Alternative performance measures and financial definitions

Alternative performance measures are used to describe the development of operations and to enhance comparability between periods. These are not defined under IFRS but correspond to the methods applied by executive management and 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, note 2 and note 5 in the Annual Report. 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.

Definition and motivation of use	Calculation at year-end report January-December 2020	
Available liquidity Liquid funds and short-term investments along with unutilized credit facilities, not including unutilized project financing. Shows the Group's available liquidity.	**Reporting according to IFRS**	MSEK
	Liquid funds	968
	Unutilized credit facilities	7,854
	Available liquidity	8,822
Equity per share Equity attributable to shareholders in parent company divided by the number of outstanding shares at the end of the period.	**Reporting according to IFRS** Equity, MSEK	12,443
	Less equity attributable to non-controlling interests, MSEK	-1
	Equity attributable to shareholders in parent company, MSEK	12,442
	Number of outstanding shares at the end of the period	294,962,746
	Equity per share, SEK	42.18
	Segment reporting Equity, MSEK	13,251
	Less equity attributable to non-controlling interests, MSEK	-1
	Equity attributable to shareholders in parent company, MSEK	13,250
	Number of outstanding shares at the end of the period	294,962,746
	Equity per share, SEK	44.92
Cash flow per share Cash flow per share calculated as the total of the cash flow from current operations and cash flow from investment operations divided by the average number of outstanding shares during the period.	**Reporting according to IFRS** Cash flow from current operations, MSEK	7,693
	Cash flow from investment operations, MSEK	-3,940
	Total cash flow before financing, MSEK	3,753
	Average number of outstanding shares	294,962,746
	Cash flow per share, SEK	12.72
	Segment reporting Cash flow from current operations, MSEK	6,749
	Cash flow from investment operations, MSEK	-3,970
	Total cash flow before financing, MSEK	2,779
	Average number of outstanding shares	294,962,746
	Cash flow per share, SEK	9.42

Definition and motivation of use	Calculation at year-end report January-December 2020	
Net investments Change in the period of the reported value of current assets (CB-OB) plus depreciation and write-downs.		
Net debt Interest-bearing liabilities including provisions for pensions less liquid funds and interest-bearing assets.	**Reporting according to IFRS**	MSEK
	Interest-bearing long-term liabilities	4,289
	Interest-bearing long-term liabilities, project financing	75
	Interest-bearing current liabilities	2,647
	Interest-bearing current liabilities, project financing	4,981
	- Interest-bearing long-term receivables	-1,257
	- Interest-bearing current receivables	-85
	- Liquid funds	-968
	Net debt	9,682
	Segment reporting	MSEK
	Interest-bearing long-term liabilities	2,801
	Interest-bearing long-term liabilities, project financing	—
	Interest-bearing current liabilities	2,327
	Interest-bearing current liabilities, project financing	1,055
	- Interest-bearing long-term receivables	-1,257
	- Interest-bearing current receivables	-85
	- Liquid funds	-968
	Net debt	3,873
	Reconciliation between IFRS and segment reporting	
	Net debt according to IFRS	9,682
	Additional IFRS 16 Leases	-1,808
	Project financing, sold part of housing projects	-4,001
	Net debt according to segment reporting	3,873
Orders received The sum of orders received during the period. Measures how new orders replace produced work. In our own developed housing projects tenant-owned housing associations/residential limited companies are considered external customers.		
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.		

Definition and motivation of use	Calculation at year-end report January-December 2020	
Earnings per share Profit for the period attributable to shareholders in parent company divided by the average number of outstanding shares during the period.	**Reporting according to IFRS**	
	Profit for the period, MSEK	3,181
	Adjustment of profit for the period attributable to non-controlling interests, MSEK	1
	Profit for the period attributable to shareholders in parent company, MSEK	3,182
	Average number of outstanding shares	294,962,746
	Earnings per share, SEK	10.79
	Segment reporting	
	Profit for the period, MSEK	2,948
	Adjustment of profit for the period attributable to non-controlling interests, MSEK	1
	Profit for the period attributable to shareholders in parent company, MSEK	2,949
	Average number of outstanding shares	294,962,746
	Earnings per share, SEK	10.00

Definition and motivation of use	Calculation at year-end report January-December 2020		
Return on equity Profit of 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 an efficient business and a rational capital structure and to show the yield on the shareholder's equity.	**Reporting according to IFRS**		
	Profit for the period, MSEK		3,182
	Average equity, MSEK		
	Q4 2020	12,442	
	Q3 2020	12,872	
	Q2 2020	12,041	
	Q1 2020	11,559	
		48,914 / 4	12,229
	Return on equity, %		26.0
	Segment reporting		
	Profit for the period, MSEK		2,949
	Average equity, MSEK		
	Q4 2020	13,250	
	Q3 2020	12,635	
	Q2 2020	12,850	
	Q1 2020	12,348	
		51,083 / 4	12,771
	Return on equity, %		23.1

Definition and motivation of use	Calculation at year-end report January-December 2020	
Return on capital employed	**Reporting according to IFRS**	
Pre-tax profit of 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 show the Group's earning capacity independent of financing.	Pre-tax profit, MSEK	3,745
	Financial expenses, MSEK	273
	Total profit, MSEK	4,018
	Average capital employed, MSEK	
	Q4 2020 24,435	
	Q3 2020 27,729	
	Q2 2020 28,829	
	Q1 2020 25,830	
	106,823 / 4	26,706
	Return on capital employed, %	15.0
	Segment reporting	
	Pre-tax profit, MSEK	3,433
	Financial expenses, MSEK	204
	Total profit, MSEK	3,637
	Average capital employed, MSEK	
	Q4 2020 19,434	
	Q3 2020 21,086	
	Q2 2020 22,390	
	Q1 2020 19,927	
	82,837 / 4	20,709
	Return on capital employed, %	17.6
Interest coverage ratio	**Reporting according to IFRS**	
Pre-tax profit items plus interest expenses in relation to interest expenses. The measurement shows how well interest expenses can be covered.	Pre-tax profit, MSEK	3,745
	Interest expenses, MSEK	195
	Total, MSEK	3,940
	Interest coverage ratio, multiple	20.2
	Segment reporting	
	Pre-tax profit, MSEK	3,433
	Interest expenses, MSEK	125
	Total, MSEK	3,558
	Interest coverage ratio, multiple	28.5
Operating margin	**Reporting according to IFRS**	
Operating profit as a percentage of net sales.	Operating profit, MSEK	3,922
	Net sales, MSEK	59,852
	Operating margin, %	6.6
	Segment reporting	
	Operating profit, MSEK	3,541
	Net sales, MSEK	57,417
	Operating margin, %	6.2
Net debt/equity ratio	**Reporting according to IFRS**	
Interest-bearing net debt in relation to equity. Shows financial position.	Net debt, MSEK	9,682
	Equity, MSEK	12,443
	Net debt/equity ratio, multiple	0.8
	Segment reporting	
	Net debt, MSEK	3,873
	Equity, MSEK	13,251
	Net debt/equity ratio, multiple	0.3

Definition and motivation of use	Calculation at year-end report January-December 2020	
Equity/assets ratio Equity as a percentage of total assets at the end of the period. Shows financial position.	**Reporting according to IFRS**	
	Equity, MSEK	12,443
	Total assets, MSEK	42,164
	Equity/assets ratio, %	29.5
	Segment reporting	
	Equity, MSEK	13,251
	Total assets, MSEK	36,604
	Equity/assets ratio, %	36.2
Capital employed for the Group Total assets at the end of the period less non-interest-bearing operating liabilities and provisions. The measurement is used to measure capital utilization and its effectiveness.	**Reporting according to IFRS**	MSEK
	Total assets	42,164
	- Deferred tax liabilities	-183
	- Other long-term liabilities	-1,569
	- Other current liabilities	-15,977
	Capital employed	24,435
	Segment reporting	MSEK
	Total assets	36,604
	- Deferred tax liabilities	-183
	- Other long-term liabilities	-1,611
	- Other current liabilities	-15,376
	Capital employed	19,434
	Reconciliation between IFRS and segment reporting	
	Capital employed according to IFRS	24,435
	IFRS 16, additional leases	-1,805
	Housing projects, sold part	-3,196
	Capital employed according to segment reporting	19,434
Capital employed for the business areas Total assets in the business areas at the end of the period reduced by deferred tax recoverables and internal receivables from the internal bank Peab Finans with deductions for non-interest-bearing liabilities, provisions 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.		