

## **The Board's report and proposal regarding the transfer of 50 percent of the shares and shareholder loans in Peab FU Linné AB (the name is in the process of being changed to Point Hyllie Holding AB) to Volito Fastigheter AB, a company indirectly controlled by a member of the Board of Peab AB (publ), Karl-Axel Granlund**

Stock market regulations require that certain transactions between a listed company on the one hand and a board member's company on the other must be approved of by the Annual General Meeting (AGM) of the listed company with a special majority. In preparation for a decision by the AGM the Board presents a report according to the Swedish Securities Council statement AMN 2012:05. The Board's proposal is included in the report below.

### **Background**

Peab's operations in the business area Project Development consist of Housing Development and Property Development.

Property Development creates value for Peab through acquiring, developing and divesting commercial property and projects. As part of these operations the subsidiary Annehem Hylliecentrum AB has previously developed and, to a third party indirectly through company transfers, sold two properties, Vårdshuset 2 and Vårdshuset 3, both located on Hyllie Station Square in Malmö.

Continuing with these operations in Property Development the subsidiary Peab FU Holding 7 AB (Peab FU) will divest 50 percent of the shares and shareholder loans in Peab FU Linné AB (the name is in the process of being changed to Point Hyllie Holding AB) (PHH) to Volito Fastigheter AB (Volito respectively Transaction).

PHH owns two subsidiaries; Annehem Hyllie Point 3 AB (AHP3) and Annehem Hyllie Point 4 AB (AHP4). The subsidiaries' underlying assets consist of property and development rights in Point Hyllie. AHP3 owns the property Vårdshuset 5 which is a developed hotel property at Hyllie Station Square. The property consists of around 15,000 square meters rentable space and some 60 parking spaces in the basement. Some of the renters are Choice Hotels, Parkering Malmö as well as a retail space in the process of being rented out. The total rent from Vårdshuset 5 amounts to around SEK 22 million annually. AHP4 owns the property Vårdshuset 4 which consists of development rights that will be developed into some 20,000 square meters office space (The Point). The project The Point will be developed within the framework for the already granted building permit, which covers a 110 meter high profile building with 29 floors containing office and retail space together with a reception and lounge.

The prospective buyer in the Transaction, Volito, is a Malmö based real estate company which has several investment properties in Malmö. Volito's property portfolio is currently worth around 2.6 billion Swedish krona. Volito Fastigheter AB is a wholly owned Swedish subsidiary of Volito AB, of which 88 percent is owned by AB Karl Axel Granlund, of which 60 percent is in turn owned by Karl Axel Granlund who is the Chairman of the Board of Volito AB and Volito.

Karl Axel Granlund is also an ordinary, AMG selected board member of Peab. For the sake of good order it is noted that Karl-Axel Granlund, in consideration of the close relation situation regarding Volito, has not participated in the Peab Board's preparation of, nor the discussions or decision concerning, the Transaction. As a matter of general information Karl-Axel Granlund with family and companies owns shares in Peab equal to less than 10 percent of the capital and votes.

Sometimes Peab's subsidiaries carry out property development projects in cooperation with other partners (joint ventures) to realize a business concept in Property Development. These partners are usually real estate companies that are not in competition with Peab. One of the reasons for carrying out joint ventures (among them the Transaction) is that it lessens the amount of capital tied up and the risk taken in the project. It also takes advantage of the partners' strengths in management, production, renting and construction contracting expertise. As 50/50 percent owners the partners can improve the chances of developing The Point on Hyllie to achieve maximum value in PHH.

## **Proposed Transaction**

The Transaction would take place by Peab FU selling 50 percent of the shares and shareholder loans in PHH to Volito. This would achieve 50/50 ownership between the partners. The conditions in the Transaction are market terms, i.e. the purchase price is the market price and the contracts for the Transaction contain normal guaranties and conditions. The negotiated and market level agreed purchase price is calculated on an underlying asset value of a total of SEK 777 million, of which SEK 565 million refer to Vårdshuset 5 (the hotel) and SEK 212 million refer to Vårdshuset 4 (office space development rights including the cost of projecting, construction permits etc.)

The Transaction would have a positive effect on Peab's profit of about SEK 100 million in the second quarter of 2016 and net debt in Peab would contract by around SEK 500 million. An additional purchase sum may be paid out if certain key ratios connected to net sales in the property Vårdshuset 5 are reached during the fiscal year 2016. The additional purchase sum may at the most amount to SEK 15 million.

A so-called Fairness Opinion from an independent expert (Öhrlings Pricewaterhouse Coopers AB (PWC)) supports the reasonableness of the Transaction for Peab's shareholders from a financial point of view – see more details below.

The Transaction can close in the beginning of June 2016, subject to approval by the AMG.

After the Transaction the partners would via PHH jointly manage the hotel property and develop and manage the office building (The Point) to achieve maximum value in PHH.

The joint endeavors can consist of:

- Working the market for all kinds of renters.
- Achieving the goal of The Point containing several different activities.
- Achieving a mix of larger and smaller renters of The Point.
- Developing the concept of an office hotel.
- Achieving synergies between the hotel and The Point such as a certain level of joint management.

Companies within the Peab Group can contribute production skills and carry out the contract work for The Point for AHP4 on market terms.

## **Close relation transaction**

As presented in detail above Karl-Axel Granlund is indirectly the principle owner of Volito AB and thereby indirectly controls Volito. In addition Karl-Axel Granlund is a member of the Peab Board. Peab's board has therefore deemed the Transaction to be a close relations transaction which, according to the Leo rules and general good practice in publically owned companies, is subject to approval by the AGM by a special majority, i.e. the proposal must receive at least nine-tenths of the votes given, both directly and from those shares represented at the AGM. Peab's board has therefore decided that the Transaction will be submitted to the AGM on the 10<sup>th</sup> of May, 2016 for approval.

## **Fairness Opinion**

In order to determine the reasonableness of the Transaction a so-called Fairness Opinion has been commissioned from an independent expert (PWC). The Fairness Opinion supports the reasonableness of the Transaction for Peab's shareholders from a financial point of view, independent of whether an additional purchase sum is paid or not.

## **Proposal for approval**

The Board proposes that the AGM approves the Transaction and directs Peab's Board to implement or oversee implementation of the Transaction as soon as possible.

## **Furthermore**

This report including the proposal as well as the Fairness Opinion from independent expert (PWC) concerning the reasonableness of the Transaction for Peab's shareholders from a financial point of view is available at the company (Peab AB, 260 92 Förslöv). A copy of the documents will be sent free of charge to the shareholders requesting them if they provide their address. The documents will also be available at [www.peab.se](http://www.peab.se) and at the AGM.

Förslöv 6 April 2016

Peab AB (publ)

*The Board*