribute at least 50 percent of profit for the year according to segment reporting to shareholders. The dividend must be in reasonable proportion to Peab's profit development and consolidation needs. In addition to ordinary dividends the Board can propose extra cash dividends if it finds that funds exist which are not considered to be requisite for the Group's development. Extra dividends may also be distributed in a form other than cash. In February 2022 Peab's Board proposed an ordinary dividend of SEK 5.0 (4.5) per share for the calendar year 2021. Excluding the 1,086,984 shares held by Peab AB as of December 31, 2021 which do not entitle to a dividend, the proposed dividend entails a total dividend amount of SEK 1,475 million (1,327). Calculated as a share of recognized Group profit after tax the proposed dividend amounts to 59 percent. In 2020 the share was 66 percent, excluding the effect of the distribution of Annehem Fastigheter of SEK 952 million.

Holdings of own shares

At the start of 2021 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 2021, 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 2021 no repurchases or divestitures have taken place.

Note 36 Leasing

Leasing – lessees

Group, MSEK	Buildings and land	Machinery and equipment	Investment property	Project and development properties	Total
Depreciations during 2021	-278	-335	-	-	-613
Closing recognized value December 31, 2021	1,256	881	19	326	2,482
Depreciations during 2020	-192	-323	-	-	-515
Closing recognized value December 31, 2020	1,252	900	19	404	2,575

Included in the Group's additional rights of use is the purchase price for newly acquired rights of use in 2021 as well as future amounts from reevaluations of leasing liabilities due to changed payments because the leasing period has changed. Additional rights of use in 2021 amounted to SEK 748 million (1,842), of which SEK 100 million (308) refer to leaseholds recognized as project and development properties. Additional rights of use in 2021 included rights of use that come from the acquisition of companies HGT AS and Fröseth AS. The comparable period includes additional rights of use of SEK 564 million that refer to rent for offices and other premises in connection with the distribution of Annehem Fastigheter and SEK 360 million in connection with the acquisition of paving and mineral aggregates operations in business area Industry.

Other leasing information

Peab reported interest rate costs on leasing liabilities of SEK 66 million (45) in 2021. Total leasing payments amounted to SEK 2,216 million (2,138).

The cost of current leasing for the year was SEK 1,502 million (1,586). The cost of leasing for smaller values for the year was SEK 45 million (36). Variable fees not included in leasing liabilities were SEK 5 million (5).

Leasing income for subleased items was SEK 3 million (5).

Interest-bearing liabilities are presented in note 29 and the maturity analysis is presented in note 35.

- Buildings and land – mainly refers to rent for offices and other premises, leaseholds and land leases. 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.

Parent company, MSEK	2021	2020
<i>Future minimum leasing fees for non-cancellable leases</i>		
Within one year	5	4
Between one and five years	11	9
Later than five years	11	9
Amount	27	22
Financial year's expensed leasing fees	18	19

Leasing- lessor

Leasing payments for the year recognized as income:

Group, MSEK	2021	2020
Minimum lease payments	45	82
Variable fees	3	5
Total leasing income	48	87

Non-cancellable leasing payments amount to:

Group, MSEK	2021	2020
Within a year	32	43
Between one and five years	22	57
Later than five years	34	47
Total	88	147

Note 37 Investment obligations

In 2021 the Group signed agreements to acquire tangible fixed assets amounting to SEK 500 million (253).

The Group had no obligations to invest in joint arrangements at the end of 2021 or 2020.

Companies classified as joint arrangements have obligations for investments of SEK 1,313 million (1,473). 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.

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Note 38 Pledged assets, contingent liabilities and contingent assets

Pledged assets

MSEK	Group		Parent company	
	2021	2020	2021	2020
For own liabilities and provisions				
Real estate mortgages ¹⁾	1,779	2,168		
Real estate mortgages in Swedish tenant-owner associations	1,589	831		
Assets with retention of title ²⁾	1,511	1,330		
Other	-	50		
Other pledged assets and guarantees				
Pledged shares in joint arrangements	493	-		
Total	5,372	4,379	-	-

¹⁾ Pledged assets are recognized as current assets.

²⁾ Includes leasing assets of SEK 763 million (722) with retention of title, primarily vehicles.

Contingent liabilities

MSEK	Group		Parent company	
	2021	2020	2021	2020
Shared obligations as partial owners in limited partnerships	34	61	-	-
Surety and contract guarantees for Group companies	-	-	14,729	13,551
Surety for the benefit of joint arrangements	3,080	3,104	3,114	3,129
Surety for construction loans to tenant-owner associations	19	238	5,437	4,310
Other surety	130	97	407	97
Total	3,263	3,500	23,687	21,087

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 39 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	2,818,396,695
Profit for the year	1,242,709,498
Total	6,369,315,141

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

Dividend, 296,049,730 shares at SEK 5.00 per share	1,480,248,650
Carried forward ¹⁾	4,889,066,491
Total	6,369,315,141

¹⁾ of which to share premium reserve

Note 40 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 48.3 percent of the votes. At the end of 2021 the collective ownership connected to the Paulsson families amounted to a total of 26.1 percent of the capital and 59.3 percent of the votes.

SkiStar

The SkiStar Group is subject to considerable influence by Mats and Fredrik 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. Fredrik Paulsson is CEO of Ekhaga Utveckling.

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 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 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 18 and 19.

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 41.

Summary of transactions with related parties

Group, MSEK	2021	2020
Transactions with joint arrangements		
Sales to joint arrangements	1,530	1,415
Purchases from joint arrangements	213	65
Interest revenue from joint arrangements	55	35
Receivables from joint arrangements	1,492	1,421
Liabilities to joint arrangements	42	11
Dividends from joint arrangements	384	306
Capital contributions to joint arrangements	739	78
Guarantee liabilities for the benefit of joint arrangements	3,080	3,104
Transactions with SkiStar		
Sales to SkiStar	198	353
Purchases from SkiStar	1	1
Receivables from SkiStar	15	–
Transactions with Ekhaga Utveckling AB		
Sales to Ekhaga Utveckling AB	51	45
Purchases from Ekhaga Utveckling AB	65	67
Receivables from Ekhaga Utveckling AB	6	4
Liabilities to Ekhaga Utveckling AB	10	9
Cash dividends to Ekhaga Utveckling AB	277	–
Value of distribution of Annehem Fastigheter on December 11, 2020 to Ekhaga Utveckling AB	–	431
Transactions with AB Axel Granlund/Volito		
Sales to AB Axel Granlund/Volito	–	1
Liabilities to AB Axel Granlund/Volitos	–	1
Cash dividends to AB Axel Granlund/Volito	88	–
Value of distribution of Annehem Fastigheter on December 11, 2020 to AB Axel Granlund/Volito	–	137
Transactions with Annehem Fastigheter¹⁾		
Sales to Annehem Fastigheter	433	2
Purchases from Annehem Fastigheter	66	–
Receivables from Annehem Fastigheter	3	7
Liabilities to Annehem Fastigheter	3	2

¹⁾ The sale refers to the period after the distribution of Annehem Fastigheter in December 2020.

Summary of transactions with related parties

Parent company, MSEK	2021	2020
Transactions with subsidiaries		
Sales to subsidiaries	326	340
Purchases from subsidiaries	50	72
Interest costs to subsidiaries	48	58
Receivables from subsidiaries	2,271	1,655
Liabilities to subsidiaries	2,550	2,826
Capital contributions to subsidiaries	105	2,061
Transactions with Ekhaga Utveckling AB		
Cash dividends to Ekhaga Utveckling AB	277	–
Value of distribution of Annehem Fastigheter on December 11, 2020 to Ekhaga Utveckling AB	–	431
Transactions with AB Axel Granlund/Volito		
Cash dividends to AB Axel Granlund/Volito	88	–
Value of distribution of Annehem Fastigheter on December 11, 2020 to AB Axel Granlund/Volito	–	137
Transactions with Annehem Fastigheter		
Receivables from Annehem Fastigheter	–	3

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 9. During 2021, other senior officers hired companies within the Group for private services of SEK 18 million. During 2020 President and CEO, Jesper Göransson, hired Peab's Construction maintenance for private services of less than SEK 1 million. The services have been delivered at market prices.

Transaction terms

Transactions with related parties were on market terms.

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Note 41 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 ¹⁾		Recognized value in parent company, MSEK	
				2021	2020	2021	2020
Peab Sverige AB	556099-9202	Båstad	1,000,000	100.0%	100.0%	3,622	3,622
Peab Industri AB	556594-9558	Ängelholm	82,521,948	100.0%	100.0%	2,588	2,588
Peab Finans AB	556552-1324	Båstad	1,000,000	100.0%	100.0%	1,616	1,616
Peab Försäkrings AB	556511-5408	Båstad	6,150,000	100.0%	100.0%	1,370	1,370
Peab Anläggning AB	556568-6721	Båstad	2,900,000	100.0%	100.0%	942	892
Peab Bygg Norge AS	920 003 672	Tromsø	1,000	100.0%	100.0%	861	861
Peab Oy	1509374-8	Helsinki	1,000	100.0%	100.0%	488	488
Peab Support AB	556061-1500	Stockholm	700,000	100.0%	100.0%	115	115
Peab Projektutveckling AB	556715-0254	Båstad	1,000	100.0%	100.0%	105	71
Peab Förslöv Holding AB	559283-3635	Båstad	1,000	100.0%	100.0%	21	0
Flygstaden Intressenter i Söderhamn AB	556438-9665	Båstad	-	-	100.0%	-	241
Bröderna Paulsson Peab AB	556113-4114	Båstad	-	-	100.0%	-	157
Birsta Fastigheter AB	556190-3765	Helsingborg	-	-	100.0%	-	60
Sieglo AB	556556-0595	Båstad	-	-	100.0%	-	27
Vejby Transport & Miljö AB	556240-2742	Ängelholm	-	-	100.0%	-	1
Fastighets AB Skeppsdockan i Malmö	556563-0711	Ängelholm	-	-	100.0%	-	0
Peabskolan AB	556442-7432	Båstad	-	-	100.0%	-	0
Peab Skandinavien AB	556568-8784	Båstad	-	-	100.0%	-	0
Peab Grevie AB	556715-0213	Båstad	-	-	100.0%	-	0
Skåne Projektfastigheter AB	556471-9143	Båstad	-	-	100.0%	-	0
Peab Lokal AB	559025-6607	Solna	-	-	100.0%	-	0
Total						11,728	12,109

¹⁾ The share of capital corresponds to the share of votes.

Parent company, MSEK	2021	2020
Opening acquisition value	13,587	13,751
Purchases	-	0
Reduction of share capital	105	2,061
Distribution Annehem Fastigheter	-	-2,001
Sales/liquidation	-1,853	-224
Closing accumulated acquisition values	11,839	13,587
Opening revaluations	100	100
Sales/liquidation	-100	-
Closing accumulated revaluations	-	100
Opening write-downs	-1,578	-1,801
Sales/liquidation	1,467	224
Write-downs	-	-1
Closing accumulated write-downs	-111	-1,578
Closing balance	11,728	12,109

During 2021, no write-downs of shares in Group companies have taken place in the parent company. In 2020, shares in Group companies were written down in the parent company by SEK -11 million 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 1) 2)	Company	Corp.ID.nr	Registered office	Share of equity 1) 2)
3F Eiendom AS	998 735 068	Tromsø	100.0%	HGT AS ³⁾	947 563 580	Kokstad	90.1%
AB Grundstenen 300235	559342-4483	Stockholm	100.0%	Husgruppen i Alingsås KB	969728-7887	Gothenburg	100.0%
AB Grundstenen 300236	559342-4418	Stockholm	100.0%	HälssingeBygg i Hudiksvall AB	556624-4025	Hudiksvall	100.0%
AB Grundstenen 300237	559342-4426	Stockholm	100.0%	INSPI Sweden AB	556796-7970	Stockholm	100.0%
Peab Asfalt Norden AB	559342-4434	Båstad	100.0%	K.Nordang AS	936 574 696	Stranda	100.0%
AB M113	559291-7727	Solna	100.0%	KB Brämaregården 18:4	969638-3364	Kristianstad	100.0%
Aktiebolaget Smidmek Eslöv	556232-3963	Eslöv	100.0%	KB Klagshamn Exploatering	916563-4412	Båstad	100.0%
Ale Exploatering AB	556426-2730	Gothenburg	100.0%	KB Messingen	916837-9817	Solna	100.0%
ANS Solligården	957524346	Lysaker	100.0%	KB MURAREN 105	916837-9544	Mölndal	100.0%
ATS Kraftservice AB	556467-5998	Båstad	100.0%	KB Muraren 135	916837-9841	Båstad	100.0%
ATS Tjänster AB	556501-1011	Helsingborg	100.0%	KB Möllevarvet	969639-7877	Båstad	100.0%
Barkåkra 56:1 AB	559328-6783	Solna	100.0%	Kehitysyhtiö Pynnikki Oy	2214064-5	Helsinki	100.0%
Berg & Betongtätnings i Sverige AB	559059-6473	Båstad	100.0%	Kiinteistö Oy City Garden	2625235-3	Tampere	100.0%
Birsta Fastigheter AB	556190-3765	Helsingborg	100.0%	Kiinteistö Oy Eventes II	1582860-1	Espoo	100.0%
Bivacken HR 1 AB	559321-8505	Solna	100.0%	Kiinteistö Oy Helsingin Karvaamokuja 1	2405933-0	Helsinki	100.0%
Bivacken HR 2 AB	559321-8513	Solna	100.0%	Kiinteistö Oy Mallanpuisto	1580499-2	Espoo	100.0%
Bivacken HR 3 AB	559321-8521	Solna	100.0%	Kjølnes Eiendom AS	991085033	Skien	75,0%
Bjurhovda Fastighets AB	559254-2384	Solna	100.0%	Kokpunktens Fastighets AB	556759-5094	Stockholm	100.0%
Björn Bygg AS	943672520	Tromsø	100.0%	Kompetens och Kultur Norden AB	559141-0625	Båstad	100.0%
Bo i Norrviken AB	559136-6728	Båstad	100.0%	Kranor AS	976 313 062	Slemmestad	100.0%
Bodenhus AB	556279-8768	Boden	100.0%	Krantorp KB	969623-0540	Mölndal	100.0%
Bogspröret Fastighets AB	559342-4517	Solna	100.0%	Kreaton AB	556644-5010	Gothenburg	100.0%
Bogstrand AS	996043428	Harstad	100.0%	K-System AB	559308-9286	Malmö	100.0%
Borås Kasernen AB	559332-9971	Solna	100.0%	Lambertsson Kran AB	556543-5293	Båstad	100.0%
Borås Soldafastigheter AB	559332-9963	Solna	100.0%	Lambertsson Oy	0937993-4	Helsinki	100.0%
Bostadsrätsföreningen Primus Park 1	769634-5201	Stockholm	100.0%	Lambertsson Sverige AB	556190-1637	Båstad	100.0%
Bostadsrätsföreningen Primus Park 2	769634-4899	Stockholm	100.0%	Lovelunds Fastighets AB	559254-2418	Solna	100.0%
Bostadsrätsföreningen Primus Park 3	769634-4907	Stockholm	100.0%	Mauritz Larsson Byggnads AB	556036-8242	Båstad	100.0%
Bostadsrätsföreningen Primus Park 4	769634-4915	Stockholm	100.0%	Nesveien 15 AS	919 202 173	Lysaker	100.0%
Bostadsrätsföreningen Primus Park 5	769634-4956	Stockholm	100.0%	Nollpunkten Eriksberg AB	559332-9948	Solna	100.0%
Bröderna Paulsson Peab AB	556113-4114	Båstad	100.0%	Nordbyen Eiendom AS	995 300 400	Tromsø	100.0%
Bukta Bay AS	912 778 355	Tromsø	100.0%	Norrberga Exploaterings AB	556809-1846	Solna	100.0%
Båramo i Värnamo AB	556713-7871	Båstad	100.0%	Nye Egne Hjem AS	913624149	Lysaker	100.0%
Eldslundfastigheter Sverige AB	556750-2165	Linköping	100.0%	Olof Mobjer Entreprenad AB	556445-1275	Båstad	100.0%
Erik Foss AS	916162898	Ålesund	100.0%	PAB Primus 1 AB	559345-4142	Stockholm	100.0%
Eventes II Ky	3139237-7	Helsinki	100.0%	PAB Primus 2 AB	559345-4159	Stockholm	100.0%
Fastighets AB Gamlestadens Smedja	559240-9345	Solna	100.0%	PAB Primus 3 AB	559345-4167	Stockholm	100.0%
Fastighets AB Isolatorn	556913-9644	Solna	100.0%	PAB Primus AB	559345-4134	Stockholm	100.0%
Fastighets AB Linjalen 2 i Nyköping	559241-0863	Solna	100.0%	Partille 11 Bostad BR 1 AB	556960-0330	Gothenburg	100.0%
Fastighets AB Messingen 7	559332-9997	Solna	100.0%	Partille 11 Bostad BR 2 AB	556960-0348	Gothenburg	100.0%
Fastighets AB Partille 11	556518-4354	Gothenburg	100.0%	Partille 11 Bostad Holding AB	556958-4146	Gothenburg	100.0%
Fastighets AB Partille 11:70	559265-7992	Solna	100.0%	Partille Port Holding AB	556960-0264	Gothenburg	100.0%
Fastighets AB Skeppsdockan i Malmö	556563-0711	Ängelholm	100.0%	Peab Anlegg AS	913502566	Lysaker	100.0%
Fastighets AB Spelhagen	556795-0992	Solna	100.0%	Peab Anläggning AB	556568-6721	Båstad	100.0%
Fastighetsaktiebolaget Ekudden	556628-0326	Alingsås	100.0%	Peab AS	990040729	Lysaker	100.0%
Fastighetsaktiebolaget Kronos	559265-7950	Solna	100.0%	Peab Asfalt A/S	18298503	Silkeborg	100.0%
Fastighetsaktiebolaget Teide	559265-8040	Solna	100.0%	Peab Asfalt AB	556098-8122	Båstad	100.0%
Flygstaden Intressenter i Söderhamn AB	556438-9665	Båstad	100.0%	Peab Asfalt Norge AS	994628577	Lysaker	100.0%
Fredborg 1 AB	559332-5417	Solna	100.0%	Peab Asfalt Väst AB	559132-6508	Gothenburg	100.0%
Fröseth AS	953323141	Verdal	100.0%	Peab Asfaltfräsning AB	559196-4191	Båstad	100.0%
Fröseth Grus och Sten AB	559128-2818	Åre	100.0%	Peab Bemannning AB	556737-7683	Solna	100.0%
Furuspecialen i Nyköping Fastighets AB	556695-9986	Solna	100.0%	Peab Bemannning AS	991687971	Lysaker	100.0%
Fyrskippet 1 Fastighets AB	559262-0404	Solna	100.0%	Peab Bildrift Norden AB	556707-8380	Helsingborg	100.0%
Fyrskppsstationen 1 Fastighets AB	559291-7784	Solna	100.0%	Peab Bildrift Norge AS	892890692	Lysaker	100.0%
Fältjägaren 7 AB	556855-7176	Östersund	100.0%	Peab Bildrift Sverige AB	556313-9608	Helsingborg	100.0%
G Nilsson Last & Planering i Ranseröd AB	556236-0908	Båstad	100.0%	Peab Bivacken i Växjö AB	559043-4774	Solna	100.0%
Grunnarbeid Lysaker AS	996217981	Lysaker	100.0%	Peab Bolig Projekt AS	990892385	Lysaker	100.0%
Hagström i Nås AB	556377-1376	Vansbro	100.0%	Peab Borås Exploatering AB	556651-7727	Båstad	100.0%
Hanbjelken AB	556699-4306	Solna	100.0%	Peab Bostad AB	556237-5161	Stockholm	100.0%

1	Company	Corp.ID.nr	Registered office	Share of equity 1)2)	Company	Corp.ID.nr	Registered office	Share of equity 1)2)
2	Peab Bostadsproduktion AB	556554-6487	Bästad	100.0%	Peab Förslöv Holding AB	559283-3635	Bästad	100.0%
3	Peab BU Drift AB	559076-5516	Solna	100.0%	Peab Förskrings AB	556511-5408	Bästad	100.0%
4	Peab BU Holding 1 AB	559019-1846	Solna	100.0%	Peab Gamelestad Plaza AB	559221-0057	Solna	100.0%
5	Peab BU Holding 10 AB	559283-3718	Solna	100.0%	Peab Grundläggning AB	556154-7364	Bästad	100.0%
6	Peab BU Holding 11 AB	559283-3825	Solna	100.0%	Peab Hem AB	556077-8499	Bästad	100.0%
7	Peab BU Holding 12 Aktiebolag	559206-1088	Solna	100.0%	Peab Hermelin AB	556872-5633	Stockholm	100.0%
8	PEAB BU Holding 13 AB	559325-0631	Solna	100.0%	Peab Holding AB	556594-9533	Bästad	100.0%
9	PEAB BU Holding 14 AB	559325-0680	Solna	100.0%	Peab Högsbo 34:6 AB	556898-8553	Stockholm	100.0%
10	Peab BU Holding 15 AB	559342-4392	Solna	100.0%	Peab i Kungsbacka 8 AB	556789-7466	Gothenburg	100.0%
11	Peab BU Holding 16 AB	559342-4376	Solna	100.0%	Peab i Kungsbacka 9 AB	556791-4493	Gothenburg	100.0%
12	Peab BU Holding 17 AB	559342-4384	Solna	100.0%	Peab i Valla AB	559019-1853	Solna	100.0%
13	Peab BU Holding 18 AB	559342-4459	Solna	100.0%	Peab Industri AB	556594-9558	Ängelholm	100.0%
14	Peab BU Holding 19 AB	559342-4467	Solna	100.0%	Peab Industri Danmark A/S	40 964 460	Köpenhamn	100.0%
15	Peab BU Holding 2 AB	559036-7396	Solna	100.0%	Peab Industri Finland AB	556687-9226	Helsingborg	100.0%
16	Peab BU Holding 3 AB	559076-5466	Solna	100.0%	Peab Industri Holding OY	3102070-9	Helsinki	100.0%
17	Peab BU Holding 4 AB	559118-0871	Solna	100.0%	Peab Industri Norge AS	990 609 527	Lysaker	100.0%
18	Peab BU Holding 5 AB	559091-5160	Solna	100.0%	Peab Industri OY	2977551-2	Helsinki	100.0%
19	Peab BU Holding 6 AB	559076-5524	Solna	100.0%	Peab Industri Sverige AB	556594-9624	Ängelholm	100.0%
20	Peab BU Holding 7 AB	559065-1427	Solna	100.0%	Peab Industribyggnad i Norr AB	556851-7121	Bästad	100.0%
21	Peab BU Holding 8 AB	559265-7901	Solna	100.0%	Peab Inflygningen 1 AB	559311-5230	Solna	100.0%
22	Peab BU Holding 9 AB	559265-7893	Solna	100.0%	Peab Infra Oy	2303725-2	Helsinki	100.0%
23	Peab BU Lager 1 AB	559342-4442	Solna	100.0%	Peab Jockeyn AB	559175-8635	Solna	100.0%
24	Peab Bygg Norge AS	920 003 672	Tromsø	100.0%	Peab Johanneslust AB	559175-9773	Solna	100.0%
25	Peab Byggservice AB	556066-3675	Bästad	100.0%	Peab Kastanjeparken AB	556059-0910	Bästad	100.0%
26	Peab Construction Syd AB	556292-2368	Bästad	100.0%	Peab Kiinteistökehitys Oy	3136811-5	Helsinki	100.0%
27	Peab Drivaarena AB	556741-8578	Solna	100.0%	Peab Landskampen AB	559164-5907	Solna	100.0%
28	Peab Drotten 10 AB	559032-4686	Solna	100.0%	Peab Lida AB	559311-5156	Solna	100.0%
29	Peab Eiendomsutvikling AS	987099011	Lysaker	100.0%	Peab Lojobacken AB	556760-5091	Solna	100.0%
30	Peab Eiendomsutvikling Nord AS	982794528	Tromsø	100.0%	Peab Lokal AB	559025-6607	Solna	100.0%
31	Peab Fanna 32:28 AB	559265-7927	Solna	100.0%	Peab Markutveckling AB	556949-4437	Solna	100.0%
32	Peab Fastighet AB	559091-3538	Solna	100.0%	Peab Messingen Kv4 AB	559181-9494	Solna	100.0%
33	Peab Fastighetsutveckling AB	556824-8453	Bästad	100.0%	Peab Norr 16:2 AB	556984-9713	Solna	100.0%
34	Peab Fastighetsutveckling Sverige AB	556825-9856	Bästad	100.0%	Peab Oy	1509374-8	Helsinki	100.0%
35	Peab Fastighetsutveckling Syd AB	556699-8430	Bästad	100.0%	Peab PGS AB	556428-5905	Bästad	100.0%
36	Peab Flottiljen 26 AB	556552-1324	Bästad	100.0%	Peab Projektutveckling AB	556715-0254	Bästad	100.0%
37	Peab FU Almnäs AB	556594-9160	Solna	100.0%	Peab Projektutveckling Väst AB	556092-9852	Gothenburg	100.0%
38	Peab FU Brevet AB	559283-3627	Solna	100.0%	Peab Property Gardner II Oy	3136812-3	Helsinki	100.0%
39	PEAB FU Finland AB	559246-2831	Solna	100.0%	Peab Qvillestaden AB	559283-3742	Solna	100.0%
40	Peab FU Gennakern AB	556949-4312	Solna	100.0%	Peab Racketen AB	556721-1635	Stockholm	100.0%
41	Peab FU Holding 1 AB	556855-6954	Solna	100.0%	Peab Råsunda Holding AB	559030-7723	Solna	100.0%
42	Peab FU Holding 10 AB	559328-6932	Solna	100.0%	Peab Sannegården AB	559065-9792	Solna	100.0%
43	Peab FU Holding 11 AB	559332-9955	Solna	100.0%	Peab Skandinavien AB	556568-8784	Bästad	100.0%
44	Peab FU Holding 12 AB	559342-4475	Solna	100.0%	Peab Sp.z.o.o	40 624	Warszawa	100.0%
45	Peab FU Holding 2 AB	556864-4156	Solna	100.0%	Peab Sturefors AB	559065-7499	Solna	100.0%
46	Peab FU Holding 3 AB	556866-8635	Solna	100.0%	Peab Support AB	556061-1500	Stockholm	100.0%
47	Peab FU Holding 4 AB	556946-9058	Solna	100.0%	Peab Support AS	998 622 670	Lysaker	100.0%
48	Peab FU Holding 5 AB	556979-7698	Solna	100.0%	Peab Support Oy	2586326-7	Helsinki	100.0%
49	Peab FU Holding 6 AB	556649-9116	Bästad	100.0%	Peab Sverige AB	556099-9202	Bästad	100.0%
50	Peab FU Holding 7 AB	559030-7301	Solna	100.0%	Peab Teleterassen AB	559181-9478	Solna	100.0%
51	Peab FU Holding 8 AB	559230-5469	Solna	100.0%	Peab Trading Nord AB	556715-4827	Solna	100.0%
52	Peab FU Holding 9 AB	559265-7885	Solna	100.0%	Peab Trading Solna AB	556793-1554	Solna	100.0%
53	Peab FU Husbacka AB	556946-9108	Solna	100.0%	Peab Trading Väst AB	556594-9590	Gothenburg	100.0%
54	Peab FU Jupiter 4 AB	556126-0745	Solna	100.0%	Peab Trading Öst AB	556778-8749	Stockholm	100.0%
55	Peab FU Lager 2 AB	559076-5508	Solna	100.0%	Peab Transport & Maskin AB	556097-9493	Örkelljunga	100.0%
56	Peab FU Rebbelberga 147 AB	556470-0176	Solna	100.0%	Peab Tvärbanan AB	559241-1465	Solna	100.0%
57	Peab FU Vintrie 1 AB	559034-8925	Solna	100.0%	Peab Täljö Strandängar AB	559181-9379	Solna	100.0%
58	Peab FU Vintrie 5 AB	559241-1697	Solna	100.0%	Peab Utbygging AS	915464254	Tromsø	100.0%
59	Peab FU Visby AB	556679-4862	Solna	100.0%	Peab Utveckling AB	559283-3726	Bästad	100.0%
60	Peab FU Visby Exploatering AB	556800-9335	Solna	100.0%	Peab Utveckling Nord AB	556341-7228	Bästad	100.0%
61	Peab Förskolan AB	556707-9719	Sigtuna	100.0%	Peab Vagnpark AB	556234-0371	Bästad	100.0%
62					Peab Åkerbäret AB	559311-5180	Solna	100.0%

Company	Corp.ID.nr	Registered office	Share of equity 1)2)
Peab Åkermyntan 10 AB	556910-9290	Solna	100.0%
Peab Ädellövskogen 3 AB	559236-3245	Solna	100.0%
Peab Ädellövskogen AB	559194-3179	Solna	100.0%
Peab Ägaarena 1 AB	556741-8552	Solna	100.0%
Peab Ängsviolen AB	559181-9403	Solna	100.0%
Peab Österplan 2 i Örebro AB	559081-4611	Solna	100.0%
Peab Österplan 3 i Örebro AB	559081-4603	Solna	100.0%
Peab Österplan 4 i Örebro AB	559081-4637	Solna	100.0%
Peabskolan AB	556442-7432	Båstad	100.0%
Projektfastigheter Götaland AB	556259-3540	Båstad	100.0%
Projektfastigheter Väst AB	556044-1866	Båstad	100.0%
Rankhus Tomtutveckling AB	559175-9187	Solna	100.0%
Riksten Friflyttstad AB	556547-8764	Stockholm	100.0%
Rådasand AB	556042-8699	Lidköping	100.0%
Sagax BidCo	559276-9805	Stockholm	100.0%
Skandinaviska Byggelement AB	556034-2148	Helsingborg	100.0%
Skåne Projektfastigheter AB	556471-9143	Båstad	100.0%
Skånehus AB	556547-6958	Båstad	100.0%
Solberg Maskin AS	999327869	Heimdal	100.0%
Spinnerskan Fastighets AB	559342-4525	Solna	100.0%
Stockholms Kommersiella Fastighets AB	556105-6499	Stockholm	100.0%
Stora Hammar Exploatering AB	556763-4216	Vellinge	100.0%
Strandpromenaden Grunnan 1 AB	556924-8080	Solna	100.0%
Strandvegen NäringsAS	921986017	Tromsø	100.0%
Strandvegen Utvikling AS	916 575 939	Tromsø	100.0%
Strømsgodset Utvikling AS	925 193 372	Bærum	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	983065309	Oslo	100.0%
Swerock Oy	1509160-3	Helsinki	100.0%
Telge Peab AB	556790-5889	Södertälje	100.0%
TRANAB Markbyggnad AB	556687-3963	Örebro	100.0%
Trollhättan Traversen 4 AB	559265-8016	Solna	100.0%
Trondheimsveien 113 AS	994535250	Lysaker	100.0%
Träförrådet 5 Fastighets AB	559262-0446	Solna	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%
Vejby Transport & Miljö AB	556240-2742	Ängelholm	100.0%
Verkstaden 17 i Västerås AB	559114-5916	Solna	100.0%
Viken Centrum Fastighets AB	559311-5214	Solna	100.0%
Villa Strå Fastighets AB	559254-2376	Solna	100.0%
Visio Exploatering AB	556570-7030	Solna	100.0%
Värby Fastighets AB	556703-4771	Båstad	100.0%
Överby Holding AB	559103-6818	Solna	100.0%
Överby Lager 2 AB	559122-6161	Solna	100.0%

¹⁾ The share of capital corresponds to the share of votes.

²⁾ Except for the Group companies acquired in 2021 (see note 5), the share of capital in 2021 corresponds to the share of capital in 2020.

³⁾ The company was 100 percent consolidated through the anticipated acquisition method, since Peab has a put/call option for the acquisition of the rest of the shares.

Note 42 Untaxed reserves

Parent company, MSEK	2021	2020
Tax allocation reserve	3,186	2,711
Accumulated additional depreciation, intangible assets	4	13
Accumulated additional depreciation, machinery and equipment	0	0
Total	3,190	2,724

Note 43 Cash flow statement

Paid interest and dividends received

MSEK	Group		Parent company	
	2021	2020	2021	2020
Dividends received	319	327	–	500
Interest received	74	75	1	1
Interest paid	-266	-319	-49	-58

Adjustments for items not included in cash flow

MSEK	Group		Parent company	
	2021	2020	2021	2020
Profit from participation in joint ventures	-214	-141		
Dividends received from joint ventures	307	306		
Depreciation and write-downs	1,707	1,739	1	10
Unrealised exchange rate differences	0	93		
Profit/loss on sales of fixed assets	-148	-118		
Profit/loss on sales of subsidiaries/businesses	–	9	-63	–
Provisions	-162	186	2	2
Change in fair value of financial instruments	9	25		
Profit from distribution of Annehem Fastigheter	–	-952		
Other	50	–		
Total	1,549	1,147	-60	12

Transactions without payments

Group, MSEK	2021	2020
Aquisition of assets by leasing	653	1,482

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Acquisition of subsidiaries/businesses

Group, MSEK	2021	2020
<i>Acquired assets and liabilities</i>		
Intangible assets	87	1,608
Tangible assets	189	1,636
Financial assets	0	71
Deferred tax recoverables	–	158
Project and development properties and inventories	39	695
Accounts receivable and other receivables	62	359
Liquid funds	28	59
Interest-bearing liabilities	-36	–
Interest-bearing liabilities (leases)	-55	-361
Shareholder loan to selling company (acquired receivables) ¹⁾	–	-746
Deferred tax liabilities	-29	-57
Provisions	-5	-371
Accounts payable and other current liabilities	-41	-608
Acquired net assets	239	2,443
Purchase prices	239	2,443
Promissory note	-9	–
Paid purchase sum	230	2,443
Less: Liquid funds in acquired companies	-28	-59
Effect on liquid funds	202	2,384

¹⁾Acquired receivables are recognized at the seller's nominal value and are reconciled in Peab against acquired liabilities for a corresponding amount.

Disposal of subsidiaries/businesses

Group, MSEK	2021	2020
<i>Disposed assets and liabilities</i>		
Tangible assets		51
Project and development properties and inventories		1
Accounts receivable and other receivables		16
Deferred tax liabilities		-11
Interest bearing liabilities		-20
Accounts payable and other current liabilities		-8
Disposed net assets	–	29
Sales price		20
Purchase price		20
Effect on liquid funds	–	20

Liquid funds

The following components are included in liquid funds:

Group, MSEK	2021	2020
Cash and bank	2,951	968
Total	2,951	968

Note 44 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 Margretetorpsvägen 84, SE-269 73 Förlöv. The consolidated accounts for 2021 consist of the parent company and its subsidiaries, together referred to as the Group. The Group also includes shares of holdings in joint arrangements.

Not 45 Important events after the balance sheet date**The war in Ukraine**

The recent dramatic developments in Ukraine have a key impact on the world around us. In addition to the tragedy for the people the war touches, the situation risks hampering macroeconomic growth in the world. In Sweden this can affect the construction industry through greater uncertainty and cautiousness concerning investments, continued high material and energy prices and material shortages and delivery problems. We follow developments carefully to continually assess any effects on Peab.

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.

The statutory Sustainability Report, which comprises the areas in Peab AB's Annual Report the content of which is denoted on page 66, has been approved for issuance by the Board of Directors.

Förslöv, March 23, 2022

Anders Runevad
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

Magdalena Gerger
Member of the Board

Patrik Svensson
Member of the Board

Kim Thomsen
Member of the Board

Maria Doberck
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 March 23, 2022. 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 5, 2022.

Our Auditor's report was submitted on March 25, 2022
Ernst & Young AB

Jonas Svensson
Authorized Public Accountant

Auditor's report

To the general meeting of the shareholders of Peab AB, corporate identity number 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 2021. The annual accounts and consolidated accounts of the company are included on pages 41-133 of the pdf document 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 December 31, 2021 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 December 31, 2021 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. 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 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.

Other information

The audit of the annual report for 2020 has been carried out by another auditor who submitted an audit report dated April 1, 2021 with unmodified statements in the Report on the Annual Report.

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Revenue recognition of construction projects

Description

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.

How our audit addressed this key audit matter

Our audit process includes, among other things, analytical review of the revenues and margins of projects as well as data-based transaction analysis. We have sampled revenues and costs in selected projects, which are of significant size or pose a material risk to the company. We have also held discussions together with the company's controllers and project managers including assessments, assumptions and estimates related to revenue recognition, income statement and allocation of costs.

We have also reviewed material agreements to identify possible risks to penalty payments in connection with delays in the projects, and we also have continuous reconciliation together with the company's internal legal representatives. We have reviewed provisions and other reserves related to construction projects based on underlying data and the company's assessments.

We have continuous meetings and discussions with the responsible auditors in each country to identify and cover country-specific risks.

We have assessed the accuracy of the company's assessments of the final outcome of the projects and also held discussions with the company's management regarding the outcome.

In addition, we have evaluated the description of the accounting of income in the company's accounting policies and assessed the completeness of the disclosure requirements found in Note 2 "Important estimates and assessments", Note 4 "Operating Segment" and Note 26 "Construction contracts".

Valuation of projects and development properties

Description

Project and development properties amount to SEK 16,258 million (14,074). The properties are recognized as inventories among current assets. Valuation is made at the lowest of cost and net realisable value based on the prevailing price level at each location. Changes in supply and demand may change the assessment of carrying amounts and impairment requirements may occur. Projects- and development properties are specified in Note 23 "Project- and development properties" and Note 2 "Important estimates and assessments".

The Group tests the net realisable value of project and development properties based on an internal valuation model. In addition to this valuation, external market valuations for a number of the items are collected annually.

Given the significant share of the development properties in the Group's total assets and the element of assessments included in the valuation process, this constitutes a particularly important area in our audit. As regards the valuation of development properties under construction, it is necessary to assess the Group's project management process, taking into account in particular the costs of construction and any commitments related to these projects.

There may be a risk that the carrying amount of project and development properties may be overstated and that this may have a material impact on the Group's profit and financial position.

How our audit addressed this key audit matter

In our audit, we have evaluated and reviewed management's valuation process. We have obtained a selection of established internal valuations, and reviewed that the valuations follow Peab's guidelines for valuation and valuation method.

For a selection of properties, we have reviewed the input to Peab's valuation model. We have also compared the property values reported by Peab against control valuations carried out by external valuers.

We have discussed important assumptions and assessments with value managers.

With the support of our valuation specialists, we have also reviewed the plausibility of assumptions made such as dividend yield requirements and net operating income for a selection of properties.

We have reviewed the information provided in the annual report.

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 1-40 and pages 138-152. The Board of Directors and the Managing Director 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 Managing Director

The Board of Directors and the Managing Director 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 Managing Director 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 Managing Director 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 Managing Director intends 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 ISAs 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 ISAs, we exercise professional judgment and maintain professional skepticism 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 Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director'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, actions taken to eliminate threats or related safeguards applied.

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

Report on the audit of the administration and the proposed appropriations of the company's profit or loss

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 Managing Director of Peab AB (publ) for the year 2021 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 Managing Director 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 Managing Director

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 Managing Director 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 Managing Director 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 skepticism 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.

The auditor's examination of the ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4a of the Swedish Securities Market Act (2007:528) for Peab AB (publ) for the financial year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF ByP/vLGugTALcq8= has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the ESEF report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Peab AB (publ) 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with Chapter 16, Section 4a of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual and consolidated

accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

Ernst & Young AB, Box 7850, 103 99 Stockholm, was appointed auditor of Peab AB by the general meeting of the shareholders on May 6, 2021 and has been the company's auditor since May 6, 2021.

Förslöv March 25, 2022

Ernst & Young AB

Jonas Svensson

Authorized Public Accountant

Corporate governance report 2021



Peab is a Swedish public limited liability company listed on Nasdaq Stockholm, Large Cap. Peab's corporate governance rests on the Swedish Company Act, the Swedish Code of Corporate Governance (www.bolagsstyrning.se), Nasdaq Stockholm's regulations for issuers as well as Peab's articles of association, Code of Conduct, policies, and other internal regulations that the Board of Directors have adopted. This report is presented by the Board of Peab AB but it is not a part of the formal financial reports.



Shareholders, Annual General Meeting, the nomination procedure and diversity policy

All shareholders can use their right to vote at the Annual General Meeting (AGM) which is Peab's highest decision-making organ.

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 2021 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." Since the AMG 2021 half of the members of the Board elected by the AGM are female and half are male.

The AGM was held on May 6, 2021. In order to hinder the spread of COVID-19 the AGM 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 220 shareholders, representing more than 77 percent of the total number of votes in the company, participated in the postal vote. The AGM decided that Peab's Nomination Committee would until the AMG 2022 consist of a representative for each of the three shareholders with the largest number of votes according to the share register per September 30, 2021 as well as

the Chairman of the Board of the company. The three shareholders per September 30, 2021 have appointed the following representatives to the Nomination Committee:

- Ekhaga Utveckling AB – Anders Sundström
- Mats Paulsson with family – Anders Sundström
- AB Axel Granlund – Ulf Liljedahl

Anders Runevad is a member of Peab's Nomination Committee in his role as Chairman of the Board of Peab. The Nomination Committee has appointed Ulf Liljedahl as Chairman of the Nomination Committee.

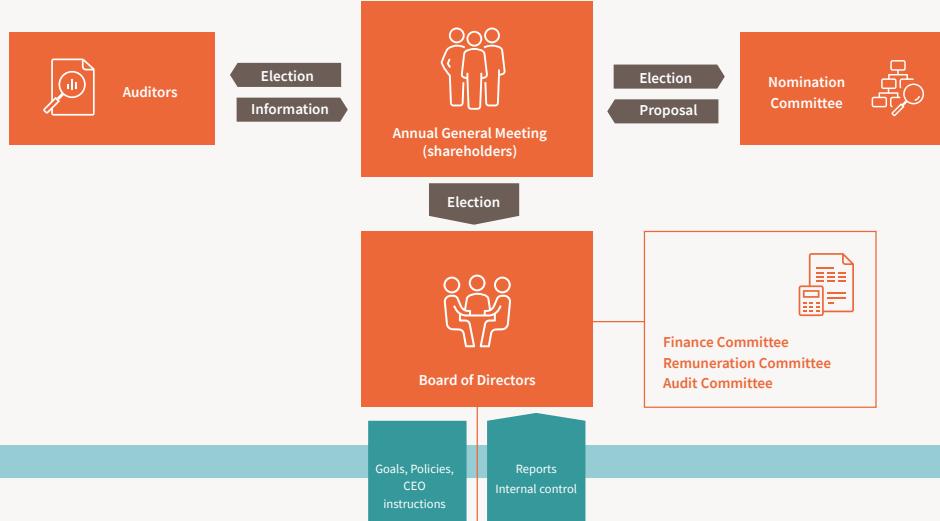


The Board of Directors and its work

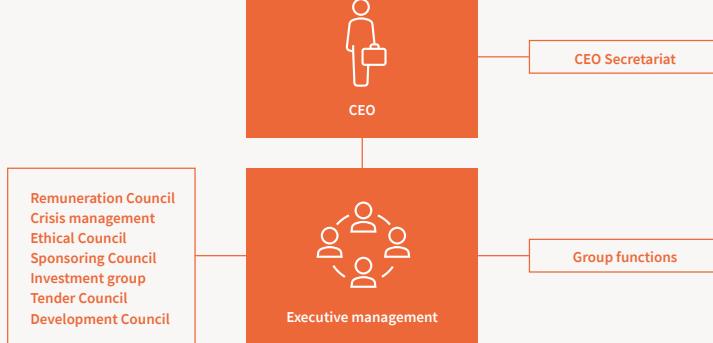
Peab's Board of Directors is ultimately responsible for the business. According to Peab's articles of association the Board of Directors must be made up of no fewer than five and no more than nine members in addition to the statutory employee representatives. The members of the Board of Directors are elected annually by the AGM. It was decided at the 2021 AGM that the Board of Directors would consist of eight members. Göran Grosskopf and Mats Paulsson declined reelection due to age. The following persons were elected as members of the Board of Directors:

- Karl Axel Granlund, reelected
- Magdalena Gerger, newly elected
- Liselott Kilaas, reelected
- Kerstin Lindell, reelected
- Fredrik Paulsson, reelected
- Malin Persson, reelected
- Anders Runevad, reelected
- Lars Sköld, reelected

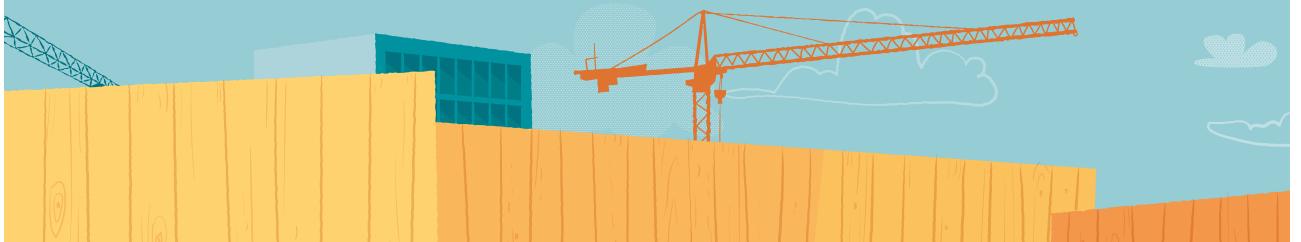
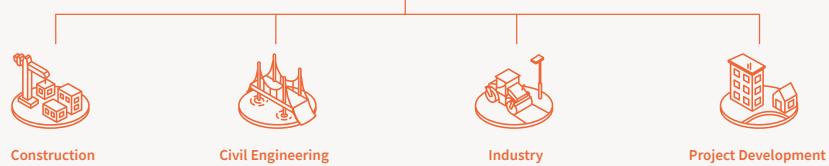
Owner and Board



CEO and executive management



Business area management



Board meetings, attendance 2021

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	3/3	M (until 210506)	1/1	C (until 210506)	1/1	C (until 210506)	3/3
Mats Paulsson *	No	No	3/3			M (until 210506)	1/1		
Magdalena Gerger **	Yes	Yes	5/5	M (from 210506)	3/3				
Karl-Axel Granlund	Yes	Yes	8/8			M	2/2	M	6/6
Kerstin Lindell	Yes	Yes	8/8	M	4/4				
Fredrik Paulsson	No	No	8/8			M (from 210506)	1/1	M	6/6
Malin Persson	Yes	Yes	8/8						
Anders Runevad	Yes	Yes	8/8			C (from 210506)	1/1	C (from 210506)	3/3
Lars Sköld	Yes	Yes	8/8	C	4/4				
Liselott Kilaas	Yes	Yes	8/8	M	4/4				

Employee representatives

Maria Doberck, ordinary ***	2/2
Patrik Svensson, ordinary	8/8
Kim Thomsen, ordinary	8/8
Egon Waldemarsson, ordinary ***	6/8
Torsten Centerdal, deputy	7/8
Cecilia Krusing, deputy	8/8

C – Chairman M – Member

*Resigned in connection with the AGM 2021

**Became a member in connection with the AGM 2021

***Egon Waldemarsson resigned after the Board meeting on August 25, 2021 and was replaced by Maria Doberck.

Anders Runevad was appointed Chairman of the Board by the AGM. 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 9 in the Annual Report.

The following employee representatives were appointed by the employee unions at the 2021 AGM: Patrik Svensson, Kim Thomsen and Egon Waldemarsson (members), Torsten Centerdal and Cecilia Krusing (deputies). Egon Waldemarsson resigned in the autumn of 2021 and was replaced by Maria Doberck.

The Board of Directors held eight meetings in 2021, of which five were ordinary Board meetings (including the constitutional meeting) and three additional Board meetings.

Members of executive management have given reports at the Board meetings. The respective principle company accountant has been present at each ordinary Board meeting. 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 2021 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.

Information about the Board members is presented on page 144 and is included through this reference in the Corporate governance report.



The Audit Committee

Members during 2021, after the AGM and constitutional Board meeting:

- Lars Sköld, Chairman
- Magdalena Gerger
- Kerstin Lindell
- Liselott Kilaas

The Audit Committee prepares the work of the Board of Directors by monitoring and ensuring the quality of company financial reports and maintains regular contact with the company accountant regarding the scope and focus of the auditing 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 four times in 2021. The principle company accountant participated in the relevant sections of three of these meetings. The Audit Committee regularly reports to the Board of Directors.

The Finance Committee

Members during 2021, after the AGM and constitutional Board meeting:

- Anders Runevad, 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. 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 six times during 2021. The Finance Committee regularly reports to the Board of Directors.



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 2021 executive management consisted of the President and CEO, the CFO, the COO, the CCO, the CSO and the BA Managers of Construction, Civil Engineering and Project Development, in total eight persons.

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 as needed.

Information about the President and CEO and other member of executive management is presented on page 145 and is included through this reference in the Corporate governance report.

The Remuneration Committee

Members during 2021, after the AGM and constitutional Board meeting:

- Anders Runevad, Chairman
- Karl-Axel Granlund
- Fredrik 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 annually 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 annually 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 2021. The Remuneration Committee regularly reports to the Board of Directors.



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 BA Manager and consisting otherwise of operational managers and managers of support functions in the business areas. The BA Managers are responsible for running operations in the line organization by delegating responsibility and authorizations. BA Managers are responsible for ensuring that 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 are more diversified than the other business areas and are run by the MDs for the five major companies in the business area who then report individually to an 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. As of 2021 Peab has adopted three financial targets and six non-financial targets. The Group's business plan is broken down and is processed in the various business areas, regions and companies that establish 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.

An important part of corporate governance in Peab's decentralized organization is the Group's core values: Down-to-earth, Developing, Personal and Reliable. Peab's Code of Conduct and many of the Group's internal regulations and guidelines are built on these core values. Communication of, and teaching, these core values is continuous and structured.

Remuneration to executive management

The 2021 AGM approved the Remuneration Policy for executive management. The Remuneration Policy is available on Peab's website, www.peab.com. Information about salaries and other remuneration to the CEO and members of executive management can be found in note 9 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 2021 Ernst & Young AB was elected the company auditor with the authorized public accountant Jonas Svensson as principle company accountant until the end of the AGM 2022.

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 expertise in sustainability reporting.

Internal control and governing

The purpose of the governance and internal control process is to provide the Board, management and other stakeholders with a reasonable assurance that Peab's goals are met regarding business management concerning an appropriate and efficient organization and management of the organization. Reliable internal and external reporting as well as following applicable laws, regulations and other rules are intrinsic parts of the process.

Peab's Board of Directors is responsible for ensuring that there are efficient procedures and systems for Group steering and control of 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, Policy for Internal Governance and Control and related party policy. 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 by executive management.

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 ordinary board meeting reviews Peab's financial situation and position as well as a reconciliation of financial targets. Review and follow-up of non-financial targets follows a special schedule at the ordinary board meetings. 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. An evaluation regarding steering and control of financial reporting is performed at the first ordinary board meeting of the Board of Directors after the end of the financial year.

The Board of Directors has for the business year 2021 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 chosen 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 was a member of the Remuneration Committee until the AGM 2021, was not independent in relation to the company and executive management. Fredrik Paulsson, who became a member of the Remuneration Committee at the Board meeting following the election after the AGM 2021, is not independent in relation to the company and executive management.

Explanation of the deviation

Remuneration to senior officers is an important parameter for Peab's development and thus for its shareholders and other stakeholders. The Board wished 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. Even after Mats Paulsson's resignation from the Remuneration Committee for reasons of age, continuity and connection to the largest shareholder remains important. Together with Mats Paulsson, Fredrik Paulsson represents the largest shareholder and therefore it is the opinion of the Board that Fredrik Paulsson should be a member of the Remuneration Committee. During this entire period the majority of the members of the Remuneration Committee were independent in relation to the company and executive management and this is believed to guarantee the objectivity and independence of the Remuneration Committee.

Peab has not otherwise deviated from the code.

Auditor's statement on the Corporate governance report to the Annual General Meeting of Peab AB company id nr. 556061-4330

Engagement and responsibility

It is the Board of Directors that is responsible for the Corporate governance report for the year 2021 on pages 138-142 and pages 144-145 in the PDF-version of 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 of the Annual Accounts Act and chapter 7 section 31 the second paragraph of the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Förslöv, March 25, 2022
Ernst & Young AB

Jonas Svensson
Authorized Public Accountant

Board of Directors



Anders Runevad

Born 1960. Appointed 2020
MSc (engineering)
Chairman of the board of PGA National Sweden
Vice chairman of board of Vestas Wind System A/S
Member of the board of Schneider electric SE, Copenhagen Infrastruktur Partner
Former positions: CEO of Vestas Wind Systems A/S, regional manager Ericsson
Holding: 12,300 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),
Honorary Doctorate from LTH, Faculty of
Engineering
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 Kran-
punkten 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, 36,407,059 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 OX2 among others
Holding: 2,000 B shares



Lars Sköld

Born 1950. Appointed 2007
Chairman of the board of Dufweholms
Herrgård AB
Former position as CEO and President of STC
Interfinans AB, CEO of Sveaskog AB and CEO
of Klövern Fastigheter AB
Holding: 20,000 B shares



Liselott Kilaas

Born 1959. Appointed 2018
MMS, MBA IMD Business School
Chairman of the board of Avonova AB and
Impantica AB
Member of the board of Orkla ASA, Nobina
AB, Norsk Hydro ASA, Ambea AB, Revover
Nordic, Norska Folketrygfonden, Blikk-MRH
and IMD
Former positions: CEO of Aleris AB, member
of the board of Polaris Media ASA, Telenor, I M
Skaugen and Norwegian Central Bank
Holding: None



Magdalena Gerger

Born 1964. Appointed 2021.
MSc (economics), M.B.A.
President and CEO of Systembolaget AB
(until January 2022)
Member of VW Group Sustainability Council
Chairman of the board of Nefab AB and The
Royal Swedish Academy of Sciences (IVA)
Member of the board of Investor AB and
Svensk Handel
Holding: None



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



Maria Doberck

Born 1972. Appointed 2021
Business management system manager,
Peab
Employee representative Ledarna
Holding: 9,480 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, 2021. Holdings include those of spouses, children who are minors and private company holdings.

Executive management



Jesper Göransson
CEO and President
Born 1971
Various posts in Peab since 1996
MSc (Business and Economics)
Member of the board of Annehem Fastigheter AB
Holding: 441,800 B shares and 672,600 B shares via endowment insurance¹⁾,
Holding in Annehem Fastigheter AB 300,000 B shares and in Skistar AB 10,000 B shares



Niclas Winkvist
CFO, part of business area Industry
Born 1966
Employed since 1995
MSc (economics)
Holding: 110,000 B shares and 294,000 B shares via endowment insurance¹⁾



Roger Linnér
COO, part of business area Industry
Born 1970
Employed since 1996
MSc (engineering)
Holding: 5,525 B shares and 253,700 B shares via endowment insurance¹⁾



Camila Buzaglo
CCO
Born 1971
Employed since 2018
B.P.S.
Holding: 14,200 B shares via endowment insurance¹⁾



Stefan Danielsson
Business area Construction
Born 1969
Employed since 2015
BSc (engineering)
Holding: 6,000 B shares and 93,100 B shares via endowment insurance¹⁾



Lotta Brändström
Business area Civil Engineering
Born 1966
Employed since 2017
MSc (engineering)
Holding: 15,300 B shares via endowment insurance¹⁾



Johan Dagertun
CSO
Born 1985
Employed since 2016
MSc (economics)
Holding: 6,000 B-shares



Göran Linder
Business area Project Development
Born 1968
Employed since 2011
MSc (economics)
Holding: 84,400 B shares via endowment insurance¹⁾

Auditor

Ernst & Young AB

Jonas Svensson
Authorized public accountant

The holdings reported were those on December 31, 2021. Holdings include those of spouses, children who are minors and private company holdings.

¹⁾ 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 9.

The Peab share

Peab's B share is listed on the Nasdaq Stockholm, Large Cap. At the end of 2021 the total market capital of Peab was SEK 33.8 billion (26.5).

Trading in the Peab share

As of December 30, 2021 the last trading day of the year the closing price of the Peab B share was SEK 114.20 (89.65), which was a 27 percent increase during the year. The Swedish Stock Exchange, measured by the Affärsvärlden Index, increased in 2021 by 36 percent. In 2021, the Peab B share was quoted at a maximum of SEK 126.30 (110.70) and a minimum of SEK 88.95 (59.30). During 2021 about 95 million B shares (144) were traded, which was equivalent to 374,000 B shares per trading day (570,000) and a turnover rate of 36 percent (55).

Total return

The total return on the Peab share in 2021 amounted to 32.40 percent, to be compared to the SIX Return index of 39.34 percent. In the five-year period January 1, 2017 to December 31, 2021 the annual total return¹⁾ on Peab's B share amounted to 103.86 percent, to be compared to the SIX Return Index of 125.99 percent during the same period.

Shares and share capital

The total number of shares at the beginning of 2021 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 2021 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.

Holdings of own shares

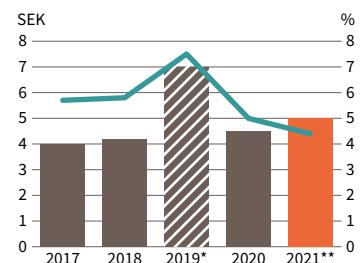
At the beginning of 2021 Peab's own B shareholding was 1,086,984 which corresponds to 0.4 percent of the total number of shares. No own shares were repurchased or divested in 2021.

Dividend

For 2021 a dividend of SEK 5.00 per share (4.50) is proposed. Excluding the 1,086,984 shares held by Peab AB per December 31, 2021 which do not entitle to a dividend, the proposed dividend entails a total dividend amount of SEK 1,475 million (1,327). Calculated as a share of recognized Group profit after tax according to segment reporting the proposed dividend amounts to 59 percent (66).

¹⁾ Distribution of Annehem Fastigheter for 2019 corresponded to SEK 7 per share. This distribution is included in the total return.

Dividend and direct return

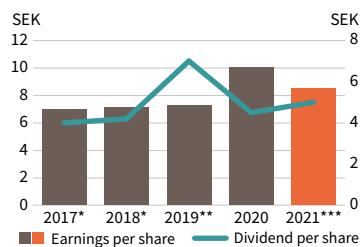


* No cash dividend was distributed in 2019. Distribution of Annehem Fastigheter corresponded to SEK 7 per share at the time of the distribution on December 11, 2020. Direct return of 7.5 percent is calculated on the final price 2019-12-31. ** Board of Directors' proposal to the AGM.

Key ratios

Earnings and dividend per share

Segment reporting

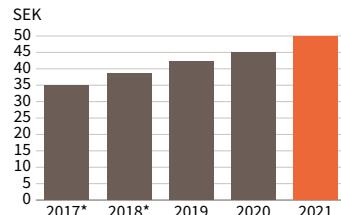


*Not translated taking into account the changed principles for our own housing developments. ** No cash dividend was distributed for 2019. Distribution of Annehem Fastigheter corresponded to SEK 7 per share at the time of the distribution on December 11, 2020.

*** The Board of Directors' proposal to the AGM.

Equity per share

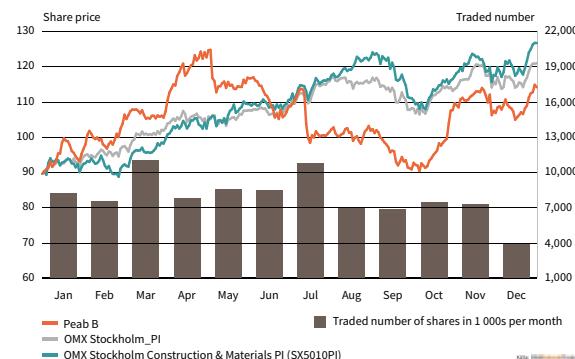
Segment reporting



* Not translated taking in to account the changed principles for our own housing developments.

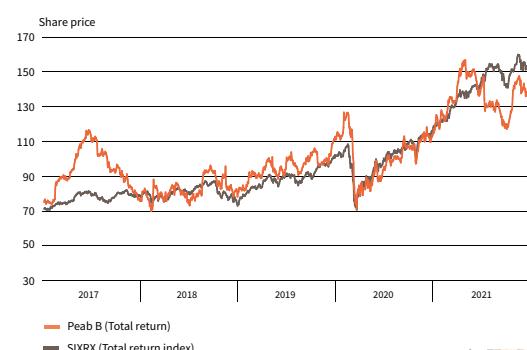
Price trend of the Peab share

1 January – 31 December 2021



Total return 1)

31 December 2016 – 31 December 2021



¹⁾ Distribution of Annehem Fastigheter for 2019 corresponded to SEK 7 per share. This distribution is included in the total return.

List of shareholders on December 31, 2021

	A shares	B shares	Total number of shares	Proportion of capital, %	Proportion of votes, %
Ekhaga Utveckling AB	25,563,264	36,407,059	61,970,323	20.9%	48.3%
AB Axel Granlund	1,500,000	18,000,000	19,500,000	6.6%	5.5%
Mats Paulsson	4,788,517	8,109,175	12,897,692	4.4%	9.3%
Länsförsäkringar Funds		14,897,001	14,897,001	5.0%	2.5%
Peab's profit share foundation		12,458,000	12,458,000	4.2%	2.1%
STATE STREET BANK AND TRUST CO, W9		9,044,763	9,044,763	3.1%	1.5%
Handelsbanken Funds		8,715,117	8,715,117	2.9%	1.4%
Kamprad family foundation		6,900,000	6,900,000	2.3%	1.1%
JPM CHASE NA		5,498,107	5,498,107	1.9%	0.9%
CBNY-NORWAYS BANK		4,847,126	4,847,126	1.6%	0.8%
SIX SIS AG, W8IMY		4,409,402	4,409,402	1.5%	0.7%
AMF Insurance and Funds		4,102,673	4,102,673	1.4%	0.7%
BNP PARIBAS SEC SERVICES PARIS, W8IMY		4,052,849	4,052,849	1.4%	0.7%
BNP PARIBAS SEC SERV LUXEMBOURG, W8IMY		3,486,183	3,486,183	1.2%	0.6%
Pension, FUTUR		3,240,226	3,240,226	1.1%	0.5%
Other shareholders related to the Paulsson family	891,912	1,430,750	2,322,662	0.8%	1.7%
Other shareholders	1,576,264	115,044,358	116,620,622	39.3%	21.5%
Number of outstanding shares	34,319,957	260,642,789	294,962,746		
Peab AB		1,086,984	1,086,984	0.4%	0.2%
Number of registered shares	34,319,957	261,729,773	296,049,730	100.0%	100.0%

Data per share

	2021	2020
Segment reporting		
Earnings, SEK	8.50	10.00
Equity, SEK	49.68	44.92
Cash flow before financing, SEK	10.31	9.42
Reporting according to IFRS		
Earnings, SEK	8.06	10.79
Equity, SEK	46.38	42.18
Cash flow before financing, SEK	3.57	12.72
Share price at year-end, SEK	114.20	89.65
Share price/equity, %	246	213
Dividend, SEK ¹⁾	5.00	4.50
Direct return, % ²⁾	4.4	5.0
P/E-ratio ²⁾	11	8

¹⁾ The Board of Directors' proposal to the AGM for 2021.

²⁾ Based on closing price at year-end.

Shares and votes per share class 2021-12-31

Share class	Number	Proportion of capital, %	Proportion of votes, %
A	34,319,957	10	11.6
B	261,729,773	1	88.4
Total	296,049,730	100.0	100.0

Shareholder categories, proportion of capital per 2021-12-31



Shareholder categories, proportion of votes per 2021-12-31



Allocation of shareholdings per 2021-12-31

Number of shares	Number of shareholders	Proportion of capital, %	Proportion of votes, %
1–500	41,058	1.8	0.9
501–1,000	6,415	1.8	0.9
1,001–5,000	7,412	5.9	2.9
5,001–10,000	1,239	3.1	1.5
10,001–15,000	415	1.7	0.9
15,001–20,000	223	1.4	0.7
20,001–	563	84.3	92.2
	57,325	100.0	100.0

■ Financial companies and trust funds, 18%
■ Other Swedish legal entities, 35%
■ Interest organizations, 4%
■ Foreign shareholders, 18%
■ Swedish private persons, 25%

■ Financial companies and trust funds, 9%
■ Other Swedish legal entities, 59%
■ Interest organizations, 2%
■ Foreign shareholders, 10%
■ Swedish private persons, 20%

Five-year overview

Group, MSEK	2021	2020	2019	2018 ¹⁾	2017 ¹⁾
Income statement items, segment reporting					
Net sales	60,026	57,417	55,349	52,233	49,981
Operating profit	3,098	3,541	2,610	2,573	2,418
Pre-tax profit	3,076	3,433	2,579	2,518	2,458
Profit for the year	2,507	2,948	2,138	2,100	2,067
Income statement items, IFRS					
Net sales	58,923	59,852	56,303	52,233	49,981
Operating profit	2,975	3,922	3,285	2,573	2,418
Pre-tax profit	2,902	3,745	3,227	2,518	2,458
Profit for the year	2,377	3,181	2,656	2,100	2,067
Balance sheet items, segment reporting					
Fixed assets, not interest-bearing	12,620	12,037	11,175	9,872	9,706
Fixed assets, interest-bearing	1,208	1,257	1,086	1,445	1,520
Current assets, not interest-bearing	23,209	22,257	25,584	23,983	19,893
Current assets, interest-bearing	3,293	1,053	517	2,016	1,006
Total assets	40,330	36,604	38,362	37,316	32,125
Equity					
Long-term liabilities, not interest-bearing	14,656	13,251	12,479	11,348	10,332
Long-term liabilities, interest-bearing	1,950	1,794	1,162	1,100	1,041
Current liabilities, not interest-bearing	3,865	2,754	3,266	5,194	2,573
Current liabilities, interest-bearing	16,819	15,376	15,583	17,856	17,010
Total equity and liabilities	40,330	36,604	38,362	37,316	32,125
Balance sheet items, IFRS					
Fixed assets, not interest-bearing	14,163	13,560	12,001	9,872	9,706
Fixed assets, interest-bearing	1,208	1,257	1,086	1,445	1,520
Current assets, not interest-bearing	28,506	26,294	30,084	23,983	19,893
Current assets, interest-bearing	3,293	1,053	517	2,016	1,006
Total assets	47,170	42,164	43,688	37,316	32,125
Equity					
Long-term liabilities, not interest-bearing	13,682	12,443	11,559	11,348	10,332
Long-term liabilities, interest-bearing	1,906	1,752	1,086	1,100	1,041
Current liabilities, not interest-bearing	5,627	4,364	4,129	5,194	2,573
Current liabilities, interest-bearing	16,566	15,977	16,266	17,856	17,010
Total equity and liabilities	47,170	42,164	43,688	37,316	32,125
Key ratios, segment reporting					
Operating margin, percent	5.2	6.2	4.7	4.9	4.8
Equity, average during the year	13,569	12,772	11,994	10,731	9,705
Equity attributable to shareholders in parent company, average during the year	13,568	12,771	11,942	10,730	9,704
Return on equity, percent	18.5	23.1	17.9	19.6	21.3
Capital employed, at year-end	21,561	19,434	21,617	18,360	14,074
Capital employed, average during the year	20,445	20,709	21,421	16,761	13,972
Return on capital employed, percent	15.6	17.6	12.8	15.9	18.7
Equity/assets ratio, percent	36.3	36.2	32.5	30.4	32.2
Net debt	2,404	3,873	7,535	3,551	1,216
Net debt/equity ratio, multiple	0.2	0.3	0.6	0.3	0.1
Interest coverage ratio, multiple	24.3	28.5	18.7	21.6	21.8
Key ratios, IFRS					
Operating margin, percent	5.0	6.6	5.8	4.9	4.8
Equity, average during the year	12,598	12,230	10,940	10,731	9,705
Equity attributable to shareholders in parent company, average during the year	12,597	12,229	10,938	10,730	9,704
Return on equity, percent	18.9	26.0	24.3	19.6	21.3
Capital employed, at year-end	28,698	24,435	26,336	18,360	14,074
Capital employed, average during the year	26,602	26,706	25,905	16,761	13,972
Return on capital employed, percent	11.5	15.0	13.2	15.9	18.7
Equity/assets ratio, percent	29.0	29.5	26.5	30.4	32.2
Net debt	10,515	9,682	13,174	3,551	1,216
Net debt/equity ratio, multiple	0.8	0.8	1.1	0.3	0.1
Interest coverage ratio, multiple	11.9	20.2	19.6	21.6	21.8

Group, MSEK	2021	2020	2019	2018 ¹⁾	2017 ¹⁾
Capital expenditures ²⁾					
Goodwill	64	-145	8	23	61
Other intangible assets	131	74	127	98	113
Investment property	-74	2	-70	-262	265
Buildings and land	291	398	439	-31	181
Machinery and equipment	1,353	780	1,172	1,193	1,292
Shares and participations	514	-93	776	169	-563
Project and development properties, segment reporting	1,067	-1,917	-434	2,103	702
Project and development properties, IFRS	2,202	-2,842	-444	2,103	702
Orders ³⁾					
Orders received	55,848	49,735	44,130	51,087	48,999
Order backlog	45,318	42,709	42,494	45,819	40,205
Personnel					
Number of employees, at year-end	14,895	15,252	14,258	14,614	14,344
Average number of employees	14,907	15,166	14,309	14,661	14,578
Data per share, segment reporting					
Earnings before and after dilution, SEK	8.50	10.00	7.25	7.12	7.01
Cash flow, SEK	10.31	9.42	3.47	-3.46	7.78
Equity, SEK	49.68	44.92	42.30	38.47	35.02
Data per share, IFRS					
Earnings before and after dilution, SEK	8.06	10.79	9.00	7.12	7.01
Cash flow, SEK	3.57	12.72	10.94	-3.46	7.78
Equity, SEK	46.38	42.18	39.18	38.47	35.02
Share price at year-end, SEK	114.20	89.65	93.75	72.40	70.60
Dividend, SEK ⁴⁾	5.00	4.50	-	4.20	4.00
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

¹⁾ Not translated according to the changed accounting principles for tenant-owner associations and IFRS 16, Leasing.

²⁾ For 2020 the amounts are adjusted for the acquisition of paving and mineral aggregates operations and the distribution of Annehem Fastigheter.

³⁾ The order situation is based on segment reporting, which means our own housing development projects, tenant-owner associations and housing companies are considered external customers.

⁴⁾ For 2021, 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 increase 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.

The difference between segment reporting and reporting according to IFRS is described in more detail in note 1 and note 4. 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.

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. Shows which cash flow before financing was generated per share.

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. Shows earnings per share.

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. Shows equity per share.

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. Shows financial position.

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. Shows financial position for segment.

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. Shows the size of net investments made.

Operating margin

Operating profit as a percentage of net sales. Shows profitability in the business.

Order backlog

The value at the end of the period of the remaining income in ongoing production plus orders received yet to be produced. Order backlog is based on segment reporting. Shows how much will be produced in the future.

Orders received

The sum of orders received during the period. Measures how new orders replace produced work. Regarding our own housing development projects, tenant-owner associations and housing companies are considered external customers.

P/E ratio

Share price at year-end divided by earnings per share. Shows market expectations on the company related to earnings generation.

Return on capital employed

Pre-tax profit for the rolling 12 month 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 shows the Group's earning capacity independent of financing.

Return on equity

Profit for the rolling 12 month 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 the contract work or makes supplementary orders.

LT14 and LTIF4

LT14 refers to the number of workplace accidents resulting in more than four days absence of an employee, excluding the day of injury, and LTIF4 refers to the frequency per one million hours worked according to the same definition. LTI stands for Lost Time Injury.

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

Time and place

The Annual General Meeting of Peab AB will be held on Thursday, May 5, 2022 at 4:00 p.m. in Grevieparken in Grevie, Sweden.

Notification

Shareholders who wish to personally or by proxy be present in the room where the AGM will be held must:

- in part be entered in the share register kept by Euroclear Sweden AB with the conditions current on Wednesday, April 27, 2022,
- in part give notice of their participation no later than on Friday, April 29, 2022.

Notification may be submitted via the company's website at www.peab.com, by telephone to +46 431 893 50 or by mail to Peab AB (publ), Annual General Meeting, c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm. When giving notice the shareholder must provide their name, address, personal or company ID number, telephone number and information concerning any assistants.

Shareholders who wish to participate by postal vote must:

- in part be entered in the share register kept by Euroclear Sweden AB with the conditions current on Wednesday, April 27, 2022,
- in part give notice of their participation no later than on Friday, April 29, 2022 by having submitted their postal vote according to the instructions below.

The form for postal voting with instructions is available at the company website peab.com/agm. The completed and signed form is sent by mail to Peab AB (publ), c/o Euroclear Sweden AB, Box 191, 101 23 Stockholm or by email to GeneralMeetingService@euroclear.com. Shareholders can also postal vote electronically by verification through a Swedish BankID via Euroclear Sweden AB's website, anmalan.vpc.se/euroclearproxy. Euroclear must receive the completed form no later than Friday, April 29, 2022.

Summons to attend and agenda items

The summons to attend the AGM and the agenda will be published on Monday, April 4, 2022 on Peab's website peab.com/agm and on Tuesday April 5, 2022 in Post- och Inrikes Tidningar.

Financial information

At 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, Margretetorpsvägen 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.

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Annual calendar 2022

First Quarter Report	May 5, 2022
Annual General Meeting	May 5, 2022
Second Quarter Report	July 15, 2022
Third Quarter Report	October 28, 2022
Year-end Report	February 3, 2023
Annual and Sustainability Report	April 2023

Analysts who follow Peab

Company	Name	Email
ABG Sundal Collier	Markus Henriksson	markus.henriksson@abgsc.se
Carnegie	Erik Granström	erik.granstrom@carnegie.se
DNB Nor	Simen Mortensen	simen.mortensen@dnb.no
Handelsbanken	Johan Edberg	joed02@handelsbanken.se
Kepler Cheuvreux	Albin Sandberg	asandberg@keplercheuvreux.com
SEB Enskilda	Stefan Andersson	stefan.andersson@enskilda.se



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
Also-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".

2022

Peab is the Nordic Community Builder with 15,000 employees and net sales of SEK 60 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 Förlöv on Bjäre Peninsula in southern Sweden. The Peab share is listed on Nasdaq Stockholm.

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