

# Annual Report 2014



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■ Formal annual and Group financial reports which have been audited by company accountants, pages 14-79.

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

All values are expressed in Swedish crowns, abbreviated to SEK. Numbers presented in parentheses refer to 2013 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: Silon, Nyköping  
Photo: Peter Steen

Photographers other pictures: Magnus Torle, Kimme Persson, Carina Nilsson, Alen Cordic, Rickard Nilsson, Klas Andersson, Adam Mørk, Hans Holm, Nicolas Tourrenc



# A locally engaged community builder

Peab is one of the leading Nordic construction and civil engineering companies with over 13,000 employees and net sales over SEK 43 billion. The Group subsidiaries have strategically located offices in Sweden, Norway and Finland. The share is registered at Large Cap, NASDAQ Stockholm. Group headquarters are situated in Förslöv, Skåne in Sweden.

## PEAB HAS A COMPLETE CUSTOMER OFFER

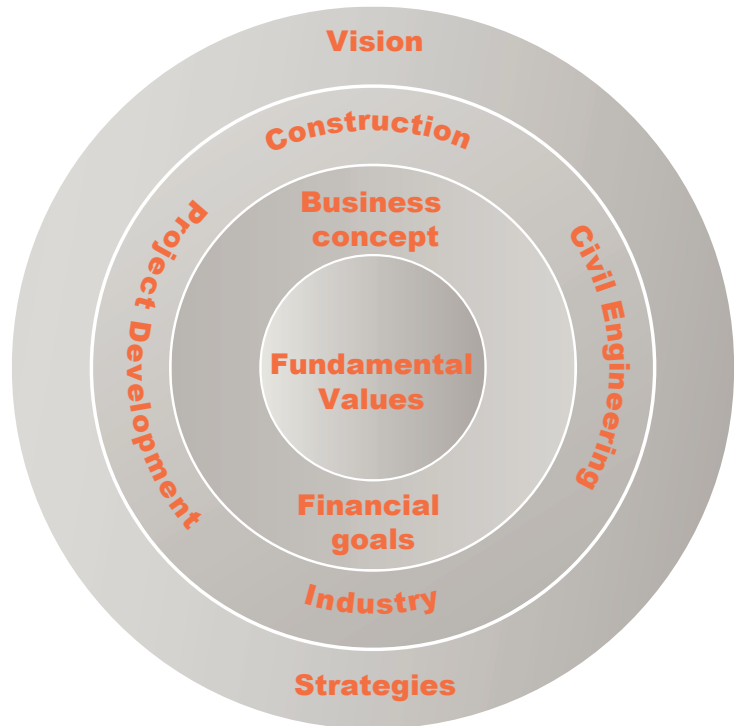
With our local knowledge and four specialized and cooperating business areas we carry out both small local projects as well as large and more complex ones.

**Business area Construction:** With a local connection close to customers we do contract work for both external and internal customers in the Nordic area. We perform everything from new construction of homes, public and commercial premises to renovations and extensions as well as offering construction services.

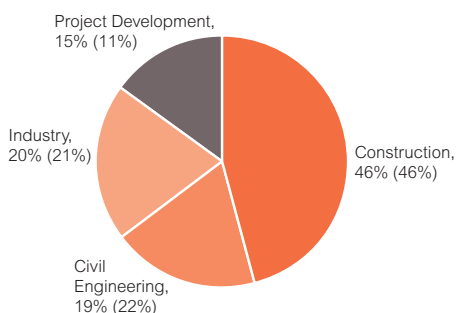
**Business area Civil Engineering:** We are active on the local civil engineering market as well as in larger Nordic infrastructure projects such as highways, railways and bridges. We also manage and maintain streets and high-ways.

**Business area Industry:** We deliver among other things foundations, ballast, concrete, asphalt, electricity and prefabricated concrete elements to external customers and the other business areas in Peab. We also assist with machines and transportation and handle production waste.

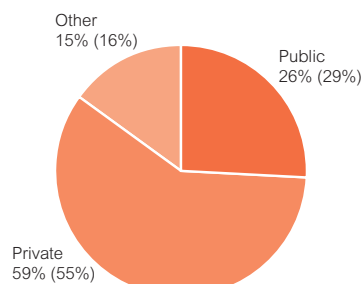
**Business area Project Development:** We handle Group acquisitions as well as developments and divestments of housing and commercial properties. Housing Development is mainly geared towards private consumers while Property Development is aimed at real estate investors. We also generate contracts for the other business areas.



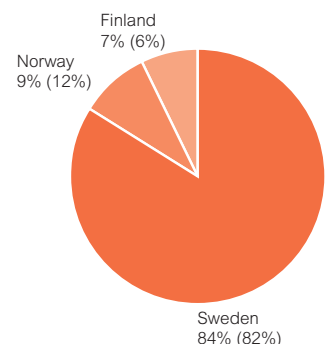
Operative net sales per business area, 2014



Operative net sales per customer segment, 2014



Operative net sales per geographic area, 2014





# 2014 in summary

## STRONG HOUSING MARKET



The Swedish housing market developed strongly in 2014 which gave positive results in our four business areas.

## STREAMLINED OPERATIONS IN CONSTRUCTION



Business area Construction gradually improved its profitability thanks to the action plan that was implemented in 2013 in order to make the organization more efficient and shift operations closer to customers.

## LOWER VOLUMES IN CIVIL ENGINEERING



Civil Engineering operations were characterized by fewer orders received and lower nets sales but margins remained unchanged.

## STRONG DEVELOPMENT IN INDUSTRY



Business area Industry has developed well, primarily due to a strong housing market as well as favorable weather conditions.

## ACTIVE PROJECT DEVELOPMENT



In business area Project Development we clarified our strategy and rehailed our project development portfolio. In cooperation with Balder we created the jointly owned development company Centur for developing Varvsstaden in Malmö. The year was characterized by many start-ups and sales of our own housing projects.

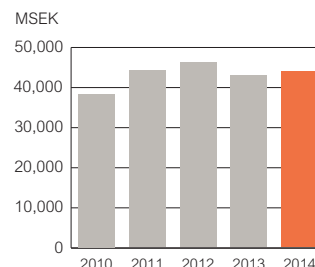
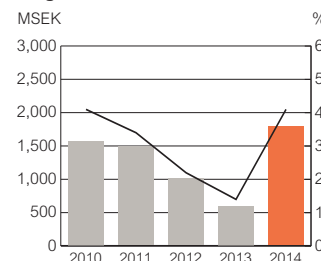
## OUR EMPLOYEES



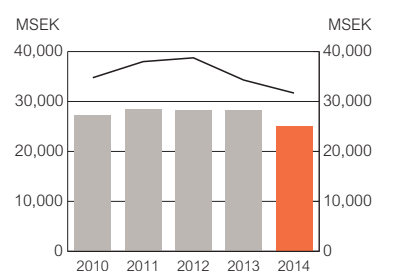
Our employee survey "the Handshake" showed that Peab improved key ratios and is a highly attractive employer from our employees' perspective.

# Continued work to increase profitability

- Operative net sales amounted to SEK 43,820 million (42,765).
- Operative operating profit was SEK 1,783 million, compared to SEK 593 million in 2013. Last year's operating profit was charged with one-off costs of SEK 920 million. The operative operating margin improved to 4.1 percent, compared to 1.4 percent (excluding one-off costs of 3.5 percent).
- Write-downs of interest-bearing receivables regarding the Northland Resources bankruptcy have charged financial items by SEK 261 million and operating profit by SEK 33 million in demobilization costs.
- Earnings per share were SEK 3.48, compared to SEK 1.01 in 2013.
- Orders received amounted to SEK 31,690 million (34,292) and consisted of a greater share of housing projects. Orders received included more mid-sized and smaller projects which means shorter average production times.
- Order backlog was SEK 24,922 million (28,164).
- More efficient use of tied up capital produced results and cash flow before financing amounted to SEK 2,803 million, compared to SEK 624 million in 2013. Net debt fell to SEK 3,886 million (5,948).
- The equity/assets ratio improved to 28.2 percent (24.0).
- The Board proposes a dividend of SEK 2.25 (1.80) per share which corresponds to 65 percent of this year's result (178). Excluding one-off costs of SEK 700 million after taxes last year's dividend amounted to 52 percent.

Operative net sales<sup>2)</sup>Operative operating profit and margin<sup>2)</sup>

Orders received and order backlog



■ Order backlog per 31 Dec — Orders received

## Financial summary

	Jan-Dec 2014	Jan-Dec 2013	Jan-Dec 2012 <sup>1)</sup>
Operative net sales, MSEK <sup>2)</sup>	43,820	42,765	45,997
Net sales, MSEK	43,630	43,127	46,840
Operative operating profit, MSEK <sup>2)</sup>	1,783	593	1,004
Operative operating margin, % <sup>2)</sup>	4.1	1.4	2.2
Operating profit, MSEK	1,752	614	1,057
Operating margin, %	4.0	1.4	2.3
Pre-tax profit, MSEK	1,230	383	815
Earnings per share, SEK	3.48	1.01	2.47
Dividend per share, SEK <sup>3)</sup>	2.25	1.80	1.60
Return on equity, %	13.1	3.8	9.2
Equity/assets ratio, %	28.2	24.0	24.9
Cashflow before financing, MSEK	2 803	624	974
Net debt, MSEK	3,886	5,948	6,470
Orders received, MSEK	31,690	34,292	38,743
Order backlog, MSEK	24,922	28,164	28,056

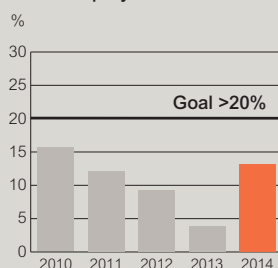
<sup>1)</sup> Not translated according to IFRS 11, Joint Arrangements.

<sup>2)</sup> Operative net sales and operative operating profit are reported according to percentage of completion method. Net sales and operating profit are reported according to legal accounting.

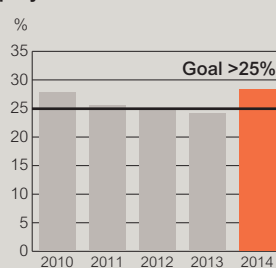
<sup>3)</sup> Board of Directors' proposal to the AGM for 2014.

## PEAB GROUP'S FINANCIAL GOALS

Read more about the Peab Group's financial goals on page 12.

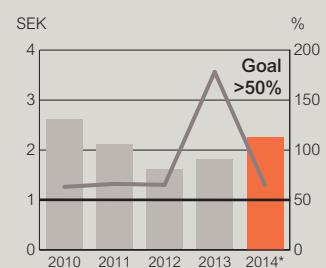
Return on equity<sup>1)</sup>

<sup>1)</sup> According to legal accounting

Equity/assets ratio<sup>1)</sup>

<sup>1)</sup> According to legal accounting

Dividend



■ Dividend per share — Dividend, %

\* Board of Directors' proposal for 2014

# More profitable and stronger on a changing market

After a few challenging years Peab is clearly on the right track. Looking back on 2014 we are pleased to conclude that the action plan we launched in 2013 has produced the anticipated results throughout the Group. After a careful analysis we overhauled our organization and processes to increase profitability and free a substantial amount of capital. We have carried out a number of changes and we are now experiencing the results. Peab is more profitable, financially stronger and more competitive today.



*“Peab faced the challenges of reducing costs, improving profitability and freeing capital. We can now see that our transformation work has had the desired effect.”*

## **STABLE PLATFORM FOR THE FUTURE**

After implementing our action plan Peab has a much more transparent organization with clearly defined guidelines and processes, which makes it easier for us to meet market challenges. For instance, we have removed one organizational level and this has shifted our business closer to the grass roots in our company, and to our customers on the local market. Through our local presence we can also continue to build up Peab's traditional entrepreneurship and recruit the right employees for our projects. By breaking out housing development from housing construction we have created a more rational steering model where Construction is an efficient producer and Housing Development is focused on concepts and end customers. The result is a more efficient work process and faster feedback on how things are going in the regions.

Today we have a good platform to build on. We are proud of the work we have done so far but humble about the challenges we face.

## **DESIRED EFFECTS**

Peab faced the challenges of reducing costs, improving profitability and freeing capital. We can now see that our transformation work has had the desired effect. Operative net sales increased in 2014 to SEK 43.8 billion (42,8) and the operative operating result amounted to SEK 1.8 billion compared to SEK 0.6 billion 2013. The operative operating margin increased from 1.4 percent in 2013 to 4.1 percent in 2014. Intensive efforts to make tied up capital work more efficiently by, among other things, divestitures and a more selective order strategy have had a significant effect.

Orders received, which increasingly consists of housing projects, totaled SEK 31.7 billion compared to SEK 34.3 billion in 2013. This is in line with our expectations and strategy. Peab currently offers the market all kinds of projects from a Group perspective. When we choose which projects we want to bid for we first make sure

we have the right competence and access to the right resources for the specific project on a regional level. In addition, we focus on having a clear picture of the risks involved in each project. As a result of this strategy we are taking on more mid-sized and smaller projects that have shorter production times and where our local roots and close customer relations are a critical factor for success.

#### AN EVER-CHANGING WORLD

Even though we believe market conditions will be stable in the foreseeable future there are still some things that need to be taken into consideration. There is a growing sense of uncertainty with new threats in the world around us and it is becoming more and more difficult to foresee future events. On top of that, the current negative interest rates in Sweden have created a special situation. These factors have a significant effect on our business and unfortunately it is very difficult for us to influence them.

The construction industry is going through a transformation. These days there are more players on the market and this makes for a more complex business model. New legislation makes the general contractor responsible for all subcontractors and we have to deal with that as well. This means that the role and responsibility of everyone involved has to be clearly defined and project steering is an important key to success and profitability. One measure we have taken to meet this need is the creation of a new Group function called Production where we coordinate and develop the Group's support resources for production. In an ever-changing world it is essential that all our staff, customers and stakeholders know what Peab stands for and which values we contribute to society. Whatever we build has to have qualities that hold for generations. We also plan to use new material and production methods to reduce our environmental impact and we intend to contribute to updating our industry with a focus on equality and diversity. Personnel with new competence and mindsets strengthen our ability to do better and more profitable business.

*“In recent years we have been the largest construction company in Sweden in terms of net sales and number of employees. Now we are taking the next step and setting our sights on becoming the best company.”*

#### ON OUR WAY TO INTEGRATED SUSTAINABILITY

At Peab sustainability is firmly anchored in our vision and core values. We work with sustainability in a down-to-earth, developing, personal and reliable way in order to live up to our vision of being the Nordic Community Builder. We continue to intensify and follow up our work according to the UN Global Compact. Since we signed it in 2012 we can see that Peab's greater focus on these matters has led to success. I expect the company to take further steps in 2015.

#### HEALTH AND THE WORK ENVIRONMENT IN FOCUS

Health and the work environment are a constant challenge for construction companies. Peab has set a goal of halving workplace accidents during the period 2015-2017. Dialogues on safety were held between managers and coworkers at more than 560 worksites during our annual work environment week.

#### NEXT STEP FOR PEAB

In recent years we have been the largest construction company in Sweden in terms of net sales and number of employees. Now we are taking the next step and setting our sights on becoming the best company. To do this we have determined three target areas:

- Most satisfied customers in the industry
- Best workplace in the industry
- Most profitable company in the industry

These target areas will be continuously measured and followed up through SCI (Satisfied Customer Index), employee surveys and financial results.

When I look back on 2014 I am very proud of every Peab employee and what

we have achieved together during the year. I see engagement, competence, the will to change and great understanding for the changes on the market. I have met many employees who all mirror and live according to the company's core values: down-to-earth, developing, personal and reliable. I want to deeply thank all our employees for your efforts and commitment.

There are still many challenges to meet and we won't be satisfied until we have met our goals. Nonetheless the shifts and changes in the last year speak for themselves – we are clearly on the right track.

Förslöv in April 2015



Jesper Göransson  
President and CEO





# Stable market dominated by housing construction

## DIFFERENT REALITIES IN THE NORDIC AREA

Important differences emerged when comparing construction activity in the three Nordic countries in 2014. Building construction grew both in Sweden and Norway while it diminished in Finland. In the case of Norway the increase in 2014 was a positive reaction to the decline in 2013. In Sweden building construction continued to grow for the second year in a row after the strong decline in 2012. Building construction volumes in Finland have been in decline for several years. Most sectors developed positively in Sweden except public building construction, while in Norway development was more uneven. Finland had a more unified negative development with the exception of industrial building construction.

## GREATER INSECURITY ABOUT HOUSING PRICES

Housing prices continued to rise both in Norway and Sweden last year and there is a justified worry that the prices have reached problematic levels. The trend in Finland and Norway points to housing prices leveling off this year and the next

due to a weaker economy. The signals are not as clear for Sweden. Housing shortages, migration to major cities and extremely low interest rates may continue to push prices up in the year to come. On the other hand future amortization demands and the new rule for down payments point in the other direction. The housing market in all the Nordic countries is also affected by the slow financial recovery in Europe. This has an impact on household confidence and affect conditions for growth and the labor market in general.

## NEED FOR RENOVATION AND BETTER ENERGY EFFICIENCY

While there is a possibility that the renovation and maintenance of single homes will be impacted negatively by greater insecurity regarding housing prices and an unstable economy in Norway and Finland, both Sweden and Finland have a similar need to renovate the large number of apartment buildings built in the 1960s and 1970s. At the same time all three markets need to reduce energy use in both houses and premises. The current all-time low interest rates create more opportunities to

act on this, and for single home owners lowering operating costs will have a stronger impact on their total housing expenditure and this can stimulate measures to improve energy efficiency. Public property owners are often interested in being forerunners when it comes to environmentally friendly measures. However, it all boils down to how the state, municipalities and counties decide to prioritize their resources.

## DECLINING CIVIL ENGINEERING INVESTMENTS IN FINLAND

Civil engineering lost speed in Finland in 2014, but continued to show stable growth in Sweden and Norway. Private funding and investments in infrastructure had a positive effect on construction volumes. The prerequisites for continued growth in volumes in Norway and Sweden are good but development is expected to be weak in Finland this year as well due to the stringent financial policies following the decline in the economy.

## CONTINUED LOW INTEREST RATES

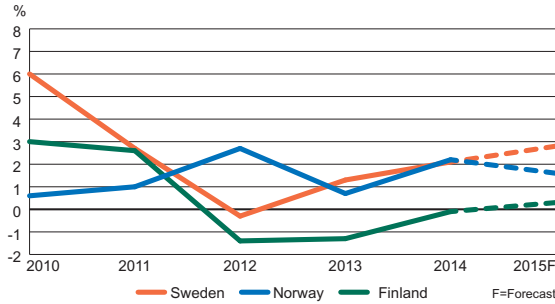
Falling oil prices had a negative effect on Norway's growth last year, Finland's





**Gross domestic product in the Nordic region**

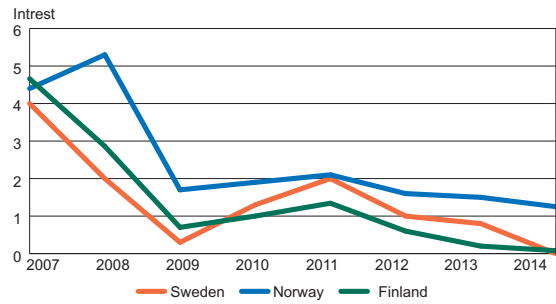
Fixed prices, change in percent



Source: Konjunkturinstitutet, Sweden

**Interest rates**

10 year government bonds



Source: Sveriges Riksbank

economy continued to move sideways while the Swedish inflation refused to take off in spite of the lowered prime rate. Most indications point to continued low interest rates for some years to come. The threat of deflation remains and a clear and stable upturn in the economy is probably needed before the central banks dare to increase levels.

**OTHER MAJOR PLAYERS**

The Nordic construction and civil engineering market has long been dominated by Nordic players including companies like Peab, NCC, Skanska, Veidekke and JM. In the last few years globalization has increased in the industry, particularly in civil engineering. In addition to already established national and international players like Skanska and NCC, international companies like Lemminkäinen, Strabag and Hochtief have established themselves on

the Swedish civil engineering market. Operation and maintenance in civil engineering is mainly performed by the above mentioned companies along with Svevia. Industrial players tend to be specialized in their own sectors. The following companies should be mentioned in this context: *Asphalt, gravel and rock:* NCC, Skanska, Lemminkäinen and Veidekke. *Concrete:* Betongindustrin, Färdigbetong, Sydsten, Finja, Rudus, Ruskon betoni, Strängbetong and Skanska. *Foundation work:* Per Aarsleff, Hercules and Kynningsrud. *Industrial construction:* UBAB, Abetong, Finja, Strängbetong, Con-form and Färdigbetong. Players such as NCC and Skanska, as well as Peab, operate in every aspect of construction and civil engineering and can even be found among the more specialized firms, while companies like JM are specialized mainly in housing construction.

**MACRO ECONOMY**

**Sweden**

In Sweden preliminary financial growth is expected to land just above the 2 percent mark, a major improvement compared to the level in 2013, which was 1.3 percent. An economic surge was expected last year, but growth was weaker than anticipated. Lower exports slowed down growth although domestic consumption developed better than expected. In 2015 growth in the economy is expected to accelerate at a rate of 3 percent and unemployment levels are expected to diminish.

**Norway**

Norwegian growth improved in 2014. The economy is expected to have increased by 2.1 percent, on par with Sweden. However, it slowed towards the end of the year. Right now the economy is rapidly decelerating due to the recent drop in oil prices, lower gross investments and increasing unemployment. The forecast for 2015 indicates growth of about 1.2 percent. A stable housing market is having a positive impact on household mind-sets but at the same time unemployment is on the rise and salaries are increasing more slowly. All in all this is a cooling down household consumption.

**Finland**

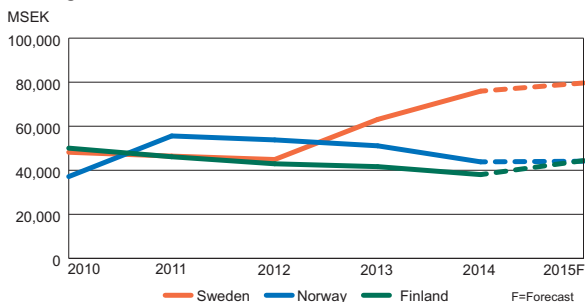
The Finnish economy has been struggling since 2008 and has been through several recessions. The economy is expected to have slightly decreased even further last year. Household consumption is held back by a high unemployment rate, an uncertain housing market and restrictive financial policies. Industrial investment needs are low due to falling production volumes. Structural problems and a lack of competitiveness have come to light in Finnish industry in the past few years. Russia is Finland's third most important export country and the unrest in the Ukraine and the ensuing financial crisis in Russia took a heavy toll on Finland's export industry. This year the Finnish economy is expected turn the negative tide and reach a result just above zero.

Text source: Industrifakta



**Housing investments**

**Housing investments, 2010 – 2015**



In 2012 Sweden surpassed Norway concerning housing investments and in 2014 the distance between Sweden and the other Nordic countries increased further, according to preliminary statistics for the full year. While Sweden had strong growth in newly produced single homes and apartment buildings, the development was negative in both Norway and Finland. The same goes for renovation and modernization of apartments in apartment buildings. This is estimated to have increased somewhat in Sweden and decreased in the two other Nordic countries.

**SIMILARITIES AND DIFFERENCES ON THE HOUSING MARKETS**

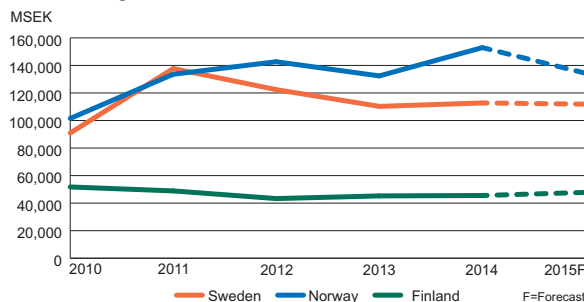
When studying the prerequisites for the housing markets in each country there are some clear similarities. One is the continuing urbanization that makes the lack of housing worse in the urban areas of the countries. Other examples are population growth, immigration and an aging population, where the two latter increase the need for smaller apartments with reasonable rent for groups with less ability to pay. The low level of interest rates is another common factor that is crucial for demand. However, the prerequisites differ in other ways, particularly when it comes to the mindset of the households, financial development at large and price development on each housing market. When it comes to these factors Sweden seems to be in a better position than its two Nordic neighbors.

**INCREASING GAP IN 2015**

Growth in housing construction is forecasted in Sweden and marginally so in Finland in 2015. Norway will probably face a small decrease. Single home construction may be impacted by a weaker situation in Finland and Norway, while apartment building construction seems to have the potential to grow, even if only slightly. In Sweden the largest volumes are in apartment building construction but the most substantial increase percentagewise is expected in the single home sector. Apartment modernization is a sector that is less dependent on the economy as it is more motivated by the age of the existing housing and technical prerequisites. Finland and Norway are expected to have better growth in this sector compared to Sweden. Sweden and Finland have many similarities when it comes to the structure of existing housing. Both countries have a large share of apartments constructed in the 1960s and 1970s and major refurbishments and technical upgrading are needed in these.

**Other building construction investments**

**Other building construction investments, 2010 – 2015**



In 2014 the total volumes of new construction and renovation of private and public facilities developed differently in the three Nordic countries. Building construction volumes increased significantly in Norway while Finland and Sweden remained roughly on the same production level as in 2013. A downturn is expected after the hefty upturn in Norway in 2014. When summarizing private and public premises construction the forecast points to zero growth in Sweden and some positive growth in Finland. However, a closer look at individual sectors shows obvious differences both in results and forecasts.

**OFFICE AND RETAIL SPACE**

In Sweden construction of commercial space boomed in 2014 after a few years of negative development and therefore a certain downturn is expected in 2015. In Norway investment volumes grew for the second year in a row in 2014, but are expected to turn negative in 2015 due to a slowdown in the economy. New construction and renovation of commercial space declined for the fourth year in a row in Finland and this is a reflection of the general demand in the economy. The lowest volumes were probably last year and some growth is expected in 2015.

**INDUSTRIAL CONSTRUCTION**

Industrial construction, a relatively small part of all premise construction, tends to develop jerkily with big ups and downs in investments. This becomes particularly clear when studying smaller geographical regions. Investments rose in Sweden in 2014 and will probably be followed by a decline in 2015. Two years of very modest investment levels in Finland were followed by a strong increase in 2014, which is expected to result in a downturn in 2015. In Norway investments fell dramatically after three years of strong growth and continued decline is expected due to the falling oil price.

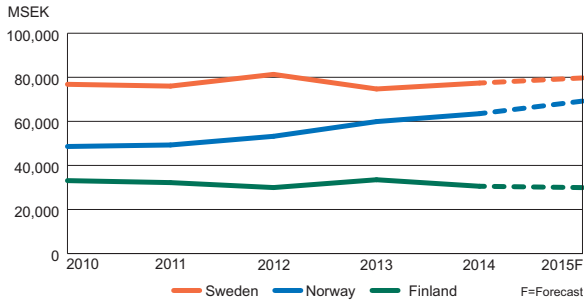
**PUBLIC PREMISES**

Public premises constitute a substantial part of other building construction in the Nordic countries. In Sweden investments declined for the third year in a row. The forecast points to a small recovery in 2015. In Finland the development has been relatively stable in the last years. However, there was a clear reduction in the construction of public premises in 2014, which will probably be followed by an increase in 2015. Possibly some investments in public premises are made because of contract cycles. Public premise construction in Norway rose dramatically in 2014 and a downturn is expected in 2015.

Text source and diagram: Industrifakta

### Civil engineering investments

#### Ongoing investments, 2010-2015



Civil engineering investments in the Nordic countries have a number of common issues to handle. Investments are needed in transportation and communication in order to link cities and regions efficiently and sustainably and to make way for new housing areas in growth regions. There are also several challenges when it comes to securing existing facilities against landslides, landslides and flooding, all phenomena that are becoming increasingly common.

#### SWEDEN

Total Swedish civil engineering construction increased in 2012 and then lost volumes in 2013. Based on preliminary numbers some recovery seems to have been made in 2014, mainly due to private investments. Volumes are expected to continue to grow in 2015, albeit on a low level. If this forecast holds, by year-end investment volumes will surpass those of 2009.

#### NORWAY

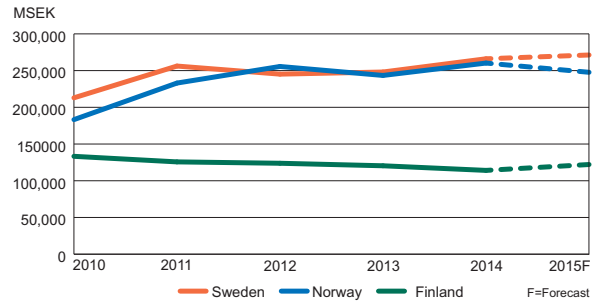
Volumes in civil engineering investments in Norway have increased since 2011. Preliminary numbers indicate further growth in 2014 but at a slower pace compared to the past few years. Road and railway investments are at the forefront of the growth. The forecast indicates that growth will accelerate in 2015.

#### FINLAND

Civil engineering construction in Finland had a weak development 2010-2012 but a recovering in 2013 when it climbed back to the investment volumes of 2010. Preliminary results indicate that civil engineering construction declined in 2014 and the negative trend seems to continue this year too due to restrictive financial policies.

### Total construction and civil engineering investments

#### Total building construction and civil engineering investments, 2010-2015



#### INCREASE IN ALL CONSTRUCTION INVESTMENTS IN 2014

All told investments in construction and civil engineering in the three countries are estimated at approximately SEK 640 billion in 2014. This entails an increase of almost 5 percent compared to 2013. In Sweden new housing construction and renovation developed positively while the situation was the opposite in both Finland and Norway. Private premise construction which includes industrial, office and retail space etc., did not have a unified development. In Sweden investments increased in the entire private sector. In Norway investments increased in office and retail space etc. while industrial construction decreased. The opposite was true in Finland. Public building construction continues to constitute the major part of housing investments in the Nordic countries. In Norway public building construction is close to 50 percent of all building construction investments, compared to 35 percent for the same sector in Sweden and Finland. Public building construction grew significantly in Norway in 2014 while both Sweden and Finland experienced a decline in this kind of investments.

#### CONSTRUCTION DEVELOPMENT 2010-2015

Development in total building construction in Sweden varied during the period, connected to the economy at large. However, since 2013 the trend has stayed positive and in 2014 all construction investments yet again reached the levels in 2011 of around SEK 189 billion. Civil engineering construction has been more stable and volumes in 2014 are expected to have been around SEK 77 billion. Both sectors will probably increase slowly on par with GDP in 2015. In Norway building construction rose in 2010-2012 and then met a temporary slump in 2013. There was a major increase in 2014 and building construction investments in total were around SEK 197 billion. Civil engineering construction, which has developed positively since 2011, is estimated to have been some SEK 63 billion in 2014. The forecast for 2015 is a decrease in building construction and most likely an increase in civil engineering construction. Building construction in Finland has been generally negative since 2011 while civil engineering construction has stayed around SEK 30 billion. In 2014 there was a decrease in building construction and preliminary results point to just under SEK 84 billion. Building construction is expected to increase in 2015 while civil engineering construction will probably remain on the same level as in 2014.



# Focus on costs and competence

**During 2014 business has been characterized by making further rationalizations and continued reinforcement of our position on local markets. We have focused above all on winning projects that fit our organization, which is strategically important to our success.**

We thoroughly screen potential projects and make sure that we have sufficient competence and resources to be able to efficiently and profitably carry out the projects we take on.

The organizational changes we implemented in 2013 have given us more specialized and coordinated operations in four business areas. Line organizations are run in regions that are supported by support functions on business area and Group levels. Our smaller and local units are more competitive because they have access to central resources. This allows us to take on both smaller, local and larger, more complex construction and civil engineering projects.

Competence development is key to our business. Our ambition is to continuously develop our employees' know-how. With experience from previous projects and through active recruitment we further strengthen our competitive power. We

strive to offer our customers smarter solutions so that we can meet a growing demand from small and large customers.

## OUR BUSINESS CONCEPT

Our business concept is the basis of our business and describes how we treat our customers and run our business.

## OUR FUNDAMENTAL VALUES AND BRAND

Down-to-earth, Developing, Personal and Reliable - are Peab's solid core values that our brand is firmly built on. Our core values describe the way we are as people, what we stand for, how we work, what we can achieve and how we want to be perceived. We work actively with our four core values that permeate every aspect of our business because the way we are and how we work are essential to our success. This is also the foundation of how we develop our customer relations, our employees and our business. Read more about our fundamental values on page 10.

## OUR VISION - THE NORDIC COMMUNITY BUILDER

We have a long-term, sustainable perspective on our engagement in the Nordic region. Our vision states how it is self-

evident to Peab to contribute to developing society. It also describes how we want to perform and develop our staff.

### ■ Peab builds sustainable communities for the future

We are the obvious partner for community building in the Nordic region. We come up with ideas, take initiative and break new ground. We conserve resources and our climate smart solutions have spearheaded developments. Our work is sustainable throughout its entire life cycle.

### ■ Peab is the Nordic company

We work across borders with the goal to exceed our customers' expectations. Peab is always close to our customers no matter whether they operate locally, nationally or in the Nordic region. Satisfied customers contribute to our success in the entire Nordic region.

### ■ Peab attracts talented people

We are the number one employer in the Nordic region. Our values are simple and clear. Our personnel are deeply engaged and our leaders committed to helping people develop. When our employees grow, Peab grows.



## Business concept

*Peab is a construction and civil engineering company that puts total quality in every step of the construction process first. Through innovation combined with solid professional skills we make the customer's interest our own and thereby build for the future.*



**OUR GROUP STRATEGIES**

Our strategies describe how we will achieve our goals and develop our business. We cannot do this without our customers or employees, or isolated from the world around us. Some things we have to handle, take responsibility for and steer internally while other things have to take place in cooperation with society. Our six overriding strategies are:

■ **Cost efficient business**

Cost efficiency and good earning power are essential to developing a competi-

tive business in the long-term. Cost efficiency means productivity and the right overhead level. In 2014 we focused on reducing costs.

■ **Strengthen and develop Peab's customer relations**

Strong customer relations are not only the foundation of Peab's business, they are also the key to positive cooperation and more efficient production with lower costs and higher quality. A new, flatter project oriented organization was implemented in

2013 and this moved us closer to our customers.

■ **Best workplace**

Peab is our employees and their commitment and professional skill are the basis of Peab's success. In the coming years Peab will need to attract many new qualified employees with different areas of expertise.

■ **Long-term profitable operation**

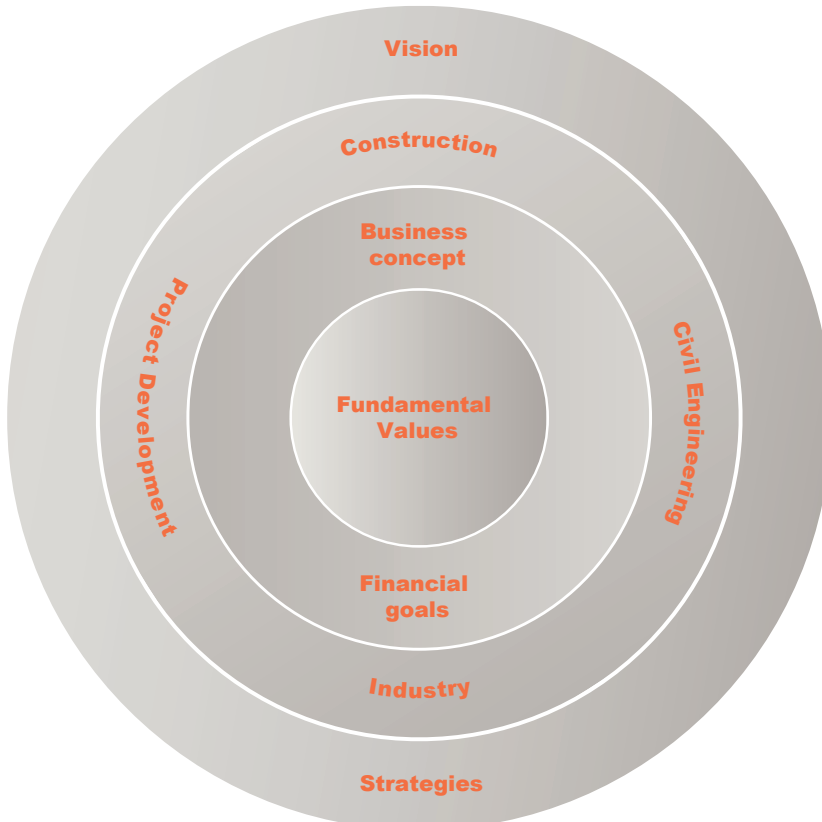
Long-term profitability is the foundation of Peab's value creation. Profitability is important since it allows Peab to continue to grow and develop. Our strategies take both margin and return goals into account.

■ **Sustainability integrated in Peab's operations**

A long-term perspective and good quality are part of our business concept. It is self-evident for us as community builders to try to affect and contribute to positive and sustainable development in society and that our own business is sustainable.

■ **To be seen and heard**

Peab's ambition is to be the Nordic Community Builder. Participating in, and contributing to, developing society increases our ability to attract customers, employees and investors. This also means being visible and present, close to the customers we work with.



# Competent employees the key to success

**The traditional construction industry is changing. We now see a market with more players, a more complex business model and a new way of making business. Peab is and will always be based on our employees. In order to be able to recruit competent employees we need to be an attractive employer on a market characterized by strong competition and changes.**

## **BASED ON OUR EMPLOYEES**

Peab has a clear and expressed strategy that we staff and supply competence from our own employees. The major restructuring we went through made us review our supply structure and we have broadened our perspective on the competence we need. The challenge consists of better utilizing our internal competence as well as using more of the labor market resources that are at our disposal.

## **STRENGTHENED COMPETENCE DEVELOPMENT**

In 2014 we implemented Peab's new program for competence development based on the established model 70-20-10. Our ambition is that 70 percent of competence development will occur in daily work, 20 percent through networks, exchanges

and collaboration and 10 percent through formal education. This attitude to learning is based on modern research, on the expectations of our employees and the need for competence development based on Group strategies and our vision.

## **CREATIVE CAREER PATHS**

In order to be an attractive employer Peab must offer its employees a chance to develop. One way of developing the industry and broadening the recruitment base is to focus on diversity and equality. It is important to identify new opportunities that meet the needs of both individuals and Peab. A broader and more creative view of career paths advance existing structures and leave room for creativity, competence exchanges and new business.

## **ATTRACTIVE EMPLOYER AND WORKPLACE**

Peab regularly makes a comprehensive employee survey. It was digitalized in 2014 and comprises about 50 questions that are sent to every employee. The survey was answered by almost 10,000 of our 13,000 employees and the result was very positive. Our employees think that we have a good work climate and good leadership. Respect is mutual and coworkers can influence our

business. Peab has what is called a high employer attractiveness from an employee perspective. This was confirmed in Univer-sum's and Metro Job's annual survey about The Best Employer in Sweden. Over 33,000 persons participated in the survey that list the 70 best employers and Peab placed number 21. Peab's Net Promoter Score, i.e. whether our employees would recommend their current workplace to friends and acquaintances, is very high and holds its own in an external comparison.



## **Our core values**

### **■ DOWN-TO-EARTH**

We work close to our customers. Before we take on a project we make sure we have the resources necessary for the work to go well. We should be known for being down-to-earth in the way we work with decision-making close at hand and being sensitive to the interests of our customers.

### **■ DEVELOPING**

We should be innovative, flexible and strive for continuous improvement. We should utilize our employees' competence and offer good opportunities for development, training, promotion and healthcare. We want our employees to be committed to, and participate in, our operations as well as contribute to our positive development. We want those working in Peab to be able to have an influence on their work situation.

### **■ PERSONAL**

We are the personal company. Through an honest and trustful dialogue with our customers and partners we create and maintain long-term, good relationships. We should strive to create a company where our work can be combined with family life and leisure time. We want to have good communication, a good atmosphere and respect for the individual in Peab.

### **■ RELIABLE**

Our customers should feel safe when they employ Peab. This means that we will always do our job with good business ethics, competence and professional skill. We plan well, do things right from the start, eliminate risks and keep deadlines. We comply with laws and regulations, use the best possible technology, prioritize renewable resources and avoid materials hazardous to the environment.





# Financial and operative goals

**The surplus generated in operations due to our earning power will be used in investments, to develop our business and deliver a return to our owners.**

**FINANCIAL GOALS**

Peab's management steers the business based on the Board's guidelines that are founded on three financial goals – Return on equity, the Equity/assets ratio and Dividends.

The goals are concrete, clear and simplify communication with financial markets. We use our goals to measure how well we can meet the market long-term, regardless of business and development cycles. Due to changes in the financial situation our goal achievement may vary.

**OPERATIVE GOALS**

Peab consists of a number of different operations with different conditions and

therefore they have internal goals that fit each individual entity. These goals are regularly followed up through reports on projects and profit units. Operative goals are primarily focused on three areas:

- **Profitability:** This is measured through the operating margin where we focus on price-setting and cost efficiency. The return on capital employed ensures optimal use of the capital tied up in facilities and project developments.
- **Cash flow and liquidity:** Cash flow before financing must always be positive in the long-term. Even if this may deviate for a particular year, the tied up working capital and investment levels must, over time, match the cash flow generated by operative units.
- **Tied up capital:** Tied up capital is an important steering instrument for business areas Industry and Project

Development to ensure that the business areas are capital effective and that the Group prioritizes the right project. The Group level investment team decides on the business areas' investments, making sure that they are within investment limits and on par with return goals.

**PEAB GROUP'S FINANCIAL GOALS**

Goal	Comments	Actual												
<p><b>Return on equity will be a minimum of 20 percent</b></p> <p>The goal is set to create an effective business and a rational capital structure that mirrors Peab's operations.</p>	<p>Return on equity improved in 2014 after a few years with lower returns. In 2012 and 2013 earnings were lower while operations were charged with depreciations and one-off costs which had a negative effect on return on equity. The action plan implemented on 2013 had a positive effect on the result in 2014. Return on equity in 2014 was 13.1 percent (3.8).</p>	<p><b>Return on equity</b></p> <table border="1"> <caption>Return on equity (%)</caption> <tr><th>Year</th><td>2010</td><td>2011</td><td>2012</td><td>2013</td><td>2014</td></tr> <tr><th>Value</th><td>~15</td><td>~12</td><td>~10</td><td>~5</td><td>13.1</td></tr> </table>	Year	2010	2011	2012	2013	2014	Value	~15	~12	~10	~5	13.1
Year	2010	2011	2012	2013	2014									
Value	~15	~12	~10	~5	13.1									
<p><b>Equity/assets ratio will be a minimum of 25 percent</b></p> <p>The equity/assets ratio regulates the relationship between equity and debt. The goal, which is set to balance the owners' demands on returns and the need to safeguard the business during times with a more difficult market situation, entails that a minimum of 25 percent of Group assets are financed through equity.</p>	<p>In recent years the equity/assets ratio has been close to the goal but increased to 28.2 percent (24.0) in 2014. Until 2012 Peab had a high investment rate which led to an increasing balance sheet total. In 2012 we began consolidating operations but substantial write-downs in 2012 and 2013 impacted the result negatively and indirectly the equity/assets ratio as well. In 2014 we intensified the work to make better use of tied up capital through divestments. This, together with better earnings, had a positive effect on the equity/assets ratio.</p>	<p><b>Equity/assets ratio</b></p> <table border="1"> <caption>Equity/assets ratio (%)</caption> <tr><th>Year</th><td>2010</td><td>2011</td><td>2012</td><td>2013</td><td>2014</td></tr> <tr><th>Value</th><td>~25</td><td>~24</td><td>~24</td><td>~24</td><td>28.2</td></tr> </table>	Year	2010	2011	2012	2013	2014	Value	~25	~24	~24	~24	28.2
Year	2010	2011	2012	2013	2014									
Value	~25	~24	~24	~24	28.2									
<p><b>Dividends will be a minimum of 50 percent of profit after tax</b></p> <p>The goal is set to ensure the owners' return on their contributed capital as well as to meet the company's need for funds to develop operations.</p>	<p>A dividend of SEK 2.25 (1.80) per share is proposed for 2014. Calculated as a share of consolidated reported profit after tax the proposed dividend is 65 percent (178). Excluding one-off items of SEK 700 million after tax the proposed dividend was 52 percent in 2013.</p> <p>The proposed dividend corresponds to a direct return of 4.1 percent (4.3) calculated on the final share price on 31 December 2014.</p>	<p><b>Dividends <sup>1)</sup></b></p> <table border="1"> <caption>Dividends (%)</caption> <tr><th>Year</th><td>2010</td><td>2011</td><td>2012</td><td>2013</td><td>2014</td></tr> <tr><th>Value</th><td>~50</td><td>~50</td><td>~50</td><td>52</td><td>65</td></tr> </table>	Year	2010	2011	2012	2013	2014	Value	~50	~50	~50	52	65
Year	2010	2011	2012	2013	2014									
Value	~50	~50	~50	52	65									

1) Board of Director's proposal to the AGM for 2014.



## Successful renovation leaves room for mischief

In 2014 Peab very carefully renovated the heritage listed school in Råa outside Helsingborg. In addition to the renovation and a major rejuvenation of the old brick school from 1849 an entirely new building took shape. The modern building diverges from the old one with its jutting architecture and fading grey wood façade. The result is a top modern preschool with geometric forms that was nominated to "Construction of the year 2014".





# 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 financial year of 2014.

## NET SALES<sup>1)</sup>

Group operative net sales for 2014 amounted to SEK 43,820 million (42,765), an increase of 2 percent compared with the previous year. Adjustments in housing reporting affected net sales by SEK -190 million (362). In 2014 more housing projects were in production than completed housing projects turned over to customers.

Group net sales for 2014 increased by 1 percent to SEK 43,630 million (43,127). Increased housing production has mainly affected Construction and Project Development positively. Greater activity in Industry contributed to higher net sales while production volumes in Civil Engineering were lower. Of the year's net sales SEK 7,689 million (8,029) were attributable to sales and production outside Sweden.

## RESULT<sup>1)</sup>

Operative operating profit for 2014 was SEK 1,783 million compared to SEK 593 million last year. One-off costs for the action plan of SEK 920 million were included in operating profit for 2013.

A strong housing market has contributed favorably to development in the business areas. However, operating profit is down in Civil Engineering due to lower net sales. The sales of Varvsstaden in Malmö and an overhaul of the values in our project portfolio in Project Development during the third quarter had a positive effect on

operating profit of SEK 100 million. Higher net sales have led to an underlying higher result in Industry but the business area has been charged with write-downs in the value of Peab's share in S:t Eriks and the cost of shutting down logistic services for Northland which brought down the result by SEK 40 million and SEK 33 million respectively. The action plan carried out in 2013 is generating the expected improvements in profit, primarily in business areas Construction and Project Development as well as in Group functions. Eliminating internal profit in our own projects has affected the result by SEK -42 million (-14). Elimination is reversed in connection with the external divestment of a project.

Operating profit for 2014 was SEK 1,752 million (614). The operating margin amounted to 4.0 percent (1.4). Adjustments in housing reporting affected operating profit by SEK -31 million (21) because there is more housing in production than projects that have been turned over.

Depreciation and write-downs for the year were SEK 844 million (884). Net financial items amounted to SEK -522 million (-231), of which net interest expense amounted to SEK -216 million (-276). Net financial items were charged with write-downs of interest-bearing receivables of SEK 261 million referring to Northland.

Pre-tax profit was SEK 1,230 million (383).

Tax for the year was SEK -203 million (-85) which corresponds to a tax rate of 17 percent (22). The lower tax rate is due to non-taxable revenue in connection to the sales of housing as limited companies.

Profit for the year was SEK 1,027 million (298).

## FINANCIAL POSITION

The equity/assets ratio on 31 December 2014 was 28.2 percent compared to 24.0 percent at the previous year-end. Interest-bearing net debt amounted to SEK 3,886 million compared to SEK 5,948 million at the end of 2013. Net debt was lower due to a positive cash flow. The average interest rate in the loan portfolio, including derivatives, was 3.0 percent (3.4) on 31 December 2014.

Group liquid funds, including unutilized credit facilities, were SEK 6,752 million at the end of the year compared to SEK 4,806 million on 31 December 2013.

At the end of the period Group contingent liabilities amounted to SEK 7,381 million compared to SEK 5,069 million on 31 December 2013. Of contingent liabilities, obligations to tenant-owners associations under construction were SEK 4,247 million compared to SEK 3,083 million at the previous year-end.

## INVESTMENTS

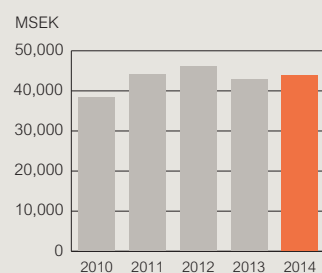
Investments in tangible and intangible fixed assets during the year were SEK 666 million (265). Net divestments in project and development properties totaled SEK -238 million (net acquisitions 220) during the year.

## CASH FLOW

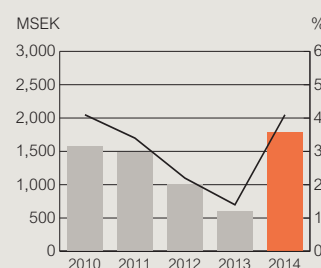
Cash flow from current operations was SEK 3,750 million (-174). The improvement is a result of higher operating profit and a reduction of capital tied up in working capital, primarily through the divestiture of project and development property.

Cash flow from investment activities was SEK -947 million compared to SEK

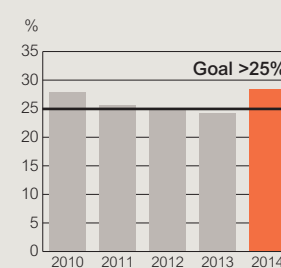
Operative net sales



Operative operating profit and operating margin



Equity/assets ratio <sup>1)</sup>

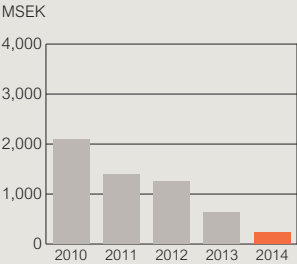


<sup>1)</sup> According to legal accounting

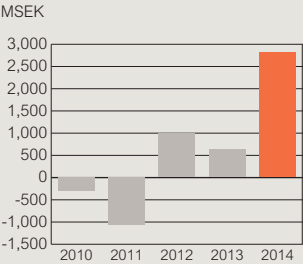
1) Peab applies IFRIC 15, Agreements for the Construction of Real Estate, in the legal reporting. IAS 18, Revenue, is applied on Peab's housing projects in Finland and Norway as well as Peab's own single homes in Sweden. Revenue from these projects is first recognized when the home is handed over to the buyer. Segment reporting is based on the percentage of completion method for all our projects since this mirrors how executive management and the Board monitor the business. There is a bridge in segment reporting between operative reporting according to the percentage of completion method and legal reporting. Operative net sales and operative operating profit are reported according to the percentage of completion method. Net sales and operating profit refer to the legal reporting.



**Net investments incl. project and development property**



**Cash flow before financing**



798 million last year. The increase is largely due to a higher level of loans to jointly owned project companies, primarily Fastighets AB Centur, as well as investments in machines.

Cash flow before financing amounted to SEK 2,803 million compared to SEK 624 million last year.

Cash flow from financing operations amounted to SEK -2,471 million (-672), of which amortization of bonds amounted to SEK -498 million, changes in loans was SEK -1,442 million (-648) and paid dividends totaled SEK -531 million (-472).

**ORDERS RECEIVED AND ORDER BACKLOG**

Orders received in 2014 amounted to SEK 31,690 million compared to SEK 34,292 million in 2013. Orders received in Construction have contracted while the number of housing projects has grown compared to last year. Orders received in Civil Engineering have shrunk during the year. There is a greater number of mid-sized and small construction and civil engineering projects, which entails shorter average production times. Orders received in Project Development have grown as a result of more production starts in our own developed homes.

Order backlog yet to be produced at the end of the year amounted to SEK 24,922 million compared to SEK 28,164 million last year. Of the total order backlog, 23 percent (30) is expected to be produced after 2015 (2014). Swedish operations accounted for 86 percent (85) of the order backlog.

No orders received or order backlog are given for business area Industry.

**REPORTING IN THE BUSINESS AREAS AND GROUP FUNCTIONS**

The Peab Group is presented in four business areas: Construction, Civil Engineering, Industry and Project Development. The business areas are also operating segments.

The net sales and result for business area Construction presented refer to the contract construction in our own housing projects, in rental projects and other property projects for business area Project Development. We use the percentage of completion method in our reporting.

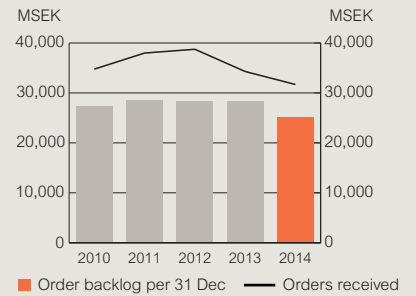
Net sales for both contract construction and the developer part of our own housing projects are reported in business area Project Development. The booked result consists of the result in the developer part using the percentage of completion method. The underlying sales value of property projects on our own balance sheet that are sold in the form of a company via shares is recognized as net sales and the booked value on the balance sheet is recognized as an expense.

In addition to the business areas, central companies, certain subsidiaries and other holdings are presented as Group functions. The central companies primarily consist of the parent company Peab AB, Peab Finans AB and Peab Support Group. 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 personnel and systems intensive businesses Accounting, Payroll/Systems and IT to all Group entities.

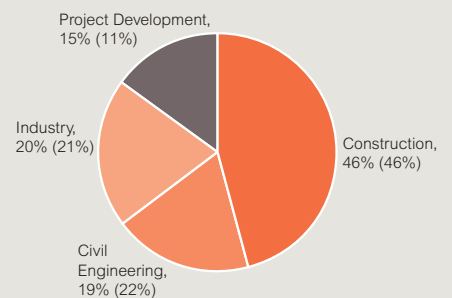
Operating profit for the year for Group functions was SEK -71 million (-153).

Read more about our business areas on pages 18-26.

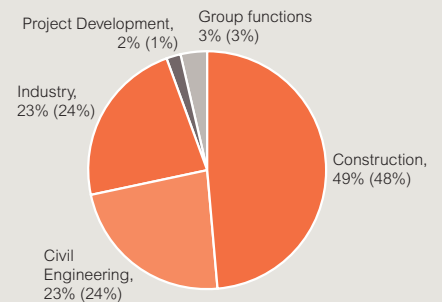
**Orders received and order backlog**



**Operative net sales per business area, 2014**



**Share of Group employees, 2014**





**Orders received and order backlog**

MSEK	Orders received		Order backlog	
	2014	2013	31 Dec 2014	31 Dec 2013
Construction	22,735	23,744	17,966	19,647
Civil Engineering	9,048	11,092	7,525	8,483
Project Development	5,708	5,115	3,536	3,975
Eliminations	-5,801	-5,659	-4,105	-3,941
<b>Group</b>	<b>31,690</b>	<b>34,292</b>	<b>24,922</b>	<b>28,164</b>

No orders received or order backlog are given for the business area Industry.

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

MSEK	Net sales		Operating profit		Operating margin	
	2014	2013	2014	2013	2014	2013
Construction	24,474	23,109	552	-539	2.3%	-2.3%
Civil Engineering	9,958	11,172	331	371	3.3%	3.3%
Industry	10,830	10,347	671	681	6.2%	6.6%
Project Development	7,830	5,753	342	247	4.4%	4.3%
<i>of which Property Development</i>	1,407	608	12	2	0.9%	0.3%
<i>of which Housing Development</i>	6,423	5,145	330	245	5.1%	4.8%
Group functions	823	419	-71	-153		
Eliminations	-10,095	-8,035	-42	-14		
<b>Operative <sup>1)</sup></b>	<b>43,820</b>	<b>42,765</b>	<b>1,783</b>	<b>593</b>	<b>4.1%</b>	<b>1.4%</b>
Adjustment for housing reporting <sup>2)</sup>	-190	362	-31	21		
<b>Legal</b>	<b>43,630</b>	<b>43,127</b>	<b>1,752</b>	<b>614</b>	<b>4.0%</b>	<b>1.4%</b>

1) According to percentage of completion method (IAS 11).

2) Adjustment of the accounting principle for own homes in Sweden and housing in Finland and Norway to the completion method (IAS 18).

**Capital employed 31 December**

MSEK	2014	2013
Industry	5,257	5,301
Project Development	10,646	11,376
Other business areas/Eliminations	-1,141	-475
<b>Group</b>	<b>14,762</b>	<b>16,202</b>



## BUSINESS AREA CONSTRUCTION

# Pure contractor business close to customers

**With a local connection close to customers business area Construction performs contract work for both external and internal customers in the Nordic region.**

Every year we complete projects which include everything from new production of housing, public and commercial premises to renovations and extensions as well as construction maintenance.

## THE BUSINESS AREA IN 2014

Housing construction increased the most in the business area in 2014. Some noticeable housing projects are 120 apartments for rent for Tornet in Stockholm and 155 tenant-owned apartments for HSB in Gothenburg. We have other interesting projects in Örebro and Skövde. In Örebro we are building as many as 540 apartments for

rent that have cost efficient solutions and low energy use near the northern approach. In Skövde Peab will construct 242 apartments for rent at Aspö with a focus on ecology. The entire area will be designed with the ambition to create a miniature ecologically ideal society. The project will be Swan ecolabeled and will be certified both according to Gold as an environmentally friendly building and according to the passive house standard FEBY 12.

In recent years Peab has been highly involved in the development of Arenastaden in Solna. Here we are constructing housing, offices and the Mall of Scandinavia. Other major projects in 2014 were the construction of the synchrotron light laboratory MAX IV in Lund and the expansion of Hotel Gothia Towers in Gothenburg. Peab also initiated construction at Helsingborg IF's arena Olympia in 2014. The project will

include renovating and extending the arena, especially the public and stands areas, to comply with UEFA standards.

Our cooperation with IKEA continues and in Ringsaker, Norway, a new store is under construction and the construction of a new store in Umeå was initiated in 2014.

Peab has been given the job of constructing new care units on the hospital grounds in Helsingborg for Region Skåne in 2015. These will house an open psychiatric ward for adults and 24 hour care, laboratory medical operations and support functions for IT and logistics. In Karlstad we are constructing a care unit with 95 apartments adapted for special care needs. The housing has an environmental profile and will be environmentally certified.

In Norway Forsvarsbygg has contracted Peab to build a helicopter base with considerable infrastructure at the airport Bardufoss in Norway. Peab is also constructing a hotel in Hammerfest in the Norwegian Finnmark which will be one of the most northerly hotels in Europe.

## Questions for Roger Linnér, Business Area Manager Construction



### WHAT ARE THE BUSINESS AREA'S STRENGTHS?

"We are highly focused on our customers and production thanks to our very committed employees. This, together with the fact that we are a comprehensive constructor and knowledgeable in most product areas, creates a good platform to continue to develop our operations from."

### WHERE IS THERE ROOM FOR IMPROVEMENT?

"We need to keep our focus on efficient, sustainable production and increase profitability. We also need to adjust and adapt our competencies in order to meet a changing construction industry with more players and a greater variety of projects. This demands greater coordination, both internally in the company as well as when we work as contractors with a project."

### WHAT ARE THE GREATEST CHALLENGES IN THE FUTURE?

"We need to continue working on safe and secure workplaces. We need to keep, develop and recruit employees for future projects and we need to continue improving our profitability."

### NET SALES AND RESULT

Net sales in 2014 were SEK 24,474 million (23,109) which is an increase by 6 percent and is primarily due to an increase in housing production.

Operating profit for the year amounted to SEK 552 million (-539). The operating profit for 2013 included one-off costs of SEK 920 million for the action plan. The operating margin amounted to 2.3 percent (-2.3). Cleared of one-off costs of SEK 920 million the operating margin was 1.6 percent in 2013. Business has gradually improved in 2014 and we can see that the action plan we implemented in 2013 has produced the expected results.

### ORDERS RECEIVED AND ORDER BACKLOG

Orders received declined in 2014 and amounted to SEK 22,735 million (23,744) but the number of housing projects

increased compared to previous years. Mid-sized and small projects rather than large ones characterized orders received in 2014. Order backlog on 31 December 2014 amounted to SEK 17,966 million (19,647).

**OUR PRODUCT AREAS**

- **Contract construction** (general construction) builds commercial and public premises such as offices, shopping malls, schools and hospitals for private, municipal and federal customers as well as industrial facilities for private companies.
- **Housing production:** Produces all kinds of housing which includes apartment buildings with tenant-owners, condominiums and rentals. We also have a certain amount of single home construction.
- **Construction maintenance:** Works with maintenance, repairs, insurance claims, service to real estate companies and industries and smaller contracts.

**CUSTOMERS**

The business area's customers are municipalities, private and public real estate companies, insurance companies as well as industrial and trading companies and individuals. Some are customers with operations throughout the Nordic region such as IKEA, Nordic Choice, Scania Real Estate, Philips and others. Business area Construction also performs contracts for the other business areas in the Group, particularly Project Development.

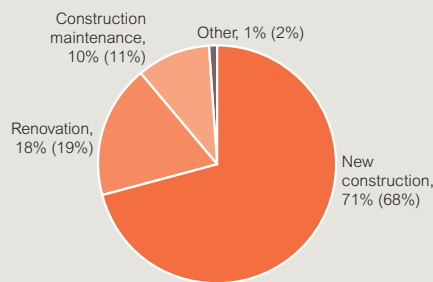


**BUSINESS AREA CONSTRUCTION IN SUMMARY**

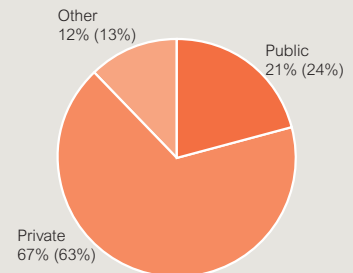
Operations in business area Construction are run via some 150 local offices around the Nordic area, organized in 15 regions, of which 11 are in Sweden, two in Norway and two in Finland. Specialized housing production areas are found in Stockholm, Gothenburg and the Öresund region. Construction maintenance operations are run in a nationwide region primarily focused on the big city areas. Other regions are responsible for all types of construction projects in their geographical area.

Key ratios	2014	2013
Net sales, MSEK	24,474	23,109
Operating profit, MSEK	552	-539
Operating margin, %	2.3	-2.3
Orders received, MSEK	22,735	23,744
Order backlog on 31 December, MSEK	17,966	19,647
Number of employees	6,434	6,356

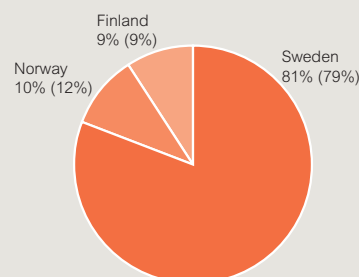
**Net sales per type of operation, 2014**



**Net sales per customer type, 2014**



**Net sales per geographic market, 2014**





## BUSINESS AREA CIVIL ENGINEERING

# Infrastructure production and maintenance

**Business area Civil Engineering is a leading civil engineering supplier in Sweden, a major player in Norway with operations in Finland as well. We build and maintain roads, railroads, bridges and other infrastructure. Operations are run through geographically sectioned regions in Sweden, Norway and Finland.**

## THE BUSINESS AREA IN 2014

Each year Peab's civil engineering operations take on contracts that span from smaller, local projects to those in the billions. One of Peab's larger ongoing projects is Mäljarbanan, a railway project that runs north of Lake Mälaren from Stockholm via Västerås and then on to Örebro. The aim of the project is to expand the two existing lines to four between Tomtebodavägen and Kallhäll, a total of 20 kilometers. Project

Mäljarbanan is divided into two stages. The first stage between Barkaby and Kallhäll is the one Peab is responsible for and it is expected to be ready in 2016. Another major project is bypass Sundsvall Syd on the E4. Peab has been working on it during 2014 and will finish it in 2015. Peab will then be responsible for operation and maintenance of the road for 20 years. Work on the enormous project of the synchrotron light laboratory MAX IV in Lund in cooperation with business area Construction has continued in 2014 and will be completed in 2015.

One of the larger projects Peab received in 2014 is the general contract for constructing double lines on the Nynäs railway. It is on the last section between Hemfosa and Tungalsta and includes two railway bridges, bike and footbridges as well as a new station building in Tungalsta.

The extension will improve commuting between Nynäshamn and Stockholm. Work was initiated at the end of 2014 and it is expected to be ready in 2017.

In 2014 Peab was contracted to enlarge the port in Kapellskär, the most northerly port in Stockholm. The project is a reconstruction of the port area of 80,000 square meters while the port is still fully functioning. The aim is to ensure seafaring in the Stockholm region and increase its capacity to meet future developments in traffic, volumes and larger ships by modernizing the port.

Business is developing well in Norway and Peab has received several interesting projects, one of which is to expand Malm-banan outside Narvik from one to two lines in the mountains to increase capacity.

## NET SALES AND RESULT

Net sales for 2014 amounted to SEK 9,958 million compared to SEK 11,172 million last year, which is a drop by 11 percent. The reduction is a result of fewer orders received.

Operating profit for the year amounted to SEK 331 million (371) and the operating margin remained unchanged at 3.3 percent (3.3). In comparison with last year net sales in Local market contracted slightly but profit improved. Net sales in Operations and maintenance declined and profitability remained weak due to continued price pressure on the market. Net sales in Infrastructure shrank and profit was down compared to last year.

## ORDERS RECEIVED AND ORDER BACKLOG

Orders received in 2014 amounted to SEK 9,048 million (11,092). The lower level of orders received is partly the result of our strategy where profitability has priority over volumes.

Order backlog amounted to SEK 7,525 million (8,483).

## Questions for Karl-Gunnar Karlsson, Business Area Manager Civil Engineering



### WHAT ARE THE BUSINESS AREA'S STRENGTHS?

"Our employees are very engaged and this makes us more efficient and productive. Another strength is our good internal cooperation and product competence."

### WHERE IS THERE ROOM FOR IMPROVEMENT?

"We see a changing market with many different players which means we have to continuously develop our own know-how. We would also like to develop cooperation within the Group."

### WHAT ARE THE GREATEST CHALLENGES IN THE FUTURE?

"The biggest challenge is to handle the new market we see taking shape with more players and new procurement forms which means we need to adapt and develop our own working methods. We have to be able to handle both small and large projects using the right resources and competences."



**OUR PRODUCT AREAS**

- **Local market** does landscaping and pipelines, foundation work and builds different kinds of facilities.
- **Infrastructure and heavy construction** builds roads, railroads, bridges, tunnels and ports. We also build heavier facilities for industry and the public sector.
- **Operation and maintenance** of national and municipal highway and street networks, parks, outdoor property care as well as operating sewage and water supply networks.

**CUSTOMERS**

Business area customers are both large and public clients and private business. When it comes to Local market customers are usually municipalities, local businesses, energy companies and private clients. Customers in Infrastructure and heavy construction are usually national transport administrations, municipalities and industrial. The mining industry, with companies like Boliden and LKAB, is another large customer group. Customers in Operation and maintenance are primarily public authorities such as the Swedish Transport Administration and Swedavia in Sweden and the Public Roads Administration in Norway, municipalities and property owners.

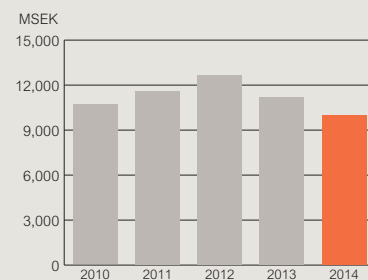
**BUSINESS AREA CIVIL ENGINEERING IN SUMMARY**

Our civil engineering operations are primarily directed towards the local market and are organized in geographic regions and specialized product areas. We work with a structured exchange of experience, support functions suited to our operations, strong project management and a high level of added value. Collaboration over regional and national borders is also important along with our joint development of product areas as well as advantages of scale in big and complex projects.

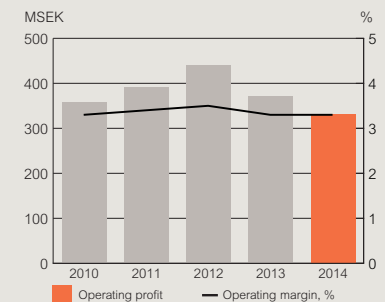
Key ratios	2014	2013
Net sales, MSEK	9,958	11,172
Operating profit, MSEK	331	371
Operating margin, %	3.3	3.3
Orders received, MSEK	9,048	11,092
Order backlog on 31 December, MSEK	7,525	8,483
Number of employees	3,049	3,188

Development 2014 vs 2013	Net sales	Operating profit
Local market	↘	↗
Operations and maintenance	↘	→
Infrastructure and heavy construction	↘	↘

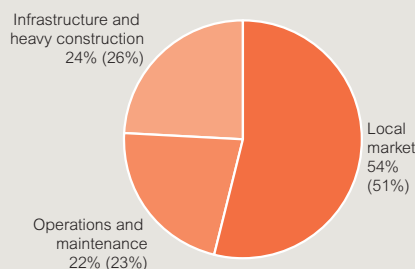
**Net sales**



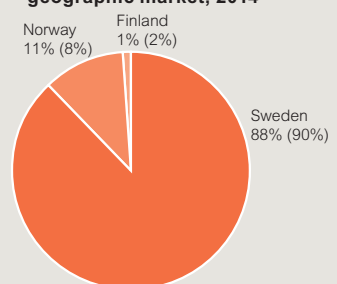
**Operating profit and margin**



**Net sales per product area, 2014**



**Net sales per geographic market, 2014**



## BUSINESS AREA INDUSTRY

# Strategic resources for the construction and civil engineering markets

**Business area Industry consists of several larger well known and established brands active on the Nordic construction and civil engineering markets. Business area Industry is a total supplier of all the products and services needed in order to carry out a construction and civil engineering project cost efficiently. This is achieved by offering industrial construction, possessing strategically placed quarries, asphalt plants and concrete factories as well as by renting out construction machines and cranes.**

## THE BUSINESS AREA IN 2014

It was a good year. Activity was high on the market, mainly due to more housing construction. The civil engineering market got off to a flying start because of the mild winter and the early start of the season, while the construction market gained speed as the rate of housing construction increased.

During the year Peab Asfalt signed a two-year framework agreement for paving work on flight areas such as runways and taxiways for all ten of Swedavia's airports in

Sweden. Most of our asphalt plants have converted from fuel oil to bio oil which means carbon dioxide neutral asphalt production. We have made conscious efforts to develop more environmentally friendly paving, particularly Low Temperature Asphalt (LTA), resulting in positive effects on energy use, carbon dioxide emissions and the work environment.

Peab PGS (Peab Common System) won SABO's framework procurement for the apartment buildings, Kombo Mini, in December 2014. The contract is for building turnkey apartment buildings with low priced one and two room apartments that meet tough demands on low energy use and accessibility. The number of apartments is still unclear but work will start in 2015. As a part of our action plan we have completed the integration of Peab PGS into Industrial construction and the product segment is now called Construction system and also includes Skandinaviska Byggelement and Lättklinkerbetong. This integration has significantly lowered production costs.

During 2014 Swerock extended and gained a number of strategic quarries and quarry permits which ensures access to resource assets for many years to come.

In order to strengthen and broaden our offer we acquired two businesses: Tomas Pumpare, a part of Swerock, and Glacell, a part of Lambertsson Sverige. Glacell is one of the leading Swedish total suppliers of solar-generated electricity. Lambertsson Sverige has also broadened its operations by offering complete solutions in traffic direction material and the rental of traffic direction material. Swerocycling has expanded its domain in recycling and is now represented all over Sweden. Swerocycling handles most kinds of waste but particularly construction waste and contaminated earth from construction and civil engineering operations.

In 2014 Peab signed a contract to sell its holding in S:t Eriks in 2015. Peab has had a 45 percent ownership share since 2009. This divestiture frees capital and streamlines operations even further.

## NET SALES AND RESULT

Net sales for 2014 amounted to SEK 10,830 million compared to SEK 10,347 million last year, which was an increase of 5 percent.

Operating profit for the year was SEK 671 million (681). The operating margin was 6.2 percent (6.6). Increased net sales and a higher underlying result are partly the result of an early start of the season and mild weather in the fourth quarter as well. Activity on the market was high also in 2014, particularly due to a higher rate of housing construction. The deal to sell Peab's holding in S:t Eriks led to write-down of the share value by SEK 40 million. The business area has also been hit by demobilization costs of SEK 33 million for Northland Resources.

Capital employed in Industry at year-end amounted to SEK 5,257 million compared to SEK 5,301 million last year.

## STRONG BRANDS

To a certain extent Peab has built its industrial operations on the acquisition of a large number of different companies with strong, local brands that complement the Peab brand, for example: Lambertsson, Swerock, Cliffon, Skandinaviska

## Questions for Karl-Gunnar Karlsson, Business Area Manager Industry



### WHAT ARE THE BUSINESS AREA'S STRENGTHS?

"We have committed employees and satisfied customers in Industry. Our broad product mix and production resources enable us to deliver whatever the market wants."

### WHERE IS THERE ROOM FOR IMPROVEMENT?

"We need to continue to improve profitability in our segments and make use of our resources through more coordination. I also believe that we can increase volumes in our construction system in the future."

### WHAT ARE THE GREATEST CHALLENGES IN THE FUTURE?

"Partly to keep, develop and recruit the right employees and partly to continue to meet market demands for different products. Our product portfolio must evolve continuously with the customers' needs and demands."



Byggelement, Glacell, ATS Kraftservice, Lättklinkerbetong, MBR, Virtanen, Kranor, Ferdigbetong, etc.

**OUR PRODUCT AREAS**

- **Asphalt:** Manufacture and laying of asphalt.
- **Concrete:** Production and delivery of ready-mixed concrete.
- **Gravel and rock:** Production and delivery of materials for asphalt and concrete production.
- **Transportation and machines:** Flexible solutions in transportation and construction machine services. We also offer customized machine and transportation solutions for the mining industry, among others.
- **Foundation work:** Qualified competence in foundation work, pile-driving, tonguing, drill plinths, stabilization, etc. as well as production of concrete piles.
- **Rentals:** A broad range of construction machines, work wagons, scaffolding, construction cranes, mobile cranes, crane trucks, construction elevators, temporary installations, electrical material and generators as well as services in energy technology.
- **Construction system:** Produces prefabricated concrete elements and complete construction systems for apartment buildings for industrial construction.

**CUSTOMERS**

Some of our major customers are from the public sector such as the Swedish Transport Administration, Swedavia, Norwegian Public Roads Administration and municipalities along with heavy industry and other construction companies. Other customers are major mining companies such as Boliden and LKAB but also smaller mining companies in central Sweden. We are also an important supplier to Peab's business areas Construction and Civil engineering.

In addition, we see a growing interest from a number of international companies that wish to establish themselves in the Nordic area.



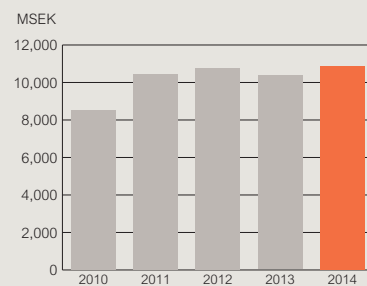
**BUSINESS AREA INDUSTRY IN SUMMARY**

Business area Industry operates through a large number of strong brands on the Nordic construction and civil engineering markets. We deliver materials, equipment and services to construction and civil engineering projects.

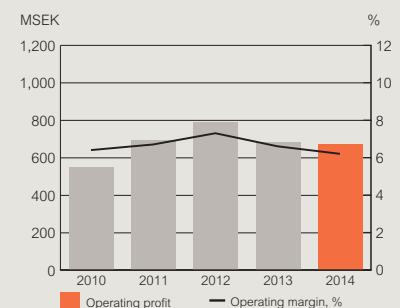
Key ratios	2014	2013
Net sales, MSEK	10,830	10,347
Operating profit, MSEK	671	681
Operating margin, %	6.2	6.6
Capital employed 31 December, MSEK	5,257	5,301
Number of employees	3,016	3,135

Development 2014 vs 2013	Net sales	Operating profit
Asphalt	↗	↗
Concrete	→	→
Gravel and rock	↗	↗
Transportation and machines	↗	↗
Foundation work	↘	↘
Rental	→	↘
Construction system	↗	↗

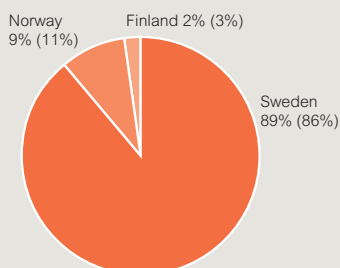
**Net sales**



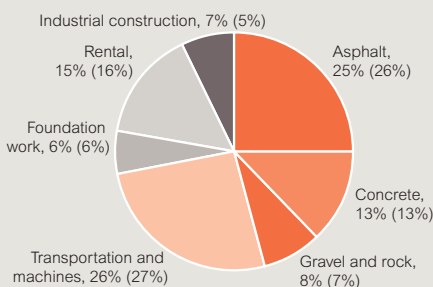
**Operating profit and margin**



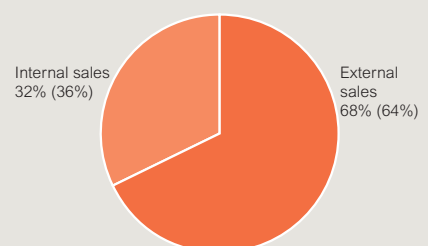
**Net sales per geographic market, 2014**



**Net sales per product area, 2014**



**Share of net sales, 2014**



## BUSINESS AREA PROJECT DEVELOPMENT

# Develops housing and commercial property

**Business area Project Development is responsible for the Group's acquisitions and the development and sales of housing and commercial property. Project development takes place in wholly owned projects or in cooperation with other partners through joint ventures. The area is divided into two parts – Housing Development and Property Development.**

## THE BUSINESS AREA IN 2014

By putting all project development under one roof we streamlined tied up capital, improved steering and coordinated the development and sales processes of our own developed housing.

During 2014 we analyzed Project Development operations in order to develop the business model. This has clarified our strategy and led to a review of the project development portfolio. As a part of this strategy we set up a partnership with Balder to develop Varvsstaden in Malmö. Through this partnership we sold Varvsstaden in 2014 to the development company Centur which is jointly owned by Peab and Balder. Together with a review of values in the project portfolio this had a

positive effect on the operating result by SEK 100 million.

During the year Peab sold properties in, among other places, Linköping, Visby and Upplands-Väsby.

### Housing Development

The strong development in Housing Development has primarily taken place in the Stockholm region. We have started production of new housing in Arenastaden, Solna where a whole new city district is taking shape but we have also developed a lot of housing in other parts of Stockholm. In Kvarnholmens Utvecklings AB we are, together with JM and Folksam, developing about 1,500 new homes on Kvarnholmen, an isthmus attractively situated across from Djurgården at the inlet of Stockholm.

We are developing a completely new city district in Borås, Regementsstaden. There are plans for housing, shops, restaurants and other services. Together with AB Bostäder in Borås and HSB Göta, Peab has created a consortium that plans to build 300 homes as a first step. In the future there are plans for over a thousand homes in different ownership forms.

Peab and the care company Aleris are developing senior housing in Botkyrka com-

prising 54 units. The home will enrich the entire city which will now offer everything from childcare to housing for the elderly.

Peab has also acquired land in Västerås and has plans for another 270 apartments, both rentals and tenant-owner apartments in the new city district Tegnérunden.

### Property Development

As property developers we are very knowledgeable about refining and developing areas and land for commercial purposes such as offices, malls, hotels, industries and sports facilities.

The project Point Hyllie in Malmö continued in 2014 where we are creating offices from 200 to 20,000 square meters with very effective spacing in one of Sweden's most unique and highest office buildings. Situated 100 meters above ground the view is magnificent and sign exposure is fantastic, a landmark from both the Öresund Bridge and the approach to Copenhagen Airport.

In Gothenburg we are building the future sustainable society in the new office project Lyckholms that has a strong environmental profile. The project is environmentally classified according to BREEAM, which takes into consideration the environment and economy of the construction's entire life cycle. The green profile of the area is also clearly visible on the outside of one of the buildings that has a so-called sedum roof with living plants on it, which is good for the climate. Rooftop terraces on the office buildings make it possible for the tenants to enjoy the wonderful surroundings.

In Ulriksdal Solna we are developing a new city district with public housing, schools, shops and commercial properties.

In Västerås Peab transformed old industrial premises into an attractive adventure destination. The waterpark Kokpunkten opened in August 2014, as part of the first phase in this project.

In Finland we have in recent years developed our own office concept called "Business Garden", based on the environmental rating system LEED (Leadership in Energy & Environmental Design), an enticing concept for both tenants and investors. In 2014 we finished "Eventes Business Garden" in Esbo and it was awarded LEED

## Questions for Tomas Anderson, Business Area Manager Project Development



### WHAT ARE THE BUSINESS AREA'S STRENGTHS?

"Our biggest strength is that we as a Group are an all-round community builder and can take a project from idea to finished product. Our business area has a particularly strong development rights portfolio for the segment Housing

Development and good local connections with our markets."

### WHERE IS THERE ROOM FOR IMPROVEMENT?

"We need to continue developing cost efficient products and we need to position Peab as a player in project development."

### WHAT ARE THE GREATEST CHALLENGES IN THE FUTURE?

"To free capital in the segment Property Development and to recruit, develop and keep employees. We also need to acquire development rights for future community building."



### BUSINESS AREA PROJECT DEVELOPMENT IN SUMMARY

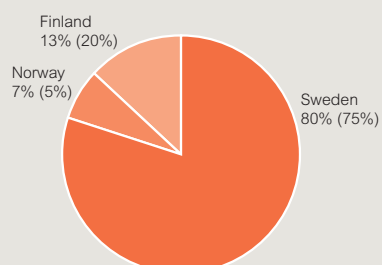
Peab has collected the Group's resources for the development of housing and commercial premises in the business area Project Development. Projects are developed in wholly owned projects or in cooperation with other partners through joint ventures. The business area is run in two units – Housing Development and Property Development. The key to our success is understanding our customers' needs and demands regarding location and design and through this we can develop attractive housing and premises.

Key ratios	2014	2013
Operative net sales <sup>1)</sup> , MSEK	7,830	5,753
<i>of which Property Development</i>	1,407	608
<i>of which Housing Development <sup>1)</sup></i>	6,423	5,145
Operative operating profit <sup>1)</sup> , MSEK	342	247
<i>of which Property Development</i>	12	2
<i>of which Housing Development <sup>1)</sup></i>	330	245
Operative operating margin <sup>1)</sup> , %	4.4	4.3
<i>of which Property Development</i>	0.9	0.3
<i>of which Housing Development <sup>1)</sup></i>	5.1	4.8
Capital employed on 31 December, MSEK	10,646	11,376
Orders received, MSEK	5,708	5,115
Order backlog on 31 December, MSEK	3,536	3,975
Number of employees	254	225

<sup>1)</sup> According to the percentage of completion method (IAS11).

Own developed housing production	2014	2013
Number of housing starts during the year	2,502	2,077
Number of sold homes during the year	2,871	2,034
Total number of homes under construction, at year-end	4,034	3,654
Share of sold homes under construction, at year-end	84%	73%
Number of repurchased homes on the balance sheet, at year-end	97	141

### Operative net sales per geographic market, 2014



Project and development properties, MSEK	31 Dec 2014
Housing Development	3,263
<i>Of which development rights</i>	2,974
<i>Of which shares in tenant-owner associations or the like</i>	289
Property Development	3,260
<i>Of which investment properties</i>	1,406
<i>Of which projects under construction</i>	1,144
<i>Of which commercial development rights</i>	710
<b>Total Project and development properties</b>	<b>6,523</b>

Development rights for housing	31 Dec 2014
<b>Number, approx.</b>	
Development rights on our own balance sheet	15,200
Development rights via joint ventures	6,900
Development rights via options etc.	7,000
<b>Total</b>	<b>29,100</b>



Gold. The office project "Ultimes Business Garden" is being constructed in Helsinki and should be ready in the autumn of 2016.

**NET SALES AND RESULT**

Operative net sales in 2014 in business area Project Development amounted to SEK 7,830 million (5,753) and operative operating profit was SEK 342 million (247). The increase in net sales and result are due to a growing housing market, particularly in Stockholm, and more production starts in our own developed housing.

**Housing Development**

In 2014 operative net sales in Housing Development were SEK 6,423 million (5,145) and operative operating profit was SEK 330 million (245). The operating margin was 5.1 percent (4.8).

Homebuyers' growing interest led to a higher rate of production starts for housing projects. Start-ups of our own developed homes increased by 20 percent and amounted to 2,502 (2,077), most of which were in the Stockholm area. The number of sold homes during the year was 2,871 (2,034). The number of own developed homes in production at year-end was 4,034 compared to 3,654 at the previous year-end. The share of sold homes in production was 84 percent compared to 73 percent at the previous year-end. The number of repurchased homes per 31 December 2014 amounted to 97 compared to 141 at the previous year-end.

**Property Development**

Net sales and operating profit from operations is derived from running our wholly owned property, shares in the result from partly owned companies as well as capital gains/losses from the divestiture of completed projects and shares in partly owned companies. During 2014 net sales in Property Development were SEK 1,407 million (608) and operating profit was SEK 12 million (2).

The result from property sales affected the result by SEK 157 million compared to SEK 63 million the previous year. During 2014 continued expansion of the segment led to higher overhead.

Operating profit has been charged by negative shares in the results of property projects in partly owned companies in the development phase. Included in this result is Peab's share of the management result of Friends Arena. Friends Arena is an essential part of the realization of Arenastaden, a completely new city district in Solna. For Peab the development of Arenastaden means significant construction and civil engineering contracts, the creation of interesting development rights for, among other things, housing and opportunities for commercial property development. The project in its entirety follows the plans established when Peab made the decision to participate in this development.

Capital employed in Project Development amounted to SEK 10,646 million at

year-end compared to SEK 11,376 million at the previous year-end.

**OUR PRODUCT AREAS**

- **Housing Development** develops all kinds of housing such as apartment buildings in different ownership forms as well as some kinds of single homes.
- **Property Development** revolves around the acquisition, development and divestiture of wholly owned and partly owned companies. Examples of partly owned companies are Peab's holding in Tornet, (ownership in rentals), Centur (owning and developing commercial property) and companies connected to the development of Arenastaden in Solna. Projects in wholly owned companies consist of a large number of holdings that include everything from land for development where zoning is underway to finished projects ready to be sold.

**CUSTOMERS**

Customers in Housing Development are individuals, tenant-owned associations, private and municipal real estate companies as well as real estate companies. Property Development customers are real estate companies, investors and companies that need facilities for their commercial operations such as commerce, industry, logistics and offices.



# Risks and risk management

## MATERIAL RISKS AND UNCERTAINTY FACTORS

Peab's business is exposed both to operational and financial risks. The effects of risks on Peab's results and position depend on how well we handle daily operations in the company. In addition, as a construction and civil engineering company Peab is vulnerable to external risks such as developments in the economy and changes in circumstances due to amendments in laws and regulations, and other political decisions.

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

## RISK MANAGEMENT

The management of operative risks is a continuous process considering the large number of projects the company has in different phases of started up, carried out and completed. Operative risks are managed in the line organization in the business areas. Financial risks are associated with capital tied up in the company and its capital requirements primarily in the form of interest risks and refinancing risks. Financial risks are handled on Group level. The table below describes the most important risks and how they are handled.

## OPERATIVE RISKS

Peab's business is largely project related. Operative risks in day-to-day business are connected to tenders where erroneous calculations can lead to incorrect tenders, which can then lead to losses in projects regardless of how well they have been completed in the field. With margins so low in the industry it can take several profitable projects to compensate for the losses in one project. Peab minimizes this risk

through a well developed process and system support for following up projects.

Peab's operations are subject to market risks in the form of price risks such as unforeseen cost increases for material, subcontractors or the employee salaries. The risks vary depending on the type of contract. Other operative risks are wrong product and method choices and access to competent personnel.

Peab also works with housing project development. Besides the risk connected to the production of the contract there are circumstantial factors such as the general economy, interest rates, the local work market and other market prerequisites that influence the profitability. In addition to housing development Peab also develops commercial properties with risks similar to those for housing developments. A common factor for development operations is the risk in planning land exploitation since decisions taken by the authorities can have a great impact on land values and thereby on project profitability.

## FINANCIAL RISKS

The Group is exposed to financial risks, such as interest rate risks linked to changes in debt and interest rate levels. For further information on financial risks, see note 36.

## RISKS CONNECTED TO FINANCIAL REPORTING

Since Peab uses the percentage of completion method in most of our ongoing projects erroneous project forecasts mean that reporting and follow-ups will be misleading. A number of balance items are valued based on estimations and assessments and this value can be affected by, for example, the current market and customers' preferences.

## SENSITIVITY ANALYSIS

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

### Sensitivity analysis

MSEK	Calculation basis	Change	Pre-tax profit effect
<b>Operative</b>			
Volume (operating margin constant)	44,000	+/- 10%	+/- 176
Operating margin (volume constant)	4.0%	+/- 1 percentage	+/- 440
Material and subcontractors	21,000	+/- 1%	-/+ 210
<b>Financial</b>			
Net debt (interest rate constant)	3,886	+/- 10%	-/+ 12
Average effective int.rate <sup>1)</sup> (net debt constant)	3.0%	+/- 1 percentage	-/+ 15

*1) The calculation is based on the assumption that SEK 1,482 million of the total net debt of SEK 3,886 million, has a fixed interest period shorter than one year and is thereby affected almost at once by a change in market interest rates.*

Risk	Risk management
<b>Tenders and project implementation</b> Erroneous tenders and cost estimates can lead to losses in projects as well as the loss of an order.	Structured risk assessment is crucial in the construction business to ensure that risks are identified, correctly priced in tenders submitted and that the right resources are available. The right resources in a project ensure that projects are carried out according to established processes with the right products and methods.
<b>Percentage of completion</b> Peab applies percentage of completion in most of its projects. Miscalculation of percentage of completion can result in external accounting being seriously misleading or that strategic decisions are based on incorrect information.	A prerequisite for percentage of completion is reliable forecasting. Well developed procedures and system support for the monitoring and forecasting of each project is crucial to limiting risks of erroneous percentage of completion.
<b>Price risks</b> For Peab, price risks refer to aspects like unforeseen price hikes for materials, subcontractors and wages. Risks vary according to the type of contract. Fixed price contracts also involve the risk of incorrect tender calculations and the risk that price hikes deteriorate profits because the company cannot demand compensation from the customer for them.	Methods of limiting price risks include rationalizing construction processes and purchasing procedures and always endeavoring to secure materials and subcontractors' prices back in the tender stage or as early as possible in the process.
<b>Circumstantial risk</b> The uncertainty in the world around us and the financial markets can cause financing difficulties for customers, suppliers and subcontractors. This can in turn lead to postponement of planned investments as well as difficulties in meeting existing obligations.	Customers' and suppliers' credit worthiness is assessed and handled in the businesses. A prerequisite for contract project initiation is that the client has found financing for the project.



# Other information and appropriation of profit

## PEAB'S SUSTAINABILITY WORK

Peab strives to permeate our business with sustainability. Peab signed the UN Global Compact in 2012. This has contributed to greater awareness and competence in Peab, partly through the methodic follow up work we have pledged to do. We carry out stakeholder dialogues focused on sustainability that help us better understand anticipated results of our work. More detailed information concerning Peab's work on sustainable development is given in Peab's sustainability report which follows the international guidelines laid down by the GRI (Global Reporting Initiative). The report is available on Peab's website [www.peab.com](http://www.peab.com).

Peab's environmental work is a part of our work with sustainability. Environmental reviews are made on business area and company levels to identify our operations' significant environmental impact.

## Phasing out environmentally and health hazardous substances

Historically our industry has used a number of substances that have recently proven to be dangerous for people and the environment. Today we know more and the trade has a proactive relationship concerning environmentally and health hazardous substances. Peab strives to eliminate substances and substance groups that entail a potential risk to health or the environment. Peab uses systems established for our industry that have properties criteria

to phase out environmentally and health hazardous substances.

## Energy efficiency

Peab is always looking for energy efficient solutions in production as well as in the houses and buildings we turn over to customers after construction is completed. Peab strives to build housing with lower energy consumption than the norms. Business area Construction has invested in education in 2014 to augment knowledge about energy efficient construction and energy follow-ups.

Peab's operations use large amounts of fuel for transportation, construction equipment and in production for example of cement and asphalt. Through a number of different initiatives we seek energy efficient solutions, for example, alternative fuel. For instance, in 2014 Peab Asphalt has begun to use bio oil in some of its asphalt plants in Sweden. During the last ten year period Peab Asphalt has also developed asphalt that is energy efficient to manufacture and has a lower environmental impact. The calculated reduction in energy consumption from lowering the laying temperature by some 30 degrees is around 20 percent and the reduction in CO<sub>2</sub> emissions is some 30 percent.

## Efficient waste management

The construction industry is currently the source of a large part of the waste gener-

ated in society. For Peab it's a matter of using resources as efficiently as possible by minimizing both the extraction of finite natural resources and the amount of waste generated. We have collaborated for years with two waste management companies and we continually further develop this collaboration. We have long had routines and work methods to identify and handle dangerous waste properly.

## Operations required to have permits or submit reports

Operations required to have permits and submit reports according to the environmental code are found in the Swedish sub-groups Swerock, Skandinaviska Byggelement and Peab Asphalt. In Finland permit operations are run according to the Environmental Protection Act.

Operations required to have permits in Sweden are gravel and rock quarries, transportation of waste and hazardous waste and asphalt plants. These operations primarily affect the environment through the extraction of finite resources and future land use. Operations required to have permits in Finland are mainly concrete manufacturing and ballast operations. Permit operations represented about 3 (2) percent of Group net sales in 2014. Renewal and supplementation of permits is continuous.

Swerock's concrete factories and Skandinaviska Byggelement's concrete product factories as well as Peab Asphalt's





permanent and mobile asphalt plants are operations that must submit reports. Operations that must submit reports represented about 7 (7) percent of Group net sales in 2014.

#### PEAB'S EMPLOYEES

The average number of employees in the Peab Group during 2014 was 13,176 (13,792), a decrease of about 4 percent compared to 2013.

Peab's employees are the very foundation of the company. Besides offering a good work environment with opportunity for personal development Peab should also be a safe place to work. Health and work environment are prioritized and a success factor when it comes to attracting competent employees. Peab's work environment policy is integrated into our company policy and is the basis of our strategic work with the work environment.

In Sweden we follow the requirements set out in AFS 2001:1. In Norway we work according to the Working Environment Act and valid regulations for the construction and civil engineering industries. Our Finnish operations are certified according to OHSAS 18001.

Peab has long worked to prevent accidents and illness at work by providing safe equipment and quality ensured working methods along with communication and training in this area. All incidents and accidents are followed up. Peab's crisis organization is called in when serious accidents occur. In 2014 we intensified our efforts to improve the work environment and systematized our processes which resulted in clear goals that are the same throughout the Group. One ambition is to reduce by half the number of work-related accidents over time.

In 2014 the Peab Group introduced

"safety warnings" throughout our organization. The safety warnings consist of brief information about what has happened and tips on how to avoid a similar situation.

Peab also works systematically to promote good health, prevent illness and injuries, and with rehabilitation. Absence due to illness remained on the same level, approximately 4 percent, in 2014 as in 2013.

#### Competence and career development

Developmental discussions are an important part of Peab's business development. They offer an opportunity to discuss an employee's possible need for competence development in order to achieve the goals in our business plan.

Peab identified a clear need to broaden and more creatively identify ways of advancing within the Group. After extensive analysis work in 2013 Peab initiated the implementation of our program for development in 2014. It is based on participation, real challenges, collaboration and dialogue. Our ambition is that 70 percent of competence development will occur in daily work, 20 percent through networks, exchanges and collaboration and 10 percent through formal education.

#### Equality and diversity

Equality and diversity are a challenge and a core issue not only for Peab but for the entire industry. Currently women make up 11 percent of Peab's employees while 89 percent are men. In 2014 we initiated a Group project to develop a strategy for increasing both equality and diversity. In the new business plan for 2015-2017 executive management clearly states goals with the ambition to become an attractive employer for more people. Salary reviews are carried out every third year to ensure that salaries are on par with the market and that they are

equal between men and women and that the nature of the job, performance and qualifications steer and individual's salary.

#### RESEARCH AND DEVELOPMENT

Peab's research and development is aimed at providing society, our customers and ourselves with added value and sustainable development by using new knowledge to improve or develop new products, services and production processes. Peab does not have a central unit for research and development. Instead this is an ongoing process in each business area.

Peab cooperates with universities, colleges and trade organization and is an active participant in many of the trade organizations that run or fund R&D such as Sveby, BEAst, SGBC, SBUF, SBI, Bygginnovationen, IQ community construction, The Swedish Construction Federation, Safe Water, SBMI and CBI.

Some projects that we ran together with other trade organizations in 2014 are, in business area Construction, "BEAst Logistics", "Safe Water – Laundry Rooms and Kitchens" and "BIP Common Denominations and Codes for Construction", partly financed by SBUF.

In 2014 business area Industry worked with "Development of Alternative Paving Constructions", "Optimization of Earth Reinforcement through Packing", "More Durable Noise Dampening Paving Solutions, stage 2", partly financed by SBUF. Also worth mentioning are "Increased Biological Diversity in Quarries While Active and After" and "Durable Production of Fine-Grain Products from Rock Material", partly financed by SBUF and Vinnova.

#### NORTHLAND RESOURCES

After the announcement that the ongoing reconstruction of Northland failed Northland



Resources SE together with its subsidiaries was declared bankrupt in December 2014. The effects of the bankruptcy entail write-downs of interest-bearing receivables for SEK 261 million, which charged net financial items. In addition, provisions have been made for shutting down costs of SEK 33 million, which charged operating profit. No further significant costs are expected as a result of the bankruptcy.

**THE PEAB SHARE**

At the end of the year 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 votes at the AGM. On 31 December 2014 there were approximately 36,000 shareholders in Peab.

As a part of the ongoing generation change in the owner family Paulsson a structural deal was made in April 2014 resulting in a changed ownership structure in Peab. Sara Karlsson with companies and Svante Paulsson with companies were the sellers. Buyers were Fredrik Paulsson with family and companies and Mats Paulsson with companies and together they acquired 12,006,000 A shares and then divested 4,000,000 B shares. In addition, Karl-Axel Granlund with family and companies acquired 1,500,000 A shares, Malte Åkerström with family and companies acquired 1,377,163 A shares and Göran Grosskopf with

family and companies acquired 823,500 A shares.

After the ownership change Mats Paulsson with companies represents 28.6 percent of the votes, Fredrik Paulsson with family and companies 14.5 percent of the votes and Anita Paulsson with family and companies 14.5 percent of the votes. The total holding connected to the Paulsson families amounted to 25.6 percent of the capital and 57.6 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.

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 31 December 2014 the foundation owned 8,253,432 B shares in Peab, corresponding to 2.8 percent of the shares.

**HOLDINGS OF OWN SHARES**

At the beginning of 2014 Peab's own B shareholding was 1,086,984 which corresponds to 0.4 percent of the total number of shares. Peab's Annual General Meeting on 13 May 2014 resolved to authorize the Board to, during the period until the next Annual General Meeting, 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 2014 which means that Peab's own shareholding was 1,086,984 B shares at the end of 2014.

**CORPORATE GOVERNANCE**

For a detailed description of the work of the Board of Directors, corporate governance and systems for internal control, see page 87, Corporate governance report.

**REMUNERATION FOR SENIOR OFFICERS**

The Board will propose to the Annual General Meeting on 13 May 2015 that the remuneration policy be as follows;

This remuneration policy comprises salary and other terms for the executive management of Peab AB ("Peab") including the Chief Executive Officer and other members of executive management, here referred to as "Senior officers".

This remuneration policy must be used for any new agreements or changes in existing agreements made with Senior officers after the Annual General Meeting of Peab has adopted the policy.

**Basic principle**

Salary and other terms of employment must be of such standing that Peab will always be able to attract and keep competent Senior officers.

**Fixed salary**

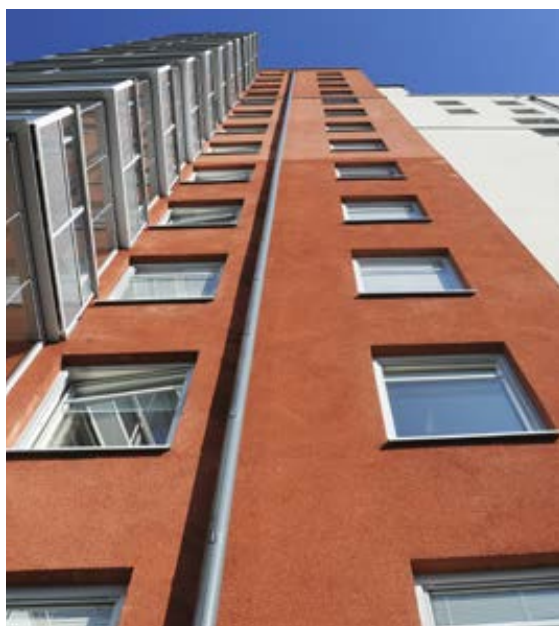
Senior officers must be offered a fixed salary on market terms based on the responsibility and qualifications of the Senior officer. Salaries are determined for each calendar year.

**Variable remuneration**

From time to time Senior officers may be offered variable remuneration. Such variable remuneration may not exceed 60 percent of the regular salary and must above all be based on the profit before tax of the Peab Group. Variable remuneration is determined for each fiscal year.

Variable remuneration is settled the year after being earned and may either be paid out as a salary or be invested as a pension premium in a financial instrument connected to the Peab share.

The Board must annually consider proposing a share-related incentive program to the Annual General Meeting.





**Long-term Incentive program**

From time to time Senior officers may be offered participation in a LTI program (Long-term Incentive program). The maximum annual amount in a LTI program may not exceed 40 percent of basic wages. The amount in a LTI program can be paid as salary or be invested as a pension premium in a financial instrument connected to the Peab share.

**Pension**

Senior officers are entitled to pension according to collective bargaining agreements and contracts with Peab. All pension obligations must be defined contribution pensions.

Wage waivers may be used to increase pension contributions through lump sum pension premiums provided that the total cost for Peab is neutral.

**Non-monetary benefits**

Senior officers are entitled to extra health insurance as well as those benefits otherwise enjoyed by other Peab employees.

**Period of notice and severance pay**

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 a severance pay is paid the total remuneration for salary during the period of notice and severance pay may not exceed 24 monthly wages.

**Board preparations and decisions**

The Board of Directors decides on the salary and other terms for the Chief Executive Officer based on a proposal from the Board's remuneration committee. The Board's remuneration committee decides on salary and other terms for remaining Senior officers based on a proposal from the Chief Executive Officer.

**Exceptions**

According to chapter 8 subsection 53 in the Companies Act the Board has the right to deviate from the guidelines if there are reasons to do so in individual cases.

For more information about adopted guidelines regarding salaries and other remunerations to the Chief Executive Officer and other members of executive management, see note 9, pages 52-54.

**ANTICIPATED FUTURE DEVELOPMENT**

The outcome of 2014 showed good growth for the entire building construction market in Sweden. The analysis company Industriefakta expects whole year volumes for the entire building construction market in 2015 to be on par with 2014. The regional and sectorial differences will remain. Positive factors in 2015 are growing employment, continued low interest rates and the weak-

ened Swedish crown which boosts exports. A rising need for housing and the insufficient production in recent years will propel single home and apartment building construction in 2015. The continued urbanization trend and the intense migration to the big cities are factors driving housing production. Demand for rentals continues to grow. Strong growth in private premise construction keep volumes up in that sector despite the fact that construction in the public sector declined in 2014 as well. However, private premise construction is expected to drop in 2015 and the forecast for the entire sector is lower volumes than in 2014. Development in civil engineering construction is stable and this is expected to continue in 2015. Underlying forces are political agreement on investment needs, a lack of maintenance and the need to invest in water treatment works.

Radically reduced oil prices are weakening the Norwegian economy. Household consumption slowed in the autumn of 2014 and one reason, besides growing cautiousness, is the weakened labor market. Housing prices, however, continued to rise during the autumn. This shows that households, despite less positive growth conditions, still have faith in the economy. One contributing factor is the willingness of banks to loan money for mortgages. There have been signs of a slowdown in single home and apartment building construction after the third quarter. The forecast for 2015 are volumes on par with 2014. Industrial construction, closely connected to investments made by the oil industry, has declined considerably during the year and development is expected to be weak in 2015. There has been strong growth in private and public premise investments in 2014 where ongoing construction volumes in the first three quarters of 2014 were higher than the entire volume of 2013. Premise construction is expected to decline in 2015 after the dramatic increase in 2014.

Investments in civil engineering continue to develop well.

Finland is struggling with several problems. Because of its exports to Russia the country has been hit hard by the crisis in the Ukraine and its base industry suffers from overcapacity and less competitiveness. Signs that unemployment will continue to rise in 2015 together with stringent financial policies add to household pessimism. The total volume of building construction in Finland in 2014 is expected to be on par with 2013 and relatively unchanged volumes are expected for 2015. Construction of private and industrial premises are the prime volume sources. New construction of single homes continues to drop as does the construction of apartment buildings where development was weak in 2014 and is expected to continue so in 2015. Even the forecast for civil engineering is lower volumes in 2014 with a further decline in 2015.

**PARENT COMPANY**

The activities of the parent company consist of executive management and joint Group functions. Net sales in 2014 amounted to SEK 237 million (105) and primarily consisted of internal Group services. The increase is a result of more Group functions being concentrated to Peab AB. Operating profit for 2014 amounted to SEK -83 million (-67). The result from shares in Group companies was SEK -29 million (220), of which dividends from subsidiaries amounted to SEK 1,278 million (82), gains from Group internal sales of shares in subsidiaries were SEK 0 million (477) and write-downs in shares in subsidiaries were SEK -1,307 million (-339). Other net financial items amounted to SEK -336 million (-191), of which write-downs of interest-bearing receivables as a result of the Northland bankruptcy were SEK -164 million. The result after net financial items amounted to SEK -448 million (-38).

**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
Special reserve	55,000,000
Fair value reserve	-182,492,215
Profit brought forward	2,318,286,552
Profit for the year	30,852,601
<b>Total</b>	<b>4,529,855,886</b>

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

Dividend, 296,049,730 shares at SEK 2.25 per share	666,111,893
Carried forward <sup>1)</sup>	3,863,743,993
<b>Total</b>	<b>4,529,855,886</b>

<sup>1)</sup> Of which to share premium reserve	2,308,208,948
Of which to special reserve	55,000,000
Of which to fair value reserve	-182,492,215



## The inhabitants of Västerås get an artificial island

The idea behind the new island, Vågholmen, in Västerås is that it will protect the extended marina from the waves of Lake Mälaren. The island has been constructed from dredging waste left over when dredging a new route for the classic Elba ferry. Instead of disposing of the dredging waste Västerås City put it to use to form an island. This will result in a completely new recreation area. The bottom of Lake Mälaren is sensitive and the home to a red-listed scallop.

Many special solutions are needed when building a completely new island. About 1,100 wooden pillars, each 15 meters tall, were positioned close to each other at the bottom of the lake. The dredging waste was placed around them and held in place by about 7,000 tons of broken rock that has been transported to the location.

Before Vågholmen can be opened to the general public the mud must dry out and be stabilized. If the geotechnical tests show good stability work to create a green area coursed by paths can begin on the island. Peab estimates that the project will be finished in the fall 2015.



## Income statement for the Group

MSEK	Note	2014	2013
Net sales	3,4	43,630	43,127
Production costs		-39,687	-40,328
<b>Gross profit</b>		<b>3,943</b>	<b>2,799</b>
Sales and administrative expenses		-2,243	-2,305
Profit from participation in joint ventures	17	-42	12
Other operating income	6	113	128
Other operating costs	7	-19	-20
<b>Operating profit</b>	4,8,9,10,11,37	<b>1,752</b>	<b>614</b>
Financial income		122	239
Financial expenses		-634	-472
Profit from participation in joint ventures	17	-10	-2
<b>Net finance</b>	12	<b>-522</b>	<b>-231</b>
<b>Pre-tax profit</b>		<b>1,230</b>	<b>383</b>
Tax	14	-203	-85
<b>Profit for the year</b>		<b>1,027</b>	<b>298</b>
<b>Profit for the year attributable to:</b>			
Shareholders in parent company		1,027	298
Non-controlling interests		-	0
<b>Profit for the year</b>		<b>1,027</b>	<b>298</b>
Profit per share, before and after dilution, SEK		3.48	1.01

## Statement of comprehensive income for the Group

MSEK	Note	2014	2013
<b>Profit for the year</b>		<b>1,027</b>	<b>298</b>
<b>Other comprehensive income</b>			
<b>Items that can be reclassified or have been reclassified as income for the year</b>			
Translation difference for the year when translating foreign operations		16	-139
Change for the year in fair value of financial assets available-for-sale		-97	17
Change for the year in fair value of cash flow hedges		-133	69
Change in fair value of cash flow hedges carried over to profit for the year		-	-46
Tax referring to items that can be reclassified or have been reclassified as income for the year	14	47	-32
		<b>-167</b>	<b>-131</b>
<b>Items that cannot be reclassified to income for the year</b>			
Revaluation of defined benefit pension plans		8	-
Tax referring to items that cannot be reclassified as income for the year	14	-2	-
		<b>6</b>	<b>-</b>
<b>Other comprehensive income for the year</b>		<b>-161</b>	<b>-131</b>
<b>Total comprehensive income for the year</b>		<b>866</b>	<b>167</b>
<b>Total comprehensive income for the year attributable to:</b>			
Shareholders in parent company		866	167
Non-controlling interests		0	0
<b>Total comprehensive income for the year</b>		<b>866</b>	<b>167</b>

## BALANCE SHEET FOR THE GROUP

MSEK	Note	2014	2013
<b>Assets</b>			
Intangible assets	15	2,039	2,053
Tangible assets	16	3,830	3,973
Participation in joint ventures	17	1,006	1,233
Other securities held as fixed assets	21,35,36	480	516
Interest-bearing long-term receivables	20,35,36	1,663	1,717
Deferred tax recoverables	14	145	156
Other long-term receivables	22	121	122
<b>Total fixed assets</b>		<b>9,284</b>	<b>9,770</b>
Project and development property	23	6,523	6,801
Inventories	24	379	412
Work-in-progress	25	1,186	1,100
Accounts receivable	26,36	6,110	6,111
Interest-bearing current receivables	20,35,36	404	410
Tax assets		15	73
Recognized but not invoiced income	27	2,739	6,043
Prepaid expenses and accrued income		491	461
Other current receivables	22	442	265
Current holdings	35,36	20	21
Liquid funds	35,36	792	438
<b>Total current assets</b>		<b>19,101</b>	<b>22,135</b>
<b>Total assets</b>		<b>28,385</b>	<b>31,905</b>
<b>Equity</b>			
	29		
Share capital		1,584	1,584
Other contributed capital		2,576	2,576
Reserves		-449	-283
Profit brought forward including profit for the year		4,286	3,791
<b>Equity attributable to shareholders in parent company</b>		<b>7,997</b>	<b>7,668</b>
<b>Non-controlling interests</b>		<b>0</b>	<b>0</b>
<b>Total equity</b>		<b>7,997</b>	<b>7,668</b>
<b>Liabilities</b>			
Interest-bearing long-term liabilities	30,35,36	3,397	5,053
Other long-term liabilities	33,35	205	58
Deferred tax liabilities	14	562	492
Provisions for pensions	31,35	0	11
Other provisions	32	555	473
<b>Total long-term liabilities</b>		<b>4,719</b>	<b>6,087</b>
Interest-bearing current liabilities	30,35,36	3,368	3,470
Accounts payable	35,36	3,837	3,823
Tax liabilities		75	114
Invoiced income not yet recognized	27	4,234	6,095
Accrued expenses and deferred income		2,858	3,348
Other current liabilities	33,35	1,134	1,164
Provisions	32	163	136
<b>Total current liabilities</b>		<b>15,669</b>	<b>18,150</b>
<b>Total liabilities</b>		<b>20,388</b>	<b>24,237</b>
<b>Total equity and liabilities</b>		<b>28,385</b>	<b>31,905</b>

See note 39 for information about the Group's pledged assets and contingent liabilities.



MSEK	Equity attributable to shareholders in parent company						Profit brought forward including profit for the year	Total	Non-controlling interests	Total equity
	Share capital	Other contributed capital	Translation reserve	Fair value reserve	Hedging reserve					
Opening balance equity 2013-01-01	1,584	2,576	28	-104	-76	3,970	7,978	1	7,979	
<b>Comprehensive income for the year</b>										
Profit for the year						298	298		298	
Other comprehensive income for the year			-152	17	4		-131		-131	
<b>Comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-152</b>	<b>17</b>	<b>4</b>	<b>298</b>	<b>167</b>	<b>0</b>	<b>167</b>	
<b>Transactions with Group owners</b>										
<b>Contribution from, and value transferred to, owners</b>										
Dividends						-472	-472		-472	
Acquisition of non-controlling interests, previous controlling interests						-5	-5	-1	-6	
Total contribution from, and value transfers to, owners	-	-	-	-	-	-477	-477	-1	-478	
<b>Closing balance equity 2013-12-31</b>	<b>1,584</b>	<b>2,576</b>	<b>-124</b>	<b>-87</b>	<b>-72</b>	<b>3,791</b>	<b>7,668</b>	<b>0</b>	<b>7,668</b>	
<b>Opening balance equity 2014-01-01</b>	<b>1,584</b>	<b>2,576</b>	<b>-124</b>	<b>-87</b>	<b>-72</b>	<b>3,791</b>	<b>7,668</b>	<b>0</b>	<b>7,668</b>	
<b>Comprehensive income for the year</b>										
Profit for the year						1,027	1,027		1,027	
Other comprehensive income for the year			34	-97	-103	5	-161		-161	
<b>Comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>34</b>	<b>-97</b>	<b>-103</b>	<b>1,032</b>	<b>866</b>	<b>-</b>	<b>866</b>	
<b>Transactions with Group owners</b>										
<b>Contribution from, and value transferred to, owners</b>										
Dividends						-531	-531		-531	
Acquisition of non-controlling interests, previous controlling interests						-6	-6		-6	
Total contribution from, and value transfers to, owners	-	-	-	-	-	-537	-537	-	-537	
<b>Closing balance equity 2014-12-31</b>	<b>1,584</b>	<b>2,576</b>	<b>-90</b>	<b>-184</b>	<b>-175</b>	<b>4,286</b>	<b>7,997</b>	<b>0</b>	<b>7,997</b>	

CASH FLOW STATEMENT FOR THE GROUP

MSEK	Note	2014	2013
<b>Current operations</b>	43		
Pre-tax profit		1,230	383
Adjustments for non-cash items		1,407	826
Income tax paid		-39	-23
<b>Cash flow from current operations before working capital changes</b>		<b>2,598</b>	<b>1,186</b>
<b>Cash flow from changes in working capital</b>			
Increase (-) /Decrease (+) project and development properties		286	-1,351
Increase (-) /Decrease (+) inventories		18	-200
Increase (-) /Decrease (+) current receivables		3,188	28
Increase (+) /Decrease (-) current liabilities		-2,340	163
<b>Cash flow from changes in working capital</b>		<b>1,152</b>	<b>-1,360</b>
<b>Cash flow from current operations</b>		<b>3,750</b>	<b>-174</b>
<b>Investment operations</b>			
Acquisition of subsidiaries and businesses, net effect on liquid funds		-126	-123
Sale of subsidiaries and businesses, net effect on liquid funds		-	318
Acquisition of intangible fixed assets		-1	-2
Acquisition of tangible fixed assets		-515	-398
Sale of tangible fixed assets		174	174
Acquisition of financial assets		-1,162	-806
Sale of financial assets		683	1,635
<b>Cash flow from investment operations</b>		<b>-947</b>	<b>798</b>
<b>Cash flow before financing</b>		<b>2,803</b>	<b>624</b>
<b>Financing operations</b>			
Acquisition of non-controlling interests		-	-5
Raised bonds		-	453
Amortization of bonds		-498	-
Change of loans		-1,442	-648
Dividends distributed		-531	-472
<b>Cash flow from financing operations</b>		<b>-2,471</b>	<b>-672</b>
<b>Cash flow for the year</b>		<b>332</b>	<b>-48</b>
Cash at the beginning of the year		459	460
Exchange rate differences in cash		21	47
<b>Cash at year-end</b>		<b>812</b>	<b>459</b>

<b>MSEK</b>	<b>Note</b>	<b>2014</b>	<b>2013</b>
Net sales	3	237	105
Administrative expenses	9,10	-320	-172
<b>Operating profit</b>		<b>-83</b>	<b>-67</b>
<b>Result from financial investments</b>	12		
Result from participations in Group companies		-29	220
Result from securities and receivables recognized as fixed assets		-125	23
Interest expenses and similar loss items		-211	-214
<b>Result after financial items</b>		<b>-448</b>	<b>-38</b>
Appropriations	13	399	267
<b>Pre-tax profit</b>		<b>-49</b>	<b>229</b>
Tax	14	80	0
<b>Profit for the year</b>		<b>31</b>	<b>229</b>

**Report on comprehensive income for the parent company**

<b>MSEK</b>	<b>2014</b>	<b>2013</b>
<b>Profit for the year</b>	<b>31</b>	<b>229</b>
<b>Other comprehensive income</b>		
<b>Items that can be reclassified or have been reclassified as income for the year</b>		
Change for the year in fair value of financial assets available-for-sale	-88	26
<b>Other comprehensive income for the year</b>	<b>-88</b>	<b>26</b>
<b>Total comprehensive income for the year</b>	<b>-57</b>	<b>255</b>



MSEK	Note	2014	2013
<b>Assets</b>			
<b>Fixed assets</b>			
<b>Tangible assets</b>			
Machinery and equipment	16	1	1
<b>Total tangible assets</b>		<b>1</b>	<b>1</b>
<b>Financial assets</b>			
Participation in Group companies	41	11,894	13,173
Interest-bearing long-term receivables	20,35	28	194
Other securities held as fixed assets	21,35,36	223	289
Deferred tax recoverables	14	82	–
Other long-term receivables	22	–	1
<b>Total financial assets</b>		<b>12,227</b>	<b>13,657</b>
<b>Total fixed assets</b>		<b>12,228</b>	<b>13,658</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Accounts receivables	26,36	1	0
Receivables from Group companies	35	1,019	1,544
Other current receivables	22	5	2
Prepaid expenses and accrued income	28	5	5
<b>Total current receivables</b>		<b>1,030</b>	<b>1,551</b>
Liquid funds	35	0	8
<b>Total current assets</b>		<b>1,030</b>	<b>1,559</b>
<b>Total assets</b>		<b>13,258</b>	<b>15,217</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital		1,584	1,584
Statutory reserve		300	300
<b>Non-restricted equity</b>			
Share premium reserve		2,308	2,308
Special reserve		55	55
Fair value reserve		–182	–94
Profit brought forward		2,318	2,620
Profit for the year		31	229
<b>Total equity</b>	29	<b>6,414</b>	<b>7,002</b>
<b>Untaxed reserves</b>	42	<b>0</b>	<b>156</b>
<b>Long-term liabilities</b>			
Liabilities to Group companies	35	6,061	6,396
Other provisions	32	20	–
<b>Total long-term liabilities</b>		<b>6,081</b>	<b>6,396</b>
<b>Current liabilities</b>			
Accounts payable	35	20	7
Liabilities to Group companies	35	690	1,595
Tax liabilities		1	3
Other current liabilities	33	7	3
Accrued expenses and deferred income	34	45	55
<b>Total current liabilities</b>		<b>763</b>	<b>1,663</b>
<b>Total equity and liabilities</b>		<b>13,258</b>	<b>15,217</b>
<b>Pledged assets and contingent liabilities for parent company</b>			
Pledged assets		–	–
Contingent liabilities	39	21,615	21,464

MSEK	Restricted capital		Non-restricted capital					Profit for the year	Total equity
	Share capital	Statutory reserve	Share premium reserve	Special reserve	Fair value reserve	Profit/loss brought forward			
Opening balance equity 2013-01-01	1,584	300	2,308	55	-120	3,319	-227	7,219	
Profit for the year							229	229	
Other comprehensive income for the year					26			26	
<b>Total comprehensive income for the year</b>	-	-	-	-	26	-	229	255	
Allocation of profit						-227	227	0	
Cash dividends						-472		-472	
<b>Closing balance equity 2013-12-31</b>	<b>1,584</b>	<b>300</b>	<b>2,308</b>	<b>55</b>	<b>-94</b>	<b>2,620</b>	<b>229</b>	<b>7,002</b>	

Opening balance equity 2014-01-01	1,584	300	2,308	55	-94	2,620	229	7,002
Profit for the year							31	31
Other comprehensive income for the year					-88			-88
<b>Total comprehensive income for the year</b>	-	-	-	-	-88	-	31	-57
Allocation of profit						229	-229	0
Cash dividends						-531		-531
<b>Closing balance equity 2014-12-31</b>	<b>1,584</b>	<b>300</b>	<b>2,308</b>	<b>55</b>	<b>-182</b>	<b>2,318</b>	<b>31</b>	<b>6,414</b>

CASH FLOW STATEMENT FOR THE PARENT COMPANY

MSEK	Note	2014	2013
<b>Current operations</b>	43		
Pre-tax profit		-448	-38
Adjustments for non-cash items		1,464	-145
Income tax paid		-4	2
<b>Cash flow from current operations before working capital changes</b>		<b>1,012</b>	<b>-181</b>
<b>Cash flow from changes in working capital</b>			
Increase (-) /Decrease (+) current receivables		-3	12
Increase (+) /Decrease (-) current liabilities		-718	720
<b>Cash flow from changes in working capital</b>		<b>-721</b>	<b>732</b>
<b>Cash flow from current operations</b>		<b>291</b>	<b>551</b>
<b>Investment operations</b>			
Acquisition of financial assets		-29	-950
Sale of financial assets		1,458	1,602
<b>Cash flow from investment operations</b>		<b>1,429</b>	<b>652</b>
<b>Cash flow before financing</b>		<b>1,720</b>	<b>1,203</b>
<b>Financing operations</b>			
Change of loans		-1,197	-726
Dividends distributed		-531	-472
<b>Cash flow from financing operations</b>		<b>-1,728</b>	<b>-1,198</b>
<b>Cash flow for the year</b>		<b>-8</b>	<b>5</b>
Cash at the beginning of the year		8	3
<b>Cash at year-end</b>		<b>0</b>	<b>8</b>



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## Note 1 Accounting principles

### 1 Compliance with standards and legislation

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

8 The accounting principles given below for the Group have been  
9 applied consequently for all the periods presented in the consolidated  
10 financial reports, if not otherwise stated. The Group's accounting  
11 principles have been applied consequently for reports and the consolida-  
12 tion of the parent company, subsidiaries and joint arrangements in the  
13 consolidated financial reports.

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

17 The annual report and the consolidated accounts have been  
18 approved of by the Board and CEO for publication on 1 April 2015.  
19 The consolidated income statement and balance sheet and the parent  
20 company's income statement and balance sheet will be presented for  
21 adoption by the AGM on 13 May 2015.

### 22 Valuation basis applied for preparation of the parent 23 company and group financial reports

24 Assets and liabilities are reported at historical acquisition values  
25 except for certain financial assets and liabilities which are assessed  
26 at fair value. Financial assets and liabilities valued at fair value consist  
27 of derivatives and shares and holdings that are not reported as sub-  
28 sidiaries or joint arrangements.

### 29 Functional currency and reporting currency

30 The parent company's functional currency is the Swedish crown,  
31 which is also the currency in which the accounts of the parent com-  
32 pany and the Group are reported. Unless otherwise indicated all  
33 amounts are rounded off to the nearest million.

### 34 Estimates and assessments in the financial reports

35 Preparing the financial reports requires on the one hand making  
36 assessments concerning the application of the accounting policies  
37 and on the other hand estimating the value of assets, liabilities, reve-  
38 nues and costs. Estimates and assumptions are based on historical  
39 experience and other factors considered relevant and reasonable.  
40 Estimates and assumptions are regularly reviewed and compared to  
41 the actual outcome. Important assessments are described in more  
42 detail in note 2.

### 43 Changed accounting principles

44 In essence the accounting principles, computations and presentation  
are the same as in the Annual Report 2013, with the exception of the  
change in reporting joint ventures and so-called joint operations. As  
of 1 January 2014 Peab applies the new standard IFRS 11 Joint  
arrangements. As a result a few joint ventures have been reclassified  
as joint operations. Joint operations are reported according to the  
proportional method which means each party in a joint operation re-  
cognizes their respective interest in assets, liabilities, income and  
expenses. Joint ventures will continue to be reported according to the  
equity method. The effect of the amended standard on individual bal-  
ance sheet and profit/loss items was marginal. The new standard has  
been applied retroactively. For the year of 2013 net sales increased  
by SEK 32 million and total assets by SEK 54 million.

The new IFRS 10 Consolidated financial statements, deals with  
when entities must be consolidated and replaces corresponding  
parts of the previous IAS 27. The new standard was applied as of 1  
January 2014 but has had no effect on Group accounting.

As of 1 January 2014 Peab also applies IFRS 12 Disclosure of  
interests in other entities. For Peab this has entailed more disclosures  
concerning joint ventures and joint operations.

Other new standards have not had any effect on Group accounting.

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

The Group has chosen not to prematurely apply new standards or  
interpretations when preparing these financial reports and plans no  
premature application in the coming years.

IFRIC 21 Levies, provides guidance on different kinds of levies gov-  
ernments impose on a company and when an obliging event that  
requires debt recognition occurs. The Interpretation will be applied as  
of 2015 and as a result a debt for property tax will be reported in its  
entirety on the 1st of January every year. Recognition, however, will  
take place progressively throughout the year. The change in the  
principal means total assets will increase marginally during the year  
but not at the end of it.

IFRS 15 Revenue from contracts with customers will be applied as  
of 2017 and replaces the current IAS 18 Revenue and IAS 11 Con-  
struction contracts. According to IFRS 15 all performance obligations  
must be identified in a contract with customers and the transaction  
price fixed for each performance obligation. Revenue from perfor-  
mance obligations is recognized progressively or at a single point in  
time. Peab is currently analyzing the effects this standard may have  
on the Group's result and position as well as how to meet the pres-  
entation demands.

IFRS 9 Financial instruments, will replace IAS 39 Financial instru-  
ments: Recognition and measurement, as of 2018. IFRS 9 deals with  
classification and valuation of financial assets and financial liabilities  
and hedging accounting. IFRS 9 has not yet been approved for appli-  
cation by the EU and therefore cannot be applied in advance. Peab  
has chosen to wait before making a consequence analysis.

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

### Operating segments

An operating segment is an entity in the Group that engages in busi-  
ness activities from which it may earn revenues and incur expenses  
and for which discrete financial information is available. An operating  
segment's results are reviewed by the company's highest decision  
maker in order to assess its performance and to be able to allocate  
resources to the segment. Segment information is provided for the  
Group only.

### Classification

Fixed assets, long-term liabilities consist of amounts which may be  
expected to be recovered or defrayed later than 12 months after the  
balance sheet date. Current assets and current liabilities consist of  
amounts which may be expected to be recovered or defrayed within  
12 months of the balance sheet date.

### Consolidation principles

#### Subsidiaries

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

Business combinations are recognized using the purchase account-  
ing method, under which acquisitions of subsidiaries are regarded as  
transactions through which the Group indirectly acquires the assets  
of the subsidiary and takes over its liabilities. The consolidated acqui-  
sition value is calculated in an acquisition analysis in conjunction with  
the acquisition. The analysis establishes the acquisition value of the  
participations or the business, the fair value on acquisition date of the  
acquired identifiable assets and the liabilities taken over.

Goodwill is calculated as the sum of transferred reimbursement,  
any non-controlling interest and the fair value of previously acquired  
shares (in step acquisitions) less the fair value of the subsidiary's  
identifiable assets and overtaken liabilities. Where the difference is  
negative this is recognized directly in profit/loss for the year. Transac-  
tion costs for business combinations are charged immediately upon  
acquisition.

Conditional consideration is 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 owners of non-controlling interests 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 princi-  
ple is made for each acquisition individually.

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

If partial disposal of a subsidiary results in the loss of control any residual holding is recognized at fair value and the amount of the change is recognized in profit/loss.

When acquisitions of subsidiaries involve the acquisition of net assets which do not comprise operations, the acquisition cost of each identifiable asset and liability is divided up based on its fair value at the time of acquisition. When assets are acquired the transaction costs are added to the purchase price of the acquired net assets.

The financial reports of subsidiaries are recognized in the consolidated accounts from the date the controlling influence arises and remain in the consolidated report until the date it ceases.

#### **Joint ventures**

For accounting purposes, joint ventures are entities where the Group through cooperation agreements with one or more partners exercises a joint controlling influence, where the Group has the right to net assets instead of direct right to assets and obligations for liabilities.

In the consolidated accounts participations in associated companies and joint ventures are recognized in accordance with the equity method. The equity method means that the booked value of shares in the associated company or joint venture 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 holdings after tax and minorities adjusted for depreciation, write-downs or dispersal of acquired deficit and surplus values are recognized in consolidated profit/loss. Received dividends reduce the booked value of the investment.

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

#### **Joint operations**

Joint operations, usually run as a company, are joint arrangements where Peab and one or more partners are 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 reported 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 influence over operating and financial control usually through shareholdings of between 20 and 50 percent. From the date on which the significant influence is assumed, participations in affiliated companies are recognized in consolidated accounts in accordance with the equity method. For a description of the equity method, see Joint Ventures above.

#### **Transactions which must be eliminated upon consolidation**

Intra-group receivables and liabilities, revenues or costs or unrealized gains or losses stemming from intra-group transactions between Group companies 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 participation in the company. Unrealized losses are eliminated in the same way as unrealized gains but only to the extent there is no write-down requirement. When subsidiaries become joint ventures or associated companies the residue holding is remeasured to fair value according to the principles above concerning presentation when controlling influence 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 surroundings where the company operates. 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 historical acquisition value are converted at the exchange rate applying at the time of the transaction. Non-monetary assets reported at fair value

are recalculated to the functional currency at the exchange rate current at the time of valuation at fair value.

#### **The financial reports of foreign business**

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 crowns, at the exchange rate applying on balance sheet day. Earnings and costs in a foreign entity are converted to Swedish crowns at an average rate approximating to the rates applying 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.

#### **Income**

##### **Construction contracts**

Current construction contracts are reported in accordance with IAS 11, Construction contracts. Income and expenses must be recognized as the contract is completed. This principle is known as the percentage of completion method. Income and expenses are recognized in profit and loss in proportion to the percentage completion of the contract. The percentage completion of the contract is determined based on the defrayed project costs compared to the project costs corresponding to the project income for the whole contract. The application of the percentage of completion method is prerequisite on it being possible to calculate the outcome in a reliable manner. In case of contracts where the outcome cannot be reliably calculated, income is calculated in proportion to the costs defrayed. Feared losses are charged to income as soon as they become known.

In the balance sheet, construction contracts are entered project by project either as Recognized but non-invoiced income under current assets or as Invoiced income not yet recognized under current liabilities. Those projects with higher accumulated income than invoiced are recognized as assets whilst those projects which have been invoiced in excess of the accumulated income are recognized as liabilities.

Swedish tenant-owned housing projects are reported according to IAS 11 Construction contracts, which entails applying the percentage of completion method based on the degree to which the project is completed through expenses that have occurred in relationship to the project's calculated total cost. A contract is drawn up which regulates the sales of land and construction of the property with the tenant-owned association, which is an independent legal entity.

##### **Own developed housing projects for sales**

In Peab's housing projects in Finland and Norway as well as our own home developments in Sweden Peab does not have an external independent other party at the start of a project, which means that the projects are reported according to IAS 18 Revenue and income from these projects is recognized first when the projects are handed over to the buyer. Expenses are recognized as work-in-progress in the balance sheet. On account invoices to customers are reported as non-interest-bearing liabilities, and loans to finance housing projects are reported as interest-bearing liabilities.

##### **Sales of property projects**

The underlying sales value of property projects directly or that are sold in the form of a company via shares is recognized as net sales.

##### **Other income**

Other income excluding construction contracts is recognized in accordance with IAS 18 Revenue. Income from the sale of goods is recognized in profit/loss for the year when the material risks and benefits associated with ownership of the goods has been transferred



to the buyer. Crane and machinery hire income is recognized linearly over the hiring period.

### **Government grants**

Government grants are recognized in the balance sheet as government receivables when it is reasonably certain that the contribution will be received and that the Group will meet the requirements for the grant. Grants are amortized systematically in profit/loss for the year as cost reductions in the same way and over the same periods as the costs that the grants are intended to offset. Government grants related to assets are recognized as a reduction in the recognized value of the asset.

### **Leasing**

#### **Operational leasing agreements**

Expenses for operational leasing agreements where the Group is the lessee are recognized linearly in profit/loss for the year over the leasing period. Benefits obtained from the signing of an agreement are recognized linearly in profit/loss for the year over the term of the leasing agreement. Variable costs are expensed in the periods they occur.

Revenues relating to operational leasing agreements where the Group is the lessor are recognized in a straight line over the life of the lease agreement. Costs arising from leasing agreements are recognized as they arise.

#### **Financial leasing agreements**

Minimum leasing charges are divided between interest costs and amortization of the outstanding debt. Interest costs are distributed over the leasing term such that an amount corresponding to a fixed interest rate for the debt accounted in the respective period is recognized in each accounting period. Contingent rents are carried as expenses in the periods it occurs.

### **Financial income and expenses**

Financial income and expenses consist of interest income on cash at bank, receivables and interest-bearing securities, interest expenses on loans, dividend revenues, realised and unrealised gains and losses on financial investments and 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 discount rate for estimated future payments and disbursements during the expected life of a financial instrument to the financial asset's or liability's net book value. Interest income and interest expenses include accrued transaction costs and possible discounts, premiums and other differences between the original value of the receivable or liability and the amount received when it falls due.

Dividend income is recognized when the right to payment is established.

The results of sales of financial investments are recognized when the risks and benefits associated with ownership of the instrument are materially transferred to the buyer and the Group no longer has control of the instrument.

Interest costs are charged to income during the period to which they refer except to the extent that they are included in that 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. Interest rate swaps and hedge accounting 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 in profit/loss for the year as a correction of the interest expense. Unrealized changes in the fair value of rate swaps are recognized in other comprehensive income and are part of the hedging provision until the hedged item affects profit/loss for the year and as long as the criteria for hedge reporting is met.

### **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 equity, in which case the relevant tax is recognized in other comprehensive income respectively in equity.

Current tax is tax that must be paid or will be 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 resolved upon or in practice resolved upon on the balance sheet day.

Deferred tax is calculated according to the balance sheet method based on temporary differences between the accounted and tax values of assets and liabilities. Temporary differences are not taken into account for the difference generated by the recognition of groupwise goodwill nor for difference that occurred at first recognition of assets and liabilities which are not business combinations and which at the time of the transaction did not affect either recognized or taxable profits. Valuation of deferred tax is based on how the underlying value of assets or liabilities is expected to be realized or regulated.

When shares in subsidiaries are acquired such acquisition either refers to 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 as a nominally valid tax rate with no discount according to the principles presented above. When recognizing an asset purchase deferred tax is not recognized separately at the time of acquisition. Instead the asset is recognized at a purchase price equivalent to the asset's fair value after deducting a discount for deferred tax.

Deferred tax receivables relating to deductible temporary differences and loss carry-forwards are only recognized to the extent it is likely they can be exercised. The value of deferred tax receivables is reduced when it is no longer assessed they can be utilized.

### **Financial instruments**

On the assets side, financial instruments entered to the balance sheet include 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 in and removal from the balance sheet**

Financial assets and financial liabilities are entered to the balance sheet when the company becomes involved in accordance with the instrument's contractual terms. Accounts receivable are reported when the company has performed and the other party has a contractual responsibility to pay, even if the invoice has not yet been sent. Accounts receivable are entered into 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 of the agreement have been realized, fall due or the company loses control of them. The same applies to parts of financial assets. Financial liabilities are removed from the balance sheet when contractual obligations are discharged or have been otherwise extinguished. The same applies to parts of financial liability.

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

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

#### **Classification and valuation**

Financial instruments are initially recorded at acquisition value corresponding to the instrument's fair value with the addition of transaction costs for all financial instruments except for those classified as financial assets, which are recognized at fair value in profit for the year which are recorded minus transaction costs. Financial instruments are classified upon first recognition based on the purpose for which the instrument was acquired. Classification determines how financial instruments are valued after first recognition as described below.

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

#### **Financial assets valued at fair value via profit/loss**

Financial assets in this category are constantly valued at fair value

with value changes recognized in profit/loss for the year. This category consists of two sub-groups: financial assets held for trading and other financial assets which the company initially chooses to place in this category with the support of the so called fair value option. The first sub-group includes derivatives with positive fair value except for derivatives which are identified and effective hedge instruments. The other sub-group, "fair value option", is not currently being used.

#### **Financial assets available for sale**

Included in the category financial assets available for sale are financial assets not classified in any other category or financial assets that the company has chosen to initially classify in this category. Shareholdings and participation not recognized at fair value via profit and loss, and which are not subsidiaries, associated companies or joint ventures, are reported in this category. Assets in this category are valued at fair value with the changes in value for the period reported in other comprehensive income. Accumulated changes in value are reported in a separate component of equity. Received dividends and write-downs are reported in profit/loss for the year. When the asset is divested the accumulated profit/loss, which was previously reported in other comprehensive income, is reported in profit/loss for the year.

#### **Loans and receivables**

Loans and receivables are financial assets which are not derivatives with fixed payments or with payments which can be determined and which are not listed in an active market. These assets are valued at amortized cost. Accounts receivable are recognized at the estimated impact amount, i.e. after deduction of distressed debts.

#### **Financial liabilities valued at fair value via profit/loss**

Financial liabilities in this category are valued at fair value with the changes in value reported in profit/loss for the year. The Group uses this valuation category solely for valuing derivatives with negative fair value except for derivatives which are included in effective hedge instruments.

#### **Other financial liabilities**

Loans and other financial liabilities, e.g. accounts payable, are included in this category. Liabilities are recognized at accrued acquisition value.

#### **Derivates**

The Group's derivatives consist of interest rate, exchange rate and share derivatives utilised to hedge risks of changes in exchange rates, interest rate changes and changes in the fair value of shares. Derivatives not used for hedge accounting are classified as financial assets or financial liabilities held for trading and are valued at fair value. Value changes are recognized in profit/loss. The valuation method involves the discounting of future cash flows.

Derivatives are initially recognized at fair value, and consequently transaction costs are charged to profit/loss for the period. After first recognition derivatives are recognized as described below. If the derivative is used for hedge accounting and to the extent this is effective, the value change to the derivative is recognized on the same line in profit/loss for the year as the hedged item. Even if hedge accounting is not applied, the value gain or reduction to the derivative is recognized as income or expenses in operating profit or in net financials items depending on the purpose for which the derivative is used and whether its use relates to an operating item or a financial item. In hedge accounting, the non-effective part is recognized in the same way as value changes to derivatives that are not used in hedge accounting. If hedge accounting is not applied to the use of interest rate swaps, the coupon rate is recognized as interest and the remaining value change of the interest rate swap is recognized as other financial income or other financial costs.

The derivatives used to hedge future cash flow, so-called cash flow hedges, are recognized at fair value in the balance sheet. The value changes for the period are recognized in other comprehensive income and the accumulated value changes in a separate component of equity (the hedging reserve) until the hedged flow matches profit/loss for the year where upon the accumulated value changes of the hedge instrument are reclassified to profit/loss for the year.

Loans to foreign subsidiaries (extended investment) through investments in foreign subsidiaries have been to some extent financially

hedged through forward contracts. Hedge accounting has not been applied. These loans are recognized at the price on balance sheet day with exchange rate differences reported in other comprehensive income and derivatives are recognized at fair value according to the above.

Holdings of shares noted in foreign stock exchanges that are classified as financial assets available for sale have been hedged through forward exchange contracts. Hedging accounting has been used for these hedges by recognizing the translation effect from the translation of shares to the functional currency in profit/loss for the year instead of other comprehensive income. The translation effect is offset to the extent the hedge is effective by the changes in the fair value of the hedging instrument, which is also recognized in profit/loss for the year.

#### **Hedge accounting of net investments**

To a certain extent measures have been taken to reduce exchange risks connected to investments in operations abroad. This has been done by taking out loans in the same currency as the net investments. These loans are recognized at the translated rate on balance sheet day. The effective part of the period's exchange rate changes in relation to hedge instruments is recognized in 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 the cases where the hedge is not effective, the ineffective part is recognized directly in profit for the year as a financial item.

#### **Tangible fixed assets**

##### **Owned assets**

Tangible fixed assets are recognized in consolidated accounts at acquisition value minus accumulated depreciation and amortization 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 utilisation in accordance with the purpose of the acquisition. Borrowing costs are included in the acquisition value of internally produced fixed assets according to IAS 23. The accounting principles applying to impairment loss are listed below.

The value of a tangible fixed asset is derecognized from the balance sheet upon scrapping or divestment or when no future financial benefits are expected from the use or scrapping/divestment of the asset. Gains and losses arising from divestment or scrapping of an asset consist of the difference between the sale price and the asset's booked value minus direct costs of sale.

##### **Leased assets**

Leasing is classified in the consolidated accounts either as financial or operating leasing. Financial leasing applies in circumstances where the financial risks and benefits associated with ownership are substantially transferred to the lessee. Where such is not the case, the leasing contract is operational.

Assets which are rented under financial leasing agreements are recognized as assets in the consolidated balance sheet. Payment obligations associated with future leasing charges have been recognized as long-term current liabilities. The leased assets are depreciated according to plan while leasing payments are entered under interest and amortization of liabilities.

Assets which are rented under operational leasing agreements have not been recognized as assets in the consolidated balance sheet. Leasing charges for operational leasing agreements are charged to income in a straight line over the life of the lease.

Assets which are rented out under financial leasing agreements are not recognized as tangible fixed assets since the risks and opportunities connected to ownership of the assets are transferred to the lessee. A financial receivable referring to future minimum leasing fees is reported instead.

##### **Future expenses**

Future expenses are only added to the acquisition value if it is likely that the future financial benefits associated with the asset will benefit the company and the acquisition value can be reliably estimated. All other future expenses are recognized as costs as they arise.

**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 activated provided that it is probable that they will result in future financial benefits and the costs can be reliably measured.

**Depreciation principles**

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

Buildings (operating buildings)	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.

**Real estate**

Group real estate holdings are divided as follows:

- Buildings and land entered under tangible fixed assets
- Project and development properties as inventories among current assets

Properties used in the Group's own operations consisting of office buildings and warehouses (operational buildings) are entered as buildings and land under tangible fixed assets. Valuation is made in accordance with IAS 16, Tangible fixed assets, at acquisition value deducted for accumulated depreciation and possible write-downs.

Direct and indirect holdings of undeveloped land and redeveloped tracts for future development, developed investment properties for project development, improvement and subsequent sale and which are expected to be realized during our normal operational cycle are entered as project and development property under current assets. Valuation is made in accordance with IAS 2, Inventories, at the lowest of either acquisition value or net sales value.

**Intangible assets****Goodwill**

Goodwill refers to the difference between the acquisition value of a business and the fair value of acquired identifiable assets and assumed liabilities.

Goodwill is value 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 affiliated companies is included in the recognized value of participations in joint ventures and affiliated companies.

In the case of business acquisitions which are less than the net value of the acquired assets and the assumed liabilities, the difference is recognized directly in profit for the year.

**Research and development**

Research costs intended to acquire new scientific or technological knowledge are reported as costs as they arise. Development costs where the results of research or other knowledge is applied to the production of new or improved products or processes are reported as an asset in the balance sheet if the product or process is technically or commercially useful and the company has adequate resources for completing development and then applying or selling the intangible asset. The recognized value includes all directly attributable expenses, including for materials and services, payroll costs, the registration of legal rights, depreciation of patents and licences, borrowing costs. Other development costs are reported in profit for the year as costs as they arise. Development costs are recognized in the balance sheet at acquisition value minus accumulated depreciation and possible write-downs.

**Other intangible assets**

Other intangible assets acquired by the Group are recognized at acquisition value minus accumulated depreciation, amortization and write-downs. Costs defrayed for internally generated goodwill and internally generated brands are reported in profit for the year as the costs arise.

**Depreciation policies**

Depreciation is linearly recognized in profit for the year over the estimated useful life of the intangible asset provided the useful life can be determined. Goodwill and other intangible assets with an indeterminate useful life is tested for the need for write-down 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	5-10 years
Customer relations	3-5 years
Site leasehold agreements	During the term of the agreement

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

**Inventories**

Inventories are valued at the lowest of acquisition value and net sale value. The acquisition value of stocks are calculated using the first-in, first-out method and include expenses arising with the acquisition of the stock assets and their transport 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 sale price in the current business minus estimated costs of completion and bringing about the sale.

**Impairment loss**

The recognized value of Group assets is checked each balance sheet day to assess whether there is a write-down requirement. IAS 36 is applied to the testing of write-down requirements for other assets besides;

- Financial assets which are tested in accordance with IAS 39
- Assets for sale and divestment groups recognized which are tested in accordance with IFRS 5
- Inventories
- Plan assets used for financing of remuneration to employees
- Deferred tax receivables.

The recognized value of the above-mentioned excepted assets is tested applying the respective standards.

**Impairment test of tangible and intangible assets and participation in subsidiaries, joint ventures, associated companies etc.**

If write-down requirements are indicated, the recovery value of the asset is estimated in accordance with IAS 36. Moreover, the recovery value of goodwill, other intangible assets of indeterminate useful life and intangible 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 write-down needs the assets are grouped at the lowest level where it is possible to identify materially independent cash flow – a so-called cash-generating unit.

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

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

**Impairment test for financial assets**

Each time reports are drawn up the company assesses whether there are objective indications that a financial asset or a group of financial assets need to be written down. Objective indications partly consist of



occurred observable circumstances which have a negative impact on possibilities of recovering the acquisition value and partly on significant or lengthy decreases in the fair value of an investment in a financial placing classified as a financial asset available for sale.

Accounts receivable that need to be written down are reported as the present value of the anticipated future cash flows. Current receivables are, however, not discounted. Write-downs charge profit for the year.

Equity instruments classified as financial instruments available for sale are written down if the fair value is significantly lower than the acquisition value, or when the decline in value has been a long, drawn out process.

When an equity instrument classified as a financial instrument available for sale is written down, previously reported accumulated profit or loss in equity via other comprehensive income is reclassified to profit/loss for the year. The amount of accumulated loss that is reclassified from equity via other comprehensive income to profit/loss for the year consists of the difference between the acquisition cost and the current fair value after reductions for any write-downs on a financial asset which has already been reported in profit/loss for the year.

#### **Reversed write-downs**

A write-down is reversed if there are both indications that write-down requirements no longer exist and assumptions upon which the calculation of the recovery value were based 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 necessary if write-down had not been made.

Write-downs of investments held to maturity or loans and receivables recognized at amortized cost are reversed if a subsequent rise in the recovery value may objectively be attributed to a circumstance occurring after write-down was made.

Write-downs of equity instruments classified as financial instruments available for sale are reversed via other comprehensive income and not via profit/loss for the year. All revaluations that follow are based on the written down value and are reported in other comprehensive income.

#### **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.

##### **Dividends**

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

##### **Earnings per share**

The calculation of earnings per share is based on consolidated profit for the year attributable to the shareholders of the parent company and on the weighted average number of outstanding shares during the year. When calculating earnings per share after dilution, profit and the average number of shares are adjusted to allow for the effects of the diluting potential of shares which in the reported periods stem from convertible certificates of claim and options issued to the employees. Earnings per share after dilution are calculated by increasing the number of shares with the total number shares the convertibles represent and increasing profit with the reported interest cost after tax.

#### **Employee benefits**

##### **Defined contribution pension plans**

Pension plans are only classified as defined contribution pension plans where the company's obligations are limited to the contributions the company has undertaken to pay. In such cases the size of an employee's pension depends on the contributions the company pays to the plan or to the insurance company and the return on capital produced by the contributions. Consequently, the employees bear the actuarial risk (that payments will be lower than expected) and the investment risk (that the invested assets will not be adequate to produce the expected return). The company's obligations concerning

contributions to defined contribution plans are expensed in profit for the year as they are earned by the employee performing work for the company during the period.

##### **Defined benefit pension plans**

The Group's defined benefit plans consist of the Swedish ITP Plan for Salaried Staff which is managed through insurance with Alecta, pension plans for a small number of executive personnel in Norway and the AFP pension in Norway.

The Group's recognized net obligations relating to defined benefit plans refer to Norwegian pension plans and are calculated separately for each plan through an assessment of the future payments which employees have earned through their employment both during the present and previous periods. Such payment is discounted to a net present value deducted for the fair value of any plan assets.

The discount rate is the market rate of Norwegian company bonds extrapolated to a period equivalent to that of the pension obligations. Calculations of pension liabilities are performed by a qualified actuary.

Net interest costs/income on defined benefit plan obligations after deductions for attributable plan assets are recognized in profit/loss for the year under net financial items. Net interest is based on the interest generated by discounting net obligations, i.e. interest on pension obligations minus plan assets. Remeasurement effects consist of actuarial gains and losses, the difference between actual yields on plan assets and the amount included in net interest and any changes in the effects of asset limitations (excluding interest included in net interest). Remeasurement effects are recognized in other comprehensive income.

##### **Remuneration upon resignation or dismissal**

A reserve 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. Reserves are made for severance compensation which will be paid without requiring any service from the employee.

##### **Short-term remuneration**

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

A provision is recognized for the expected costs of participations in profits and bonus payments when the Group has an applicable legal or informal obligation to make such payments for services received from employees and the obligations can be reliably estimated.

##### **Provisions**

Provisions are entered in the balance sheet when the Group is subject to an actual or informal legal obligation as a consequence of a circumstance occurring and it is likely that financial resources will be required to meet the obligation and a reliable estimate of the amount can be made.

##### **Guarantees**

Provisions for guarantees are recognized when the underlying products or services are sold. The provisions are based on historical data about the guarantees and a weighing up of the conceivable outcomes relative to the probabilities that the outcomes are associated with.

##### **Restoration costs**

Provisions are made for estimated restoration costs for rock and gravel quarries after operations are terminated. The provision increases with the quarried amount and is reversed after restoration is completed. The reserved amount is expected to be utilized successively following completion of quarrying.

##### **Contingent liabilities**

A contingent liability is recognized in accounts when there is a possible obligation attributable to events occurred, the occurrence of which can only be confirmed by one or more uncertain future events, 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.

**The parent company's 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 accounting principles are unchanged in 2014 compared to 2013.

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

Differences between the Group's and parent company's accounting principles are given below. The below stated accounting principles for the parent company have been applied consistently to all periods presented in the parent company's financial reports.

**Classification and design types**

The parent company's income statement and balance sheet are presented in accordance with the design in the Swedish Company Accounts Act. The difference to IAS 1 Design of financial reports which is applied to the design of the consolidated financial reports is primarily the reporting of financial income and expenses, fixed assets, equity and the presentation of provisions under a separate heading in the balance sheet.

**Subsidiaries and joint arrangements**

Participation in subsidiaries and joint arrangements are recognized in the parent company applying 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 related to shares in subsidiaries are recognized directly in profit and loss as they occur.

**Financial guarantees**

The parent company's financial guarantee agreements mainly consist of personal guarantees to the benefit of subsidiaries and joint ventures. The parent company recognises financial guarantee agreements as provisions in the balance sheet when the company has an obligation for which payment is likely to be required to adjust the obligation.

**Forestalled dividends**

Forestalled dividends from subsidiaries are recognized when the parent company alone is entitled to decide on the size of the dividend and the company has taken a decision on the size of the dividend before the parent company publishes its financial reports.

**Tangible fixed assets**

Tangible fixed assets in the parent company are recognized at acquisition value minus accumulated depreciation and any write-downs in the same way as for the Group but with the addition of possible write-ups.

**Leased assets**

All leasing agreements in the parent company are recognized according to the rules for operating leasing.

**Taxes**

Untaxed reserves including deferred tax liabilities are recognized in the parent company. On the other hand, in the Group accounts, untaxed reserves are divided between deferred tax liabilities and equity.

**Shareholder's contributions**

Shareholder's contributions are recognized directly in equity in the receiver and are activated in shares and participation in the provider wherever write-downs are not required.

**Group contributions**

Received and given group contributions are recognized as appropriations even though the group contribution has been given or received.

## 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 uncertainties that entail a risk that the value of assets or liabilities may be significantly adjusted in the coming fiscal year.

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 after tax, see the sensitivity analysis on page 27.

### Percentage of completion

Profit reported for contract projects in progress is calculated through a percentage of their completion based on the degree of completion of the project. This requires that project revenue and costs can be calculated in a reliable manner. A prerequisite is a well functioning system for calculation, forecasting and project monitoring. Forecasts of the final outcome of the projects are critical estimates crucial to accounting for the results of operations during the project. There is a risk that the final results of a project deviate from those that have been successively reported.

### Impairment tests of goodwill

Group's total goodwill amounts to SEK 1,736 million (1,715). 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. These are presented in note 15. As is apparent in the description in note 15 changes beyond what can reasonably be expected during 2015 of the conditions for these estimations and assessments could have a significant effect on goodwill. This risk is however very low since the recoverable values are for the most part higher than the reported values in those cases where goodwill values are substantial.

### Project and development property

Project and development property amounts to SEK 6,523 million (6,801). The booked value 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 reported values and write-downs may be required. For more information on Project and development property, see note 23.

### Disputes

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

### Taxes

Changes in tax legislation and changed praxis with regard to the interpretation of tax laws can have a considerable impact on the size of recorded deferred taxes. For more information on taxes, see note 14.

### Accounting principles

#### Tenant-owner projects in Sweden

Tenant-owner associations that Peab signs construction contracts with are autonomous and legal entities independent from Peab. Tenant-owner associations are tools members of the association can use to order, construct and manage a property and this is beneficial for the tenant-owners. Peab signs contracts regarding the sale of land and construction contracts with newly established tenant-owner associations as clients. The contracts are signed by the board in the tenant-owner association at the start-up of construction. No member of the board in the tenant-owner association represents Peab. Tenant-owner associations can influence the design of the buildings about to be constructed. A new obligatory financial plan is drawn up if changes are made that significantly affect the financial prerequisites. The contract gives the tenant-owner association normal client rights in relation to Peab. Our overall assessment is that the contracts meet the definition of a construction contract according to IAS 11.

Real estate agents handle the sales of the tenant rights through direct contracts with the tenant-owner associations. The individual home purchasers sign sub-contracts with the tenant-owner associations.

During construction the association finances the land and construction with two building loans, one where the association takes out a mortgage for the final financing and one that Peab stands surety for regarding the home purchasers' deposits.

The tenant-owner associations carry the entire value risk on the property.

In addition, Peab guarantees that it will acquire any apartments from the tenant-owner associations that remain unsold six months after the building is complete, which is a requirement from the certifiers, i.e. insurance companies and banks. This repurchase obligation is limited since tenant-owner associations do not sign construction contracts until most of the apartments are under contract with a home purchaser and, in our experience, generally do not represent high amounts. The few apartments bought by Peab are usually sold within a short period of time without any other costs than a few months of fees to the tenant-owner association. Reserves are made for possible estimated costs. No other guarantees or obligations are given to the tenant-owner association than the normal guarantees in conventional construction contracts.

### Other accounting standards and interpretations

New or changed accounting standards and interpretations of existing standards can lead to changes that wherein certain transactions in the future are handled differently than according to current praxis.

## Note 3 Income distributed by type

### Income distributed by main income type

MSEK	Group		Parent company	
	2014	2013	2014	2013
Income from contracting	36,347	37,187	–	–
Sales of goods	1,937	1,742	–	–
Sales of property developments	2,515	1,774	–	–
Crane, machine and vehicle rental	571	594	–	–
Transport services	1,671	1,515	–	–
Administrative services	–	–	236	105
Other	589	315	1	0
<b>Total</b>	<b>43,630</b>	<b>43,127</b>	<b>237</b>	<b>105</b>



## Note 4 Operating segment

Group business is divided into operating segments based on how the company's highest decision makers, i.e. executive management, follow the business.

The Group is reported in four business areas; Construction, Civil Engineering, Industry and Project Development. The business areas are also operating segments.

Segments are reported according to the percentage of completion in projects since that reflects the way executive management and the Board monitors operations. Peab applies IFRIC 15, Agreements for the construction of real estate, in legal accounting. IAS 18, Revenue, is applied for housing projects in Finland and Norway as well as our own home developments in Sweden. Revenue from these projects is first recognized when the home is handed over to the buyer. A bridge has therefore been created in segment reporting between operative reporting according to the percentage of completion method and legal reporting. For more information regarding principles for housing production, see note 1.

Business area Construction reports net sales and profit referring to the subcontractor part of our own housing, rental project developments and other property development projects to business area Project Development. Net sales and profit are reported according to the percentage of completion method. Net sales for both the general contractor part and the subcontractor part of our own housing developments are reported in business area Project Development. Reported profit is the result in the general contractor part reported according to the percentage of completion method. The underlying sales value of property projects on our own balance sheet that are sold in the form of a company via shares is recognized as net sales and the booked value is recognized as an expense on the balance sheet.

Internal net sales between business area Construction and business area Project Development regarding the construction cost of our own housing developments are eliminated in consolidated reporting. Net sales and profit referring to the subcontractor part of property development projects on our own balance sheets are eliminated on Group level. Internal profit is returned when the project is divested.

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. The capital employed in the business areas consists of the business area's total capital reduced by deferred tax receivables 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 interested in the realisation of the transactions. Segments' operating profit includes attributable items which can be reasonably and reliably allocated to the segments. Non-allocated items consist of financial income and expenses, and taxes.

### Segments

The Group consisted during 2014 of following business areas;

- **Construction:** Business area Construction comprises Group resources in construction related services. Construction builds for external customers and internally, primarily for business area Project Development. Operations are run through 11 regions in Sweden, two in Norway and two in Finland. Three of the Swedish regions are focused on housing production. These are in Stockholm, Gothenburg and the Öresund region. Construction maintenance operations are run in a nationwide region primarily focused on the big city areas. The other regions do all kinds of construction in their geographic areas.
- **Civil Engineering:** Business area Civil Engineering works with the construction of larger infrastructure and civil engineering projects 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, Norway and Finland. Customers are the Swedish Transport Administration, municipalities and local businesses.
- **Industry:** Business area Industry is run in seven product segments; Asphalt, Concrete, Gravel and rock, Transportation and machines, Rentals, Foundations and Industrial construction. All of them work on the Nordic construction and civil engineering markets. Customers are mainly Nordic construction and civil engineering companies.
- **Project Development:** Business area Project Development comprises Peab's developments in housing and property. The business is run in two segments, 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 property in the Nordic region. The business includes projects in wholly owned and partly owned companies. Partly owned companies consist of, among other things, Peab's ownership in Tornet (ownership of apartments for rent), in Centur (ownership and development of commercial property) and in companies connected to the development of Arenastaden in Solna. Wholly owned subsidiaries and projects consists of a number of holdings that include everything from land for development where zoning is being worked out to completed projects ready for sale. Net sales and operating profit from operations are derived from running our wholly owned property, shares in the profit from partly owned companies and joint ventures as well as capital gains from the divestiture of completed property and shares in partly owned companies.

Other operations are reported under Group Functions and consist of central companies and group functions.

Group 2014	Con- struction	Civil Engi- neering	Industry	Project Develop- ment	Group functions	Elimination	Total operative for the Group <sup>1)</sup>	Adjustment for different accounting principles for housing production <sup>2)</sup>	Group
<b>MSEK</b>									
External sales	19,505	8,711	7,332	7,740	78	454	43,820	-190	43,630
Internal sales	4,969	1,247	3,498	90	745	-10,549	0		0
<b>Total income</b>	<b>24,474</b>	<b>9,958</b>	<b>10,830</b>	<b>7,830</b>	<b>823</b>	<b>-10,095</b>	<b>43,820</b>	<b>-190</b>	<b>43,630</b>
Operating costs	-23,923	-9,667	-10,169	-7,492	-891	10,053	-42,089	159	-41,930
Profit from participation in associated companies and joint ventures			-42				-42		-42
Other operating income	6	40	62	5	0		113		113
Other operating costs	-5	0	-10	-1	-3		-19		-19
<b>Operating profit</b>	<b>552</b>	<b>331</b>	<b>671</b>	<b>342</b>	<b>-71</b>	<b>-42</b>	<b>1,783</b>	<b>-31</b>	<b>1,752</b>
<b>Operating margin, %</b>	<b>2.3</b>	<b>3.3</b>	<b>6.2</b>	<b>4.4</b>			<b>4.1</b>		<b>4.0</b>
Financial income									122
Financial expenses									-634
Profit from participation in joint ventures									-10
<b>Pre-tax profit</b>									<b>1,230</b>
Tax									-203
<b>Profit for the year</b>									<b>1,027</b>
Depreciation	-17	-32	-652	-14	-12				-727
Write-downs	-5	-15	-30	-67					-117
Significant non-cash items in addition to depreciation and write-downs that are not related to payments	49		-73	-80	-50				-154
Capital employed on 31 December	-1,032	-237	5,257	10,646		128 <sup>3)</sup>			14,762

Group 2013	Civil Engineering		Project Development		Group Functions		Total operative for the Group <sup>1)</sup>	Adjustment for different accounting principles for housing production <sup>2)</sup>	Group
MSEK	Construction	Industry	Group Functions	Elimination					
External sales	20,346	9,770	6,534	5,516	31	568	42,765	362	43,127
Internal sales	2,763	1,402	3,813	237	388	-8,603	0		0
<b>Total income</b>	<b>23,109</b>	<b>11,172</b>	<b>10,347</b>	<b>5,753</b>	<b>419</b>	<b>-8,035</b>	<b>42,765</b>	<b>362</b>	<b>43,127</b>
Operating costs	-23,663	-10,800	-9,776	-5,501	-573	8,021	-42,292	-341	-42,633
Profit from participation in associated companies and joint ventures		-1	14	-1			12		12
Other operating income	16	4	110	-3	1		128		128
Other operating costs	-1	-4	-14	-1			-20		-20
<b>Operating profit</b>	<b>-539</b>	<b>371</b>	<b>681</b>	<b>247</b>	<b>-153</b>	<b>-14</b>	<b>593</b>	<b>21</b>	<b>614</b>
<b>Operating margin, %</b>	<b>-2.3</b>	<b>3.3</b>	<b>6.6</b>	<b>4.3</b>			<b>1.4</b>		<b>1.4</b>
Financial income									239
Financial expenses									-472
Profit from participation in joint ventures									2
<b>Pre-tax profit</b>									<b>383</b>
Tax									-85
<b>Profit for the year</b>									<b>298</b>
Depreciation	-36	-39	-704	-16	-3				-798
Write-downs	-19	6	-10	-63					-86
Significant non-cash items in addition to depreciation and write-downs that are not related to payments	-420	30		-35	-75				-500
Capital employed on 31 December	-475	-151	5,301	11,376		151 <sup>3)</sup>			16,202

1) According to the percentage of completion method (IAS 11)

2) Adjustment in accounting principle for own single homes in Sweden as well as housing in Finland and Norway according to the completed contract method (IAS 18)

3) Non-allocated capital employed

#### Comments on the tables

A strong housing market has contributed to favorable development in the business areas in 2014. In connection with the extensive action plan for greater profitability carried out in 2013, a reservation of SEK -920 million was made in business area Construction. The reservation comprised assessed redundancy costs for personnel, value corrections of project properties, an updated assessment of the project result for Tele2 Arena as well as a review of the final cost forecasts in another three projects that were almost finished. Excluding the one-off costs, operating profit amounted to SEK 381 million and the operating margin was 1.6 percent in 2013. During 2014 business in Construction has gradually improved. In business area Civil Engineering net sales and profit fell due to a lower level of orders received. In business area Industry a contract was signed for the sales of shares in S:t Eriks in 2015, which has led to write-downs in the value of Peab's share by SEK 40 million. Business area Industry has also been affected by shutting down costs of SEK 33 million for Northland. The sales of Varvsstaden in Malmö and an overhaul of the values in the project portfolio in Project Development had a positive effect on operating profit of SEK 100 million. Financial costs include write-downs of interest receivables worth SEK 261 million related to Northland.

#### Geographic areas

Income from external customers is grouped in geographic areas according to where customers are located. Information concerning intangible and tangible assets is based on geographic areas grouped according to where assets are located.

Group MSEK	Sweden		Norway		Finland		Other markets		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
External sales	35,940	35,098	4,945	4,960	2,714	3,054	31	15	43,630	43,127
Intangible and tangible fixed assets	4,911	5,080	682	653	276	293	-	-	5,869	6,026

Parent company MSEK	Group functions		Sweden	
	2014	2013	2014	2013
Net sales	237	105	237	105

## Note 5 Business combinations

### 2014

In 2014 Peab acquired 100 percent of Firkanten Eiendom AS and operations at Karlstads Väglljus, Glacell and 3-B Tomas Pumpare.

The above acquisitions in 2014 individually do not have any material acquisition effect from a Group perspective and the information on acquisition effects is therefore given collectively.

In the period after acquisition the above subsidiaries contributed SEK 21 million to Group income and SEK 0 million to profit after tax in 2014. If the acquisitions had taken place on 1 January 2014, the combined effect of these acquisitions on Group income would have been SEK 253 million and on profit for the year after tax by SEK 31 million.

#### Effects of acquisitions in 2014

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

#### The acquired companies' net assets at the time of acquisition:

MSEK	2014
Intangible fixed assets	41
Tangible fixed assets	23
Financial fixed assets	7
Deferred tax receivables	1
Project and development property and inventories	52
Accounts receivable and other receivables	43
Liquid funds	22
Interest-bearing liabilities	-13
Deferred tax liabilities	-13
Accounts payable and other current liabilities	-39
<b>Net identifiable assets and liabilities</b>	<b>124</b>
Group goodwill	24
<b>Consideration transferred</b>	<b>148</b>

Goodwill consists of, among other things, 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.

Transaction costs connected to the acquisition amount to SEK 1 million and relate to consulting fees concerning due diligence. Transactions costs are reported in the income statement as sales and administrative expenses. Acquired receivables were SEK 43 million and consist mainly of accounts receivables. Total transferred compensation amounted to SEK 148 million. During the year the acquisition of assets also occurred through the acquisition of shares (asset acquisitions which are not operational) which resulted in a cash flow of SEK -43 million.

#### Acquisitions of non-controlling interests

In 2014 Peab acquired the remaining shares, 9.0 percent, in Telemark Vestfold Entreprenør AS. The company was previously consolidated to 100 percent using the Anticipated acquisition method, because there was a put/call option for the acquisition of the rest of the shares.

#### Acquisitions after the balance sheet date

There have been no acquisitions of importance in 2015.

#### 2013

In 2013 Peab acquired 100 percent of Vågab Hyrservice AB. This acquisition has no significant impact from a Group perspective.

Total transferred compensation amounted to SEK 2 million.

In the period after acquisition the above subsidiary contributed SEK 1 million to Group income and SEK 0 million to profit after tax in 2013. If the acquisition had taken place on 1 January 2013, the effect of this acquisition on Group income would have been SEK 5 million and on profit for the year after tax by SEK 1 million.

During the year, the acquisition of assets also occurred through the acquisition of shares (asset acquisitions which are not operational) which resulted in a cash flow of SEK -121 million.

## Note 6 Other operating income

Group MSEK	2014	2013
Capital gains from shares sold in Group companies/ joint ventures	3	11
Insurance compensation	12	20
Profit from sales of fixed assets	87	92
Exchange gains from receivables/liabilities relating to operations	4	2
Other	7	3
<b>Total</b>	<b>113</b>	<b>128</b>

## Note 7 Other operating costs

Group MSEK	2014	2013
Loss from sales of fixed assets	-7	-14
Exchange loss from receivables/liabilities relating to operations	-8	-2
Other	-4	-4
<b>Total</b>	<b>-19</b>	<b>-20</b>

## Note 8 Government grants

Government grants received as compensation for operating costs amounted to SEK 14 million (14) in 2014 and have reduced costs in the income statement.

## Note 9 Employees, personnel costs and remuneration to senior officers

### Payroll costs for employees

Group MSEK	2014	2013
Wages and remuneration	5,725	6,053
Pension expenses, defined benefit plans	0	0
Pension expenses, defined contribution plans	504	511
Social insurance costs	1,735	1,671
<b>Total</b>	<b>7,964</b>	<b>8,235</b>

### Average number of employees

	No. of employees 2014	Of were men 2014 percent	No. of employees 2013	Of were men 2013 percent
<b>Parent company</b>				
Sweden	113	49	46	50
<b>Subsidiaries</b>				
Sweden	11,127	90	11,613	90
Norway	1,247	91	1,373	91
Finland	687	86	758	88
Poland	2	50	2	50
<b>Total in subsidiaries</b>	<b>13,063</b>	<b>90</b>	<b>13,746</b>	<b>90</b>
<b>Total in Group</b>	<b>13,176</b>	<b>90</b>	<b>13,792</b>	<b>90</b>

### Gender distribution in the Board of Directors and executive management

	2014 Percentage of women	2013 Percentage of women
<b>Parent company</b>		
The Board of Directors	20%	18%
Other senior officers	33%	27%
<b>Group total</b>		
The Board of Directors	20%	18%
Other senior officers	17%	17%

### Salaries and other payments divided between senior officers and other staff, and social security costs

Group 2014 MSEK	Board of Directors and senior officers (13 persons) <sup>1)</sup>
Salary and remuneration (of which variable remuneration etc.)	23
Social security costs	23
- of which pension costs	9

Group 2013 MSEK	Board of Directors and senior officers (14 persons) <sup>2)</sup>
Salary and remuneration (of which variable remuneration etc.)	28
Social security costs	18
- of which pension costs	8

Parent company 2014 MSEK	Board of Directors and senior officers (10 persons) <sup>1)</sup>	Other employees	Total
Salary and remuneration (of which variable remuneration etc.)	14	85	99
Social security costs	16	64	80
- of which pension costs	5	22	27

Parent company 2013 MSEK	Board of Directors and senior officers (11 persons) <sup>2)</sup>	Other employees	Total
Salary and remuneration (of which variable remuneration etc.)	21	42	63
Social security costs	13	24	37
- of which pension costs	5	11	16

In the parent company variable remuneration has in certain cases been paid as a one-off pension premium to executive management for SEK 2 million (4). This part of variable remuneration is recognized in social security costs – of which pension costs.

#### Benefits for senior officers Remuneration and other benefits in 2014

Thousands, SEK	Basic salary/ Board remuneration	Variable remuneration	Other benefits	Pension costs	Total
Chairman of the Board, Göran Grosskopf	555				555
Vice Chairman of the Board, Mats Paulsson	3,020				3,020
<b>Other members of the Board</b>					
Karl-Axel Granlund	255				255
Lars Sköld	195				195
Fredrik Paulsson	195				195
Kerstin Lindell	195				195
Nina Udnes Tronstad	195				195
<b>Total related to Board of Directors from the parent company</b>	<b>4,610</b>				<b>4,610</b>
CEO, Jesper Göransson	4,839	1,059	94	2,411	8,403
Other senior officers, remuneration from the parent company <sup>3)</sup>	5,043	1,144	154	2,594	8,935
Other senior officers, remuneration from subsidiaries <sup>3)</sup>	8,187	1,816	190	3,505	13,698
<b>Total</b>	<b>22,679</b>	<b>4,019</b>	<b>438</b>	<b>8,510</b>	<b>35,646</b>
Remuneration from the parent company	14,492	2,203	248	5,005	21,948
Remuneration from subsidiaries	8,187	1,816	190	3,505	13,698

#### Benefits for senior officers Remuneration and other benefits in 2013

Thousands, SEK	Basic salary/ Board remuneration	Variable remuneration	Other benefits	Pension costs	Total
Chairman of the Board, Göran Grosskopf	555				555
Vice Chairman of the Board, Mats Paulsson	3,020				3,020
<b>Other members of the Board</b>					
Annette Brodin Rampe	195				195
Karl-Axel Granlund	255				255
Svante Paulsson	195				195
Lars Sköld	195				195
Fredrik Paulsson	195				195
Anne-Marie Pålsson	195				195
<b>Total related to Board of Directors from the parent company</b>	<b>4,805</b>				<b>4,805</b>
CEO up to and including March, Jan Johansson <sup>4)</sup>	4,907	–	73	1,306	6,286
CEO as of April, Jesper Göransson <sup>5)</sup>	3,844	1,327	101	1,652	6,924
Other senior officers, remuneration from the parent company <sup>3)</sup>	7,248	2,510	210	2,187	12,155
Other senior officers, remuneration from subsidiaries <sup>3)</sup>	6,880	2,296	172	2,611	11,959
<b>Total</b>	<b>27,684</b>	<b>6,133</b>	<b>556</b>	<b>7,756</b>	<b>42,129</b>
Remuneration from the parent company	20,804	3,837	384	5,145	30,170
Remuneration from subsidiaries	6,880	2,296	172	2,611	11,959

- 1) During 2014 the group senior officers was comprised of six senior officers, of which three officers were in the parent company.
- 2) The first half-year 2013 the group senior officers was comprised of seven senior officers, of which four officers were in the parent company. Thereafter the group senior officers was comprised of six senior officers, of which three officers were in the parent company.
- 3) Comprises the number of employees that during the year have received remuneration for the amount that was paid during the time they were senior officers.
- 4) Jan Johansson was the President and CEO from Jan-Mar 2013. Wages and pension premiums refer to this period and include his termination pay and earned but not yet paid out vacation pay as well as shortened working hours until September 2013.
- 5) Jesper Göransson became CEO and acting President as of April 2013. His wages for the period Jan-March 2013 amounted to SEK 720 thousand, his wages for the period April-Dec 2013 amounted to SEK 3,124 thousand. Pension premiums for the period Jan-March 2013 amounted to SEK 412 thousand and pension premiums for the period April-Dec 2013 amounted to SEK 1,239 thousand.

#### Comments on the tables

From time to time the CEO and other senior officers may be offered variable remuneration. Other benefits refer to company cars.

Pension costs refer to costs charged to the year. See note 31 for additional information about pensions. In 2014 the group senior officers consisted of six persons, of which three officers were in the parent company.

Jesper Göransson was appointed CEO and acting President of Peab on 25 March 2013 and on 20 August 2013 Jesper was appointed President and CEO of Peab. He succeeded Jan Johansson.

#### The Board of Directors

The 2014 AGM decided on a remuneration to external members of the Board of a maximum of SEK 4,610 thousand (4,805), of which SEK 495 thousand (495) consisted of remuneration to the Chairman of the Board. A remuneration of SEK 2,765 thousand, like last year, was decided as a special compensation to the Vice Chairman of the Board for his availability to the Group in matters concerning customers and the market. Remuneration to all members of the Board was a maximum of SEK 4,430 thousand (4,625), and SEK 180 thousand (180) for work in the remuneration and finance committees. During the year total remuneration amounted to SEK 4,610 thousand (4,805).

Remuneration is not paid to members of the Board who are permanent employees of the Group. There are no agreements on future pension/retirement remuneration or other benefits either for the Chairman of the Board of Directors or for other members of the Board.

#### Principles for the remuneration of senior officers

The group other senior officers is comprised of six senior officers who are members of executive management. The principles for remuneration of senior officers were adopted by the 2014 AGM.

Remuneration to the CEO and other senior officers consists of a fixed salary, any variable remuneration, 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 variable remuneration. Such variable remuneration may not exceed 60 percent of the regular salary and must above all be based on the pre-tax profit of the Peab Group. Variable remuneration is decided upon each financial year.

Variable remuneration is settled the year after being earned and may either be paid out as salary or as a one-off pension premium. If variable remuneration is paid out on a one-off basis certain adjustments are made so as to neutralize the total cost for Peab.

Notice on the part of Peab is a maximum of 24 months and senior officers are required to give a maximum of six months notice.

If a severance pay is paid the total remuneration for salary during the period of notice and severance pay may not exceed 24 monthly wages.

#### Variable remuneration

Variable remuneration for the CEO and other senior officers is related to meeting profit targets for the Group. Variable remuneration for the financial year 2014 was maximized at SEK 2,664 thousand (2,304) for the CEO and a total of SEK 7,452 thousand (8,244) for the other senior officers.



**The CEO**

The current CEO of Peab AB, Jesper Göransson, has in 2014 received wages and other remuneration, including benefits, for a total of SEK 4,933 thousand (3,945). In addition, he has received variable remuneration for 2014 of SEK 1,059 thousand (1,327). Pension premiums for the year were SEK 2,411 thousand (1,652).

Pension commitments for the CEO give him the right to pension from the age of 65. There is a supplementary commitment whereby the company or the CEO can trigger early retirement from the age of 62. Annual pension premiums of 47 percent of basic salary are paid for these commitments. These pensions are part of defined contribution plans.

Notice on the part of Peab is a maximum of 24 months and the CEO is required to give a maximum of six months notice.

If a severance pay is paid the total remuneration for salary during the period of notice and severance pay may not exceed 24 monthly wages.

**Other senior officers**

The term other senior officers refers to the five other persons in addition to the CEO that make up Peab's executive management. During the first half year of 2013, the group senior officers consisted of six persons. Thereafter the group of senior officers consisted of five persons. Salary and other remuneration including benefits for other senior officers amounted to SEK 13,574 thousand (14,510). Variable remuneration for 2014 for five persons in addition to the CEO that during the year were members of executive management amounted to SEK 2,960 thousand. For 2013 variable remuneration amounted to SEK 4,806 thousand for the five persons that were members of executive management.

Pension premiums paid out for other senior officers amounted to SEK 6,099 thousand (4,798) during the year.

Pension commitments for the other senior officers give them the right to pension from the age of 65. There is a supplementary commitment whereby the company or the other senior officers can trigger early retirement from the age of 62. Annual pension premiums of 47 percent of basic salary are paid for these commitments. These pensions are part of defined contribution plans.

If given notice by the company other senior officers are entitled to a maximum of two years' salaries deducted by salaries from new employers. The period of notice from senior officers is six months.

**Long-term incentive program (LTI program)**

From time to time, senior officers may be offered to participate in a LTI program.

During 2011 a LTI program was launched that stretched to the end of 2014 with annual reviews of Group targets. The program was offered to senior officers and key personnel in the Group. In order to participate senior officers must reserve at least 50 percent of their annual variable remuneration as a lump sum pension premium. Annual income from the LTI program was maximized at 40 percent of the fixed annual salary. Income from the LTI program and the annual variable remuneration are to be placed in a pension savings connected to the Peab share. The targets were not met in 2011-2014 and therefore no provisions were made for the LTI program.

A new LTI program has been launched for 2015-2017 with annual reviews of Group targets. The program is open to 500 of the Group's key employees. For senior officers and the CEO the upper limit is 40 percent of their fixed annual salary. For other positions the upper limit is 15-35 percent of their fixed annual salary, depending on their position. The result of the LTI program is either placed in pension savings connected to the Peab share or paid out as salary in 2018.

**Profit-sharing foundation**

In 2007, Peab founded a profit sharing foundation. The object of the profit sharing foundation is to create increased participation through employee co-ownership and to better our employees' financial situation after retirement. Individual shares in profits will be proportional to the employee's working hours. Upon retirement employees can withdraw their share in the foundation. Under the foundation's investment policy, its assets must be mainly invested in shares in Peab.

In 2014 Peab allocated SEK 62 million. This amount less payroll tax will be paid into the foundation in 2015. In 2013 Peab allocated SEK 33 million less payroll tax. Senior officers have not been entitled to benefits from the profit-sharing foundation.

**Note 10 Fees and cost remunerations to accountants**

MSEK	Group		Parent company	
	2014	2013	2014	2013
<b>KPMG AB</b>				
Auditing assignments	19	18	5	5
Other audit-related assignments	1	1	1	1
Other assignments	0	1	-	-
<b>Total</b>	<b>20</b>	<b>20</b>	<b>6</b>	<b>6</b>

Auditing assignments refer to examination of the annual report, accounting and administration by the Board of Directors and the CEO, other work which it is the business of the company accountant to perform and advice and other assistance stemming from observations made in connection with such examination of the performance of other similar work.

**Note 11 Operating costs divided by type**

Group MSEK	2014	2013
Material	9,341	9,123
Subcontractors	11,156	11,779
Personnel expenses	9,513	9,675
Other production costs	10,130	10,496
Depreciation	727	798
Write-downs	117	86
Other operating costs	946	676
<b>Total</b>	<b>41,930</b>	<b>42,633</b>

**Note 12 Net financial income/expense**

Group MSEK	2014	2013
Interest income <sup>1)</sup>	110	136
Dividends received related to financial assets valued at fair value	1	10
Net profit related to financial assets valued at fair value (fair value option)	-	3
Change in value of cash flow hedges transferred from equity	-	46
Change in value currency swaps (trading)	10	4
Net exchange rate fluctuation	-	40
Other items	1	0
<b>Financial income</b>	<b>122</b>	<b>239</b>
Interest expenses <sup>2)</sup>	-326	-412
Net exchange rate fluctuation	-13	-
Write-downs <sup>3)</sup>	-261	-54
Other items	-34	-6
<b>Financial expenses</b>	<b>-634</b>	<b>-472</b>
<b>Profit from participation in joint ventures<sup>4)</sup></b>	<b>-10</b>	<b>2</b>
<b>Net financial income/expense</b>	<b>-522</b>	<b>-231</b>

1) Refers to interest from items valued at accrued acquisition value.

2) Refers to interest from items valued at accrued acquisition value except current interest net from the interest coupon portion of interest swaps totaling SEK 51 million (40).

3) Refers to write-downs on receivables concerning Northland Resources. The write-down in 2013 refers to a reduction of the receivable to its current value resulting from renegotiation of payment terms.

4) Interest expenses on loans from joint venture companies have been offset against profit from participation in joint venture companies. There is, according to the contracts, a legal right for offsets in the balance sheet accounts between the debt to joint venture companies and holdings of preference shares in joint venture companies.

**Profit from participation in Group companies**

Parent company MSEK	2014	2013
Dividends	1,278	82
Write-downs <sup>1)</sup>	-1,307	-339
Capital gains from sales	0	477
<b>Total</b>	<b>-29</b>	<b>220</b>

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

**Profits from securities and receivables recorded as fixed assets**

Parent company MSEK	2014	2013
Dividends	-	10
Interest income, external <sup>1)</sup>	13	10
Interest income, Group companies <sup>1)</sup>	0	1
Net profit related to financial assets valued at fair value (fair value option)	-	3
Write-downs <sup>2)</sup>	-164	-
Exchange rate gain/loss	26	-1
<b>Total</b>	<b>-125</b>	<b>23</b>

1) Interest income refers to interest from items valued at accrued acquisition value.

2) Refers to write-downs on receivables concerning Northland Resources.

**Interest expenses and similar profit/loss items**

Parent company MSEK	2014	2013
Interest expenses, Group companies <sup>1)</sup>	-211	-214
<b>Total</b>	<b>-211</b>	<b>-214</b>

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

**Note 13 Appropriations**

Parent company MSEK	2014	2013
Change in additional depreciation, machinery and equipment	0	0
Resolution of tax allocation reserve	156	-
Received Group contribution	898	1,129
Paid Group contribution	-655	-862
<b>Total</b>	<b>399</b>	<b>267</b>

**Note 14 Taxes****Recognized in the income statement**

Group MSEK	2014	2013
<b>Current tax income/expenses</b>		
Tax income/expenses for the year	-81	27
Adjustment of tax attributable to previous years	-14	2
	<b>-95</b>	<b>29</b>

**Deferred tax expenses/income**

Temporary differences	18	-102
Capitalised tax value of loss carry-forwards during the year	14	7
Utilisation of capitalised tax value of loss carry-forwards	-131	-29
Changed tax rates	-	-8
Revaluation of reported deferred tax values	-9	18
	<b>-108</b>	<b>-114</b>
<b>Total reported tax expenses in the Group</b>	<b>-203</b>	<b>-85</b>

Parent company MSEK	2014	2013
<b>Current tax expenses/income</b>		
Tax expenses for the year	-2	-2
Adjustment of tax attributable to previous years	0	2
	<b>-2</b>	<b>0</b>
<b>Deferred tax income</b>		
Temporary differences	6	0
Revaluation of reported deferred tax values	76	0
	<b>82</b>	<b>0</b>
<b>Total reported tax income in the parent company</b>	<b>80</b>	<b>0</b>

**Reconciliation of effective tax**

Group MSEK	2014	2014 (%)	2013	2013 (%)	Parent company MSEK	2014	2014 (%)	2013	2013 (%)
<b>Pre-tax profit</b>	<b>1,230</b>		<b>383</b>		<b>Pre-tax profit</b>	<b>-49</b>		<b>229</b>	
Tax in accordance with tax rate for the parent company	-270	22.0	-84	22.0	Tax in accordance with tax rate for the parent company	11	-22.0	-50	22.0
Effect of other tax rates for foreign subsidiaries	2	-0.2	13	-3.4	Non-deductible expenses	-289	589.6	-78	34.0
Non-deductible expenses	-64	5.2	-35	9.0	Tax exempt income	283	-577.6	126	-55.1
Tax exempt income	147	-11.9	86	-22.5	Revaluation of reported deferred tax values	76	-155.2	-	-
Deductible non profit-influencing items	27	-2.2	21	-5.5	Standard interest on tax allocation reserve	-1	2.0	0	0.0
Revaluation of previous years reported values of deferred taxes	-9	0.7	18	-4.7	Tax attributable to previous years	0	0.0	2	-0.9
Utilized non-capitalised loss carry-forwards	20	-1.6	21	-5.5	<b>Reported effective tax</b>	<b>80</b>	<b>-163.2</b>	<b>0</b>	<b>0.0</b>
Tax attributable to previous years	-14	1.1	2	-0.5					
Changed tax rates	-	-	-8	2.1					
Increase in loss carry-forwards without corresponding activation of deferred tax	-9	0.7	-106	27.7					
Standard interest on tax allocation reserve	-1	0.1	-1	0.3					
Effect of net profit of joint ventures included in pre-tax profit	-32	2.6	-12	3.1					
<b>Reported effective tax</b>	<b>-203</b>	<b>16.5</b>	<b>-85</b>	<b>22.2</b>					

**Tax attributable to other comprehensive income**

Group MSEK	Pre-tax	Tax	After tax	Pre-tax	Tax	After tax
	2014			2013		
Translation difference for the year when translating foreign operations	16	18	34	-139	-13	-152
Financial assets available-for-sale	-97		-97	17		17
Cash flow hedges	-133	29	-104	23	-19	4
Revaluation of defined benefit pension plans	8	-2	6	0		0
<b>Other comprehensive income</b>	<b>-206</b>	<b>45</b>	<b>-161</b>	<b>-99</b>	<b>-32</b>	<b>-131</b>

**Reported on the balance sheet****Deferred tax recoverables and tax liabilities**

Group MSEK	Deferred tax recoverables		Deferred tax liabilities		Net		Changes recognized in income for the year	
	2014	2013	2014	2013	2014	2013		
Tangible assets			-301	-325	-301	-325		24
Intangible assets			-67	-69	-67	-69		13
Financial assets		6			0	6		-6
Project and development property			-2	-44	-2	-44		2
Work-in-progress	12	1			12	1		11
Inventories	2	2			2	2		0
Accounts receivable	24	25			24	25		-2
Recognized but not invoiced income			-58	-40	-58	-40		-19
Other receivables		3	-4		-4	3		-7
Interest-bearing liabilities	76	85			76	85		-8
Provisions for pensions	26	3			26	3		25
Provisions	54	58			54	58		-5
Invoiced income not yet recognized	37	35			37	35		2
Other liabilities	53	161			53	161		-115
Loss carry-forwards	54	166			54	166		-103
Tax allocation reserve			-1	-81	-1	-81		80
Safety reserve			-322	-322	-322	-322		
<b>Tax recoverables/tax liabilities</b>	<b>338</b>	<b>545</b>	<b>-755</b>	<b>-881</b>	<b>-417</b>	<b>-336</b>		
Offset	-193	-389	193	389	0	0		
<b>Net</b>	<b>145</b>	<b>156</b>	<b>-562</b>	<b>-492</b>	<b>-417</b>	<b>-336</b>		<b>-108</b>
<b>Parent company</b>								
Provisions for pensions		82			82			82

Ongoing correspondence between the Swedish Tax Authorities as well as assessments made together with external experts on the deductibility of individual deductions have been taken into consideration when evaluating deferred tax receivables. Deferred tax attributable to deductions where the right to deduct is uncertain has not been reported as an asset. The value of the deferred tax from these deductions per 2014-12-31 is SEK 323 million (325).

#### Temporary differences between reported and fiscal value of participations directly owned by the parent company

Normally there are no temporary differences between reported and fiscal values of shares directly owned by the parent company for business purposes, i. e. neither upon divestment or distribution of dividends as such transactions are not taxable. Therefore no deferred tax has been reported for these holdings.

#### Unreported deferred tax receivables

The fiscal value of loss carry-forwards for which deferred tax receivables have not been reported on the balance sheet was SEK 1 million (1) on 2014-12-31 and refers to the Latvian operations. These deferred tax receivables have no maturity date. Considering the very limited business planned for the future it is not likely that the deferred tax receivables can be offset against future taxable profits.

Because the Norwegian operations have in recent years reported losses, the loss carry-forwards from 2012 until 2014, amounting to SEK 473 million (496), have not been activated since it is uncertain if they can be used depending on taxable future surpluses. The fiscal value of the unactivated loss carry-forward is SEK 128 million (134).

#### Changed tax rates

As of 2014 the tax rate in Norway has changed to 27 percent from 28 percent and in Finland to 20 percent from 24.5 percent.

## Note 15 Intangible fixed assets

Group 2014	Intangible fixed assets, external purchase					Intangible fixed assets, internally developed	
	Goodwill	Brands	Customer relations	Tenancies gravel and rock quarries	Other intangible assets	Industrial construction	Total
MSEK							
Opening acquisition value	1,831	233	77	202	54	96	2,493
Purchases					1		1
Purchases through acquired companies	24	36	5				65
Sales/disposals	-65					-74	-139
Reclassifications	-1						-1
Translation differences for the year	3	-1	0		0		2
<b>Closing accumulated acquisition value</b>	<b>1,792</b>	<b>268</b>	<b>82</b>	<b>202</b>	<b>55</b>	<b>22</b>	<b>2,421</b>
Opening depreciation	-	-127	-68	-40	-41	-48	-324
Sales/disposals						37	37
Depreciation for the year <sup>1)</sup>		-16	-2	-8	-5	-3	-34
Translation differences for the year		0	0		0		0
<b>Closing accumulated depreciation</b>	<b>-</b>	<b>-143</b>	<b>-70</b>	<b>-48</b>	<b>-46</b>	<b>-14</b>	<b>-321</b>
Opening write-downs	-116	-	-	-	-	-	-116
Sales/disposals	65						65
Write-downs for the year <sup>2)</sup>	-5					-5	-10
Reclassifications	1						1
Translation differences for the year	-1						-1
<b>Closing accumulated write-downs</b>	<b>-56</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-5</b>	<b>-61</b>
<b>Closing book value</b>	<b>1,736</b>	<b>125</b>	<b>12</b>	<b>154</b>	<b>9</b>	<b>3</b>	<b>2,039</b>

Group 2013	Intangible fixed assets, external purchase					Intangible fixed assets, internally developed	
	Goodwill	Brands	Customer relations	Tenancies gravel and rock quarries	Other intangible assets	Industrial construction	Total
MSEK							
Opening acquisition value	1,851	241	82	202	55	94	2,525
Purchases						1	1
Reclassifications						1	1
Translation differences for the year	-20	-8	-5		-1		-34
<b>Closing accumulated acquisition value</b>	<b>1,831</b>	<b>233</b>	<b>77</b>	<b>202</b>	<b>54</b>	<b>96</b>	<b>2,493</b>
Opening depreciation	-	-110	-64	-32	-37	-38	-281
Depreciation for the year <sup>1)</sup>		-20	-8	-8	-5	-10	-51
Translation differences for the year		3	4		1		8
<b>Closing accumulated depreciation</b>	<b>-</b>	<b>-127</b>	<b>-68</b>	<b>-40</b>	<b>-41</b>	<b>-48</b>	<b>-324</b>
Opening write-downs	-118	-	-	-	-	-	-118
Write-downs for the year <sup>2)</sup>	-4						-4
Translation differences for the year	6						6
<b>Closing accumulated write-downs</b>	<b>-116</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-116</b>
<b>Closing book value</b>	<b>1,715</b>	<b>106</b>	<b>9</b>	<b>162</b>	<b>13</b>	<b>48</b>	<b>2,053</b>



1) Annual depreciation is reported in the following lines of the income statement:

MSEK	2014	2013
Production costs	-34	-50
Sales and administrative expenses	-	-1
<b>Total</b>	<b>-34</b>	<b>-51</b>

#### Goodwill impairment testing in cash generating units

The balance sheet of the Peab Group 2014-12-31 included total goodwill of SEK 1,736 million (1,715). The table below shows goodwill per group of cash-generating units for which goodwill is tested for impairment.

MSEK	2014	2013
<b>Construction</b>		
Construction Sweden	68	70
Construction Finland	61	58
Construction Norway	158	137
<b>Civil Engineering</b>		
Civil Engineering Sweden	140	140
<b>Industry</b>	1,274	1,275
<b>Project Development</b>		
Property Development	21	21
Housing Development	14	14
<b>Total</b>	<b>1,736</b>	<b>1,715</b>

#### Goodwill write-downs

Group goodwill write-downs in 2014 amounted to SEK 5 million (4). The write-downs are related to business area Construction and refer 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 recorded value.

#### Method for calculating recovery value

The recovery value for the cash generating units has been based on calculation of useful value for all goodwill values. 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 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 6 onwards of approximately 2 percent.

#### Important variables when calculating useful value:

The following variables are important and common to all cash generating units in calculation of useful value.

**Sales:** The business' historical development, expected changes in the construction business cycle, general financial conditions, 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, raises in salaries, materials 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. Normally investment levels are equivalent to the depreciation rate of tangible fixed assets.

**Tax burden:** The tax rate in forecasts is based on Peab's expected tax situation in Sweden, Norway and Finland with regards to tax rates, loss carry-forwards etc.

2) Annual write-downs are reported in the following lines of the income statement:

MSEK	2014	2013
Production costs	-10	-4
Sales and administrative expenses	-	-
<b>Total</b>	<b>-10</b>	<b>-4</b>

**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 pre-tax weighted discount rate has been used in calculating useful value. The pre-tax discount rate used on cash generating units in Sweden is on average 10.0 percent (8.7), in Norway 13.1 percent (10.8) and in Finland 10.1 percent (8.6) The corresponding discount rate after tax in Sweden was on average 8.3 percent (7.3), in Norway 10.8 percent (8.9) and in Finland 8.9 percent (7.4).

## Note 16 Tangible fixed assets

#### Group 2014

MSEK	Buildings and land	Machinery and equipment	Construction in progress	Total
Opening acquisition value	2,086	6,709	74	8,869
Purchases	24	555	69	648
Purchases through acquired companies	4	26		30
Sales/disposals	-20	-422		-442
Reclassifications	44	36	-73	7
Translation differences for the year	3	17	1	21
<b>Closing accumulated acquisition value</b>	<b>2,141</b>	<b>6,921</b>	<b>71</b>	<b>9,133</b>
Opening depreciation	-660	-4,218	-	-4,878
Accumulated depreciation in acquired companies		-7		-7
Sales/disposals	6	325		331
Reclassifications	-13	5		-8
Depreciation for the year	-71	-622		-693
Translation differences for the year	-1	-10		-11
<b>Closing accumulated depreciation</b>	<b>-739</b>	<b>-4,527</b>	<b>-</b>	<b>-5,266</b>
Opening write-downs	-5	-13	-	-18
Write-downs for the year <sup>1)</sup>	-16	-3		-19
<b>Closing accumulated write-downs</b>	<b>-21</b>	<b>-16</b>	<b>-</b>	<b>-37</b>
<b>Closing book value</b>	<b>1,381</b>	<b>2,378</b>	<b>71</b>	<b>3,830</b>

Group 2013	Buildings and land	Machinery and equipment	Construction in progress	Total
<b>MSEK</b>				
Opening acquisition value	2,106	6,997	52	9,155
Purchases	49	441	60	550
Purchases through acquired companies		2		2
Sales/disposals	-44	-472		-516
Sales through companies sold	-7	-174		-181
Reclassifications	-2	-17	-38	-57
Translation differences for the year	-16	-68		-84
<b>Closing accumulated acquisition value</b>	<b>2,086</b>	<b>6,709</b>	<b>74</b>	<b>8,869</b>
Opening depreciation	-601	-4,096	-	-4,697
Accumulated depreciation in acquired companies		-2		-2
Sales/disposals	13	403		416
Sales through companies sold		91		91
Reclassifications	4	17		21
Depreciation for the year	-78	-669		-747
Translation differences for the year	2	38		40
<b>Closing accumulated depreciation</b>	<b>-660</b>	<b>-4,218</b>	<b>-</b>	<b>-4,878</b>
Opening write-downs	-4	-11	-	-15
Reclassifications	1	2		3
Write-downs for the year <sup>1)</sup>	-2	-4		-6
<b>Closing accumulated write-downs</b>	<b>-5</b>	<b>-13</b>	<b>-</b>	<b>-18</b>
<b>Closing book value</b>	<b>1,421</b>	<b>2,478</b>	<b>74</b>	<b>3,973</b>

## Note 17 Shares in joint ventures

### Information regarding significant joint ventures in the Group

Fastighets AB Centur, 50 percent ownership. The company owns, manages and develops commercial property and homes.

Fastighets AB ML4, 50 percent ownership. The company will develop, erect, own and manage research facility Max IV in Lund. The facility will be rented to Lund University and is expected to be completed in the summer of 2015.

Group	Fastighets AB Centur		Fastighets AB ML4		Visio Exploatering AB	
	2014	2013	2014	2013	2014	2013
<b>MSEK</b>						
Net sales	196	150	22	6	72	78
Operating profit <sup>1)</sup>	145	122	9	3	46	45
Interest income and similar profit items	8	9	0	0	0	1
Interest expenses and similar profit items	-97	-83	-9	-3	-59	-64
Tax	-13	-10	0	0	6	8
<b>Profit for the year</b>	<b>43</b>	<b>38</b>	<b>0</b>	<b>0</b>	<b>-7</b>	<b>-10</b>
Other comprehensive income	1	1	-	-	0	0
<b>Comprehensive income for the year</b>	<b>44</b>	<b>39</b>	<b>0</b>	<b>0</b>	<b>-7</b>	<b>-10</b>
Less holdings without controlling influence	-	-	-	-	-2	-3
<b>Total comprehensive income</b>	<b>44</b>	<b>39</b>	<b>0</b>	<b>0</b>	<b>-9</b>	<b>-13</b>
1) Depreciation amounts to	-	-	8	2	5	5
Tangible assets	-	-	-	-	271	369
Short-term investments and liquid funds	28	18	21	17	53	47
Project and development properties	3,743	1,922	1,661	1,267	1,699	2,018
Other current assets	112	129	2	35	176	69
<b>Total assets</b>	<b>3,883</b>	<b>2,069</b>	<b>1,684</b>	<b>1,319</b>	<b>2,199</b>	<b>2,503</b>
Long-term financial liabilities	3,636	1,764	1,656	1,229	1,697	2,041
Other long-term liabilities	33	21	-	-	0	0
Short-term financial liabilities	-	129	-	-	-	-
Other short-term liabilities	72	57	27	89	181	134
<b>Total liabilities</b>	<b>3,741</b>	<b>1,971</b>	<b>1,683</b>	<b>1,318</b>	<b>1,878</b>	<b>2,175</b>
<b>Net assets</b>	<b>142</b>	<b>98</b>	<b>1</b>	<b>1</b>	<b>321</b>	<b>328</b>
Less holdings without controlling influence	-	-	-	-	-51	-49
<b>Net assets attributable to the parent company</b>	<b>142</b>	<b>98</b>	<b>1</b>	<b>1</b>	<b>270</b>	<b>279</b>

1) Annual write-downs are reported in the following lines of the income statement:

MSEK	2014	2013
Production costs	-19	-6
<b>Total</b>	<b>-19</b>	<b>-6</b>

Parent company	Machinery and equipment	
MSEK	2014	2013
Opening acquisition value	8	8
Purchases	0	-
Sales/disposals	-3	-
<b>Closing accumulated acquisition value</b>	<b>5</b>	<b>8</b>
Opening depreciation	-7	-6
Sales/disposals	3	-
Depreciation of the year	0	-1
<b>Closing accumulated depreciation</b>	<b>-4</b>	<b>-7</b>
<b>Closing book value</b>	<b>1</b>	<b>1</b>

### Group financial leasing

Companies in the Group lease vehicles, construction machinery and other production equipment through many different leasing agreements. The recorded value related to Group financial leasing amounted to SEK 448 million (497). When the leasing agreements terminate Peab normally has a liability to buy equipment at its residual value. The leased assets are owned by the lessors.

Visio Exploatering AB, 50 percent ownership. The company is responsible for the development of Arenastaden. Visio Exploatering AB owns and manages companies responsible for developments, including handling zoning plans and exploitation matters, implementation, construction and sales of land och other compatible business.

Group MSEK	Fastighets AB Centur		Fastighets AB ML4		Visio Exploatering AB	
	2014	2013	2014	2013	2014	2013
<b>Group share of net assets at the beginning of the year</b>	<b>49</b>	<b>30</b>	<b>0</b>	<b>0</b>	<b>139</b>	<b>145</b>
Share of total comprehensive income <sup>2)</sup>	22	19	0	0	-4	-7
Contribution / new issue	-	-	-	0	-	1
<b>Group share of net assets at year-end</b>	<b>71</b>	<b>49</b>	<b>0</b>	<b>0</b>	<b>135</b>	<b>139</b>
<b>Group share of unrealized internal profit at the beginning of the year</b>	<b>-</b>	<b>-</b>	<b>-29</b>	<b>0</b>	<b>-</b>	<b>-</b>
Elimination of unrealized profit on contracts <sup>2)</sup>	-4	-	-12	-29	-1	-
<b>Group share of unrealized internal profit at year-end</b>	<b>-4</b>	<b>0</b>	<b>-41</b>	<b>-29</b>	<b>-1</b>	<b>0</b>
<b>Recognized value at year-end</b>	<b>67</b>	<b>49</b>	<b>-41</b>	<b>-29</b>	<b>134</b>	<b>139</b>

2) Reported in production costs

Recognized amount is divided among the following items in the balance sheet:						
Shares in joint ventures	67	49	-	-	134	139
Accrued expenses and deferred income	-	-	-41	-29	-	-
<b>Total</b>	<b>67</b>	<b>49</b>	<b>-41</b>	<b>-29</b>	<b>134</b>	<b>139</b>

### Information on other joint ventures value in the Group

Group MSEK	2014	2013	Company, Registered Office, Corp. ID no.	Share percent 2014	Share percent 2013
<b>Group share of comprehensive income</b>	<b>-89</b>	<b>-36</b>	Kungsörs Grus AB, Kungsör, 556044-4134	50	50
Recognized amount is divided among the following items in the income statement:			Ljusta Projektutveckling AB, Sundsvall, 556668-4899	50	50
Production costs	-37	-50	Ljusta Projektutveckling KB, Sundsvall, 969700-6188	50	50
Profit from participation in joint ventures	-42	12	Log. Sunnanå AB, Ängelholm, 556699-7788	50	50
Profit from participation in joint ventures in net financial items	-10	2	Log. Tostarp AB, Ängelholm, 556667-8784	50	50
<b>Total</b>	<b>-89</b>	<b>-36</b>	Medkila Nord AS, Harstad, 998 565 545	50	-
<b>Recognized value of other joint ventures</b>	<b>758</b>	<b>1,009</b>	Mountain Resort Trysil AS, Trysil, 996 284 115	50	50
Recognized amount is divided among the following items in the balance sheet:			Nedre Holte AS, Harstad, 985 911 495	50	-
Participation in joint ventures	805	1,045	Nya Bara Utvecklings AB, Malmö, 556858-4311	50	50
Other provisions	-47	-36	Nyckel 0328 AB, Stockholm, 556871-6541	33.33	33.33
Accrued expenses and deferred income	0	0	Nye Egne Hjem AS, Oslo, 913 624 149	50	-
<b>Total</b>	<b>758</b>	<b>1,009</b>	PeBri Projektutveckling AB, Helsingborg, 556752-1108	50	50
			Polarkanten AS, Tromsø, 994 417 657	50	-
			Rewind Offshore AB, Karlstad, 556784-5978	24.5	24.5
			Rewind Väner AB, Karlstad, 556836-5265	25	25
			Råsta Administration AB, Solna, 556702-8682	20	20
			S:t Eriks AB, Staffanstorps, 556203-4750	44.3	44.3
			Sicklaön Bygg Invest AB, Solna, 556911-5479	50	50
			Sikrenodalen AB, Stockholm, 556616-7242	50	50
			Sjökrona Exploatering AB, Helsingborg, 556790-5624	25	25
			Skanör Invest AB, Båstad, 556713-5743	50	50
			Skiab Invest AB, Malung-Sälen, 556848-5220	50	50
			Solligården Bolig DA, Oslo, 913 765 516	50	-
			Solligården Naering AS, Oslo, 913 764 862	50	-
			Stora Hammar Exploatering AB, Vellinge, 556763-4216	50	50
			Svenska Fräs & Asfaltåtervinning SFA AB, Markaryd, 556214-7354	30	30
			Sydpartner AB, Ängelholm, 556712-4952	50	50
			TCL S.å.r.l., Luxemburg, 19982401227	50	50
			Telemark Vestfold Utvikling AS, Skien, 987 208 279	33.4	33.4
			Tomasjord Park AS, Tromsø, 983 723 853	50	50
			Tors Torn Utveckling AB, Stockholm, 556811-0836	50	50
			Trysil Hotellutvikling AS, Trysil, 987 054 409	50	50
			Trysil Suiter AS, Trysil, 991 276 068	50	50
			Täljö Utveckling nr 4 AB, Stockholm, 556750-5069	30	30
			Täljöhalvöns Fastigheter HB, Stockholm, 969723-2107	30	30
			Vardenbakken 99 AS, Oslo, 998 347 211	50	50
			Visio Property Ltd, Buckingham, 3871355	50	50

## Note 18 Joint operations

Specification of Group holdings in joint ventures that are classified as joint operations, which are reported according to the proportional method.

Company, Registered Office, Corp. ID no.	Share in percent	Share in percent
	2014	2013
Dockan Exploatering AB, Malmö, 556594-2645	33	33
Fastighets AB Partille 11, Gothenburg, 556518-4354	50	50
Målarstrandens Utvecklings AB, Västerås, 556694-5414	44	44

## Note 19 Receivables from Group companies

Parent company MSEK	2014	2013
Acquisition values carried forward	–	1,586
Added receivables		102
Reclassifications		–398
Settled receivables		–1,290
<b>Book value carried forward</b>	<b>–</b>	<b>–</b>

## Note 20 Interest-bearing receivables

### Interest-bearing long-term receivables

MSEK	Group		Parent company	
	2014	2013	2014	2013
Receivables from Group joint ventures	1,481	945	28	51
Other interest-bearing receivables	182	772	0	143
<b>Total</b>	<b>1,663</b>	<b>1,717</b>	<b>28</b>	<b>194</b>

### Interest-bearing current receivables

MSEK	2014	2013	2014	2013
Receivables from Group joint ventures	192	199	–	–
Other interest-bearing receivables	212	211	–	–
<b>Total</b>	<b>404</b>	<b>410</b>	<b>–</b>	<b>–</b>

Parent company MSEK	2014	2013
Opening acquisition value	194	105
Additional receivables	23	146
Write-downs	–164	–
Settled receivables	–41	–56
Translation differences for the year	16	–1
<b>Closing accumulated acquisition value</b>	<b>28</b>	<b>194</b>

## Note 21 Other long-term securities holdings

Group MSEK	2014	2013
Available-for-sale financial assets		
Shares and participation	289	336
Loan receivables	191	180
<b>Total</b>	<b>480</b>	<b>516</b>
Parent company MSEK	2014	2013
Opening balance 1 January	289	277
Acquired assets	29	–
Divested assets	–6	–15
Change in value	–113	13
Translation differences	24	14
<b>Closing balance per 31 December</b>	<b>223</b>	<b>289</b>

### Of which other long-term securities holdings valued at fair value via income statement

Parent company MSEK	2014	2013
Acquisition values		
Opening balance 1 January	–	19
Acquired assets		–
Divested assets		–19
<b>Closing balance per 31 December</b>	<b>–</b>	<b>–</b>

### Accumulated change in value through the income statement

Parent company MSEK	2014	2013
Opening balance 1 January	–	–4
Unrealized change in value via the income statement for the year		3
Divested assets		1
<b>Closing balance per 31 December</b>	<b>–</b>	<b>–</b>
<b>Booked value 31 December</b>	<b>–</b>	<b>–</b>

For additional information about fair value per category and class see Note 35.



## Note 22 Other receivables

### Other long-term receivables

MSEK	Group		Parent company	
	2014	2013	2014	2013
Receivables from joint ventures	57	30	–	–
Other long-term receivables	64	92	–	1
<b>Total</b>	<b>121</b>	<b>122</b>	<b>–</b>	<b>1</b>

### Other current receivables

MSEK	Group		Parent company	
	2014	2013	2014	2013
Receivables from joint ventures	26	3	–	–
Other current receivables	416	262	5	2
<b>Total</b>	<b>442</b>	<b>265</b>	<b>5</b>	<b>2</b>

## Note 23 Project and development property

Group MSEK	2014	2013
Directly owned project and development property	6,199	6,318
Participation in Finnish housing companies	150	150
Repurchased participation in tenant-owner's associations and similar	172	331
Other	2	2
<b>Total</b>	<b>6,523</b>	<b>6,801</b>

Project and development properties were written down during the year for a total of SEK 63 million (45). Loan interest of SEK 13 million (12) has been activated during the year.

### Recovery

Of the booked value of project and development property of SEK 6,523 million (6,801) some SEK 4,600 million (approximately 4,500) is expected to be recovered through the start of production or sales more than 12 months after the balance sheet day. The remaining part is expected to be recovered within 12 months of the balance sheet day.

## Note 24 Inventories

Group MSEK	2014	2013
Raw materials and consumables	91	80
Products in progress	8	52
Finished products and goods for resale	280	280
<b>Total</b>	<b>379</b>	<b>412</b>

## Note 25 Work-in-progress

At the end of the year there was work-in-progress for a total of SEK 1,186 million (1,100) in the Group referring to costs in housing projects reported according to IAS 18, Revenue.

## Note 26 Accounts receivable

Accounts receivables were written down for factual and feared bad debts for a total of SEK 29 million (31). Factual bad debts amounted to SEK 31 million (34) in the Group, of which SEK 12 million were written down in 2013. The loss was a result of some of the company's customers going bankrupt. The parent company had no bad debts.

## Note 27 Construction contracts

### Recognized income not yet invoiced

Group MSEK	2014	2013
Recognized income on incomplete contracts	26,828	34,243
Invoiced sales on incomplete contracts	–24,089	–28,200
<b>Total</b>	<b>2,739</b>	<b>6,043</b>

### Invoiced income not yet recognized

Group MSEK	2014	2013
Invoiced sales on incomplete contracts	45,405	46,726
Recognized income on incomplete contracts	–41,171	–40,631
<b>Total</b>	<b>4,234</b>	<b>6,095</b>

Recognized income from contracts in progress is reported the percentage of completion method. 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 reported in the balance sheet on the basis of gross project for project, either as Recognized but not invoiced income in current assets or as Invoiced income not yet recognized in current liabilities. Projects that have higher recognized incomes than amounts invoiced are reported as assets, while projects that have been invoiced for more than recognized income are reported as liabilities.

## Note 28 Prepaid expenses and accrued income

Parent company MSEK	2014	2013
Prepaid overhead expenses	5	5
<b>Total</b>	<b>5</b>	<b>5</b>

## Note 29 Equity

### Shares and share capital

Group	A shares		B shares		Number of issued fully paid shares	Share capital, SEK
Number of issued shares 1 January 2014	34,319,957	261,729,773	296,049,730	1,583,866,056		
<b>Total number of issued shares 31 December 2014</b>	<b>34,319,957</b>	<b>261,729,773</b>	<b>296,049,730</b>	<b>1,583,866,056</b>		

An A share entitles the holder to 10 votes and a B share to 1 vote. The par value of all shares is SEK 5.35.

For the shares held by the company (see below) all rights have been revoked until these shares are reissued.

### Repurchased own shares that have reduced the equity item Profit brought forward including profit for the year

	Number of shares <sup>1)</sup>		Amount that affected equity, MSEK <sup>2)</sup>	
	2014	2013	2014	2013
Opening repurchased own shares	1,086,984	1,086,984	929	929
<b>Closing repurchased own shares</b>	<b>1,086,984</b>	<b>1,086,984</b>	<b>929</b>	<b>929</b>

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 prepared in another currency than the one used in Group financial statements. The parent company and the Group present their reports in Swedish crowns (SEK). The translation reserve also consists of exchange rate differences from extended investment in foreign business and re-borrowing from foreign operations.

#### Fair value reserve

The fair value reserve includes the accumulated net change of the fair value of financial assets available-for-sale until the asset has been eliminated from the balance sheet.

#### Hedging reserve

The hedging reserve comprises the effective part of the accumulated net changes in fair value in a hedge instrument attributable to a hedged risk in a cash flow which has as yet not affected the income statement.

### Profit brought forward including profit for the year

Profit brought forward including profit for the year consists of profit in the parent company and its subsidiaries and joint arrangements. Previous provisions for reserve funds, excluding transferred premium funds, are included in this equity item.

### Dividend

After the balance sheet day the Board of Directors proposed the following dividend; A cash dividend of SEK 2.25 (1.80) per share, totaling SEK 663,666,179 (532,889,514), was calculated on the number of registered shares. Total dividends are calculated on outstanding shares at the time of distribution. The dividend will be proposed for adoption by the AGM on 13 May 2015.

### The parent company

#### Restricted reserves

Restricted reserves may not be impaired by the distribution of dividends.

#### Reserve fund

The purpose of the reserve fund is to retain a part of the net profit which is not allocated to cover balanced losses. The reserve also includes amounts transferred to the share premium reserve before 1 January 2006.

#### Unrestricted equity

Together with profit for the year the following funds make up unrestricted equity, i.e. the amount available for dividends to the shareholders.

#### 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 1 January 2006 is included in unrestricted capital.

#### Special reserves

Refers to allocations to reserves upon the reduction of share capital for use as resolved by the AGM.

#### Reserve for fair value

The company uses the Annual Accounts Act rules for the valuation of financial instruments at fair value according to chapter 4 paragraph 14a-e. A change in value is recognized in the reserve for fair value when it refers to a hedging instrument and the principles applied for hedge accounting allow for a portion or the entire change in value to be recognized in equity. A change in value caused by an exchange rate change on a monetary item which is part of the company's net investment in a foreign unit is recognized in equity.

#### Profit brought forward

Consists of the previous year's profit brought forward after paid dividends.

## Note 30 Interest-bearing liabilities

### Long-term liabilities

Group	2014	2013
MSEK		
Bank loans	1,686	2,743
Bonds	1,348	1,946
Financial leasing liabilities	313	273
Liabilities to joint ventures	–	3
Other long-term liabilities	50	88
<b>Total</b>	<b>3,397</b>	<b>5,053</b>

### Current liabilities

Group	2014	2013
MSEK		
Bank loans including overdraft facilities	1,435	1,767
Commercial paper	1,170	853
Bonds	600	500
Current part of financial leasing liabilities	123	226
Liabilities to joint ventures	–	84
Other current liabilities	40	40
<b>Total</b>	<b>3,368</b>	<b>3,470</b>

### Financial leasing liabilities

Financial leasing liabilities fall due for payment as follows:

Group	Minimum leasing charge		Interest		Capital amount	
	2014	2014	2014	2013	2013	2013
MSEK						
Within one year	132	9	123	235	9	226
Between one and five years	310	11	299	267	13	254
Later than five years	14	0	14	20	1	19
<b>Total</b>	<b>456</b>	<b>20</b>	<b>436</b>	<b>522</b>	<b>23</b>	<b>499</b>

Variable leasing fees were SEK 3 million (2).

For further information concerning Group financial leasing, see note 16.

## Note 31 Pensions

### Defined benefit pension plans

Defined benefit plans consist of the Swedish ITP Plan for Salaried Staff which is managed through insurance with Alecta and the AFP pension in Norway. As Alecta cannot submit the information required to account for the ITP plan as a defined benefit plan, this is entered as a defined contribution plan (see below). Since the amount of the defined benefit plans in addition to Alecta's is insignificant only a few facts are given below.

Group	2014	2013
MSEK		
Present value of unfunded obligations	1	11
Present value of fully or partially funded obligations	9	–
<b>Total present value of obligations</b>	<b>10</b>	<b>11</b>
Fair value of plan assets	–10	–
<b>Net reporting of defined benefit plans recognised as provisions for pensions</b>	<b>0</b>	<b>11</b>

### Changes in present value of obligations for defined benefit plans

MSEK	2014	2013
Net obligations for defined benefit plans as of 1 January	11	23
Paid out remunerations	–2	–3
Expenses for work during current period and interest expenses	0	0
Actuarial gains and losses	–8	0
Effects of acquiring operations	9	–
Settlements and curtailments	–	–8
Translation differences	0	–1
<b>Obligations for defined benefit plans as of 31 December</b>	<b>10</b>	<b>11</b>

### Changes in recognized fair value in the balance sheet for plan assets

MSEK	2014	2013
Fair value of plan assets as of 1 January	0	8
Effects of acquiring operations	10	–
Settlements and curtailments	–	–8
<b>Fair value of plan assets on 31 December</b>	<b>10</b>	<b>0</b>

### Expenses recognized in comprehensive income

MSEK	2014	2013
Expenses recognized in the income statement	0	0
Revaluation of defined benefit pension plans in other comprehensive income	–8	0
<b>Total net expense recognized in comprehensive income</b>	<b>–8</b>	<b>0</b>

## Historical information

MSEK	2014	2013	2012	2011	2010
Present value of defined benefit plan obligations	10	11	23	63	39
Fair value of plan assets	-10	-	-8	-30	-21
<b>Plan deficit</b>	<b>0</b>	<b>11</b>	<b>15</b>	<b>33</b>	<b>18</b>

ITP 2 defined benefit plan obligations for old age pension and family pension obligations for salaried staff in Sweden are managed through insurance from Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 3 Classifying ITP plans that are financed through insurance from Alecta, this is a defined benefit plan that comprises several employers. For the financial year of 2014 the company did not have the necessary information required to report its proportional share of the plan's obligations, plan assets and expenses which has made it impossible to recognise this plan as a defined benefit plan. Therefore the ITP 2 pension plan which is secured through insurance from Alecta is reported 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 if they are covered by Alecta amount to SEK 136 million (115). 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 0.86 percent (0.73) respective 0.57 percent (0.58).

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 percent 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 2014, Alecta's surplus in the form of the collective consolidation level amounted to 143 percent (148).

## Defined contribution plans

The Group has defined contribution plans which are entirely paid for by the company. Payments to these plans are made on a current basis according to the rules of each plan.

MSEK	Group		Parent company	
	2014	2013	2014	2013
Expenses of defined contribution plans	504	510	27	16
<i>Of which ITP 2 plans financed in Alecta</i>	<i>121</i>	<i>101</i>	<i>3</i>	<i>1</i>

## Note 32 Provisions

## Provisions which are long-term liabilities

Group MSEK	2014	2013
Guarantee risk reserve	313	278
Re-establishment costs	85	115
Disputes	0	6
Negative shares in joint ventures	47	36
Special payroll tax on pensions	49	-
Other	61	38
<b>Total</b>	<b>555</b>	<b>473</b>

## Provisions which are current liabilities

Group MSEK	2014	2013
Guarantee risk reserve	89	76
Demobilization costs	42	24
Disputes	18	34
Other	14	2
<b>Total</b>	<b>163</b>	<b>136</b>

## Provisions which are long-term liabilities

Parent company MSEK	2014	2013
Special payroll tax on pensions	20	-
<b>Total</b>	<b>20</b>	<b>-</b>

## Provisions which are long-term liabilities

Group 2014 MSEK	Guarantee risk reserve	Re-establishment costs	Disputes	Negative shares in joint ventures	Special payroll tax on pensions	Other
Opening book value	278	115	6	36	-	38
Provisions set aside during the year	99	7	0	14	13	60
Amounts requisitioned during the year	-56	-6	-4	-3	-	-36
Reversed unutilized provisions during the year	-5	-31	-	-	-	-
Reclassifications	-7	-	-2	-	36	-1
Translation difference for the year	4	0	0	-	-	0
<b>Closing book value</b>	<b>313</b>	<b>85</b>	<b>0</b>	<b>47</b>	<b>49</b>	<b>61</b>

## Provisions which are current liabilities

Group 2014 MSEK	Guarantee risk reserve	Demobilization costs	Disputes	Other
Opening book value	76	24	34	2
Provisions set aside during the year	40	41	15	13
Amounts requisitioned during the year	-31	-25	-33	-1
Reversed unutilized provisions during the year	-5	-	-	0
Reclassifications	7	1	2	-
Translation difference for the year	2	1	0	0
<b>Closing book value</b>	<b>89</b>	<b>42</b>	<b>18</b>	<b>14</b>



**Guarantee risk reserve**

Refers to the estimated cost of remedying faults and deficiencies in terminated projects that arise while the project is under warranty and rental guarantees. Resources are consumed during the guarantee period of the project which is generally two to five years. As the effect of the time point for payment is not significant expected future disbursements are not valued at their current value. Provisions for guarantee risks are set aside in all business areas.

**Demobilization costs**

Refers to costs in business area Construction in Norway and Finland and shutting down costs in business area Industry regarding Northland Resources.

**Re-establishment costs**

Refers to restoration costs 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.

**Disputes**

Refers to disputes in business area Construction and Industry operations.

**Negative shares in joint ventures**

Refers to shares in joint ventures with a negative consolidated value in the business area Project Development.

**Others**

Refers to other minor provisions.

**Note 33 Other liabilities**

Group MSEK	2014	2013
<b>Other long-term liabilities</b>		
Additional purchase price	3	5
Derivate instruments held for hedging purposes	171	38
Other long-term liabilities	31	15
<b>Total</b>	<b>205</b>	<b>58</b>
<b>Other current liabilities</b>		
Liabilities to joint ventures	11	11
Additional purchase price	10	46
Tax at source, social security costs	155	162
VAT	430	482
On account work-in-progress	433	372
Derivate instruments held for hedging purposes	2	–
Other current liabilities	93	91
<b>Total</b>	<b>1,134</b>	<b>1,164</b>
<b>Parent company</b>		
<b>MSEK</b>	<b>2014</b>	<b>2013</b>
<b>Other current liabilities</b>		
Tax at source	3	3
Other current liabilities	4	–
<b>Total</b>	<b>7</b>	<b>3</b>

**Note 34 Accrued expenses and deferred income**

Parent company MSEK	2014	2013
Accrued payroll expenses	26	34
Accrued social security expenses	15	18
Accrued overhead expenses	4	3
<b>Total</b>	<b>45</b>	<b>55</b>

## Note 35 Valuation of financial assets and liabilities at fair value

Under IAS 39, Financial instruments, financial instruments are valued either at accrued acquisition value or fair value depending on which category they belong to. Classification largely depends on the purpose of the holding. Items which have been the object of valuation at fair value are listed shareholdings, different types of derivatives and unlisted funds.

The fair value of listed shareholdings and share derivatives is calculated according to the closing price at the end of the accounting period. Market values from the managing financial institution were used to calculate the fair value of unlisted shareholdings.

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 for the remaining terms of maturity. Spot rates on the balance sheet date were used to calculate the value of currency swaps. The booked 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 adjacent tables show the reported values compared with the estimated fair value per type of financial asset and liability.

Group	Financial assets valued at fair value via the income statement		Derivatives used in hedge accounting		Financial assets available-for-sale		Accounts and loan receivables		Other financial liabilities		Total recognized value		Total fair value	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
<b>MSEK</b>														
<b>Financial assets</b>														
Other securities held as fixed assets					289	336	191	180			480	516	480	516
Interest-bearing long-term receivables							1,663	1,717			1,663	1,717	1,690	1,729
Other long-term receivables							106	122			106	122	106	122
Accounts receivable							6,110	6,111			6,110	6,111	6,110	6,111
Interest-bearing current receivables							404	410			404	410	404	411
Deferred expenses and accrued income				4			20	26			20	30	20	30
Other current receivables	10						234	64			244	64	244	64
Current holdings							20	21			20	21	20	21
Liquid funds							792	438			792	438	792	438
<b>Total financial assets</b>	<b>10</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>289</b>	<b>336</b>	<b>9,540</b>	<b>9,089</b>	<b>-</b>	<b>-</b>	<b>9,839</b>	<b>9,429</b>	<b>9,866</b>	<b>9,442</b>
<b>Financial liabilities</b>														
Interest-bearing long-term liabilities									3,397	5,053	3,397	5,053	3,401	5,053
Other long-term liabilities			171	38					34	20	205	58	205	58
Provisions for pensions										11		11		11
Interest-bearing current liabilities									3,368	3,470	3,368	3,470	3,372	3,470
Accounts payable									3,837	3,823	3,837	3,823	3,837	3,823
Accrued expenses and deferred income									146	31	146	31	146	31
Other current liabilities			2						102	146	104	146	104	146
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>173</b>	<b>38</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,884</b>	<b>12,554</b>	<b>11,057</b>	<b>12,592</b>	<b>11,065</b>	<b>12,592</b>
Unrealised profit/loss <sup>1)</sup>							19	13						

1) In those cases where there is a difference between booked value and fair value the disclosure concerning fair value belongs to level 3 in the fair value hierarchy.

The effect of valuing financial instruments at fair value was included in the Group's profit for a total of SEK 10 million (7). Currency swaps were included for a total of SEK 10 million (4).

Parent company	Financial assets valued at fair value via the income statement		Financial assets available-for-sale		Accounts and loan receivables		Other financial liabilities		Total recognized value		Total fair value	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
<b>MSEK</b>												
<b>Financial assets</b>												
Other securities held as fixed assets			223	283		6			223	289	223	289
Interest-bearing long-term receivables					28	194			28	194	28	195
Other long-term receivables						1				1		1
Accounts receivable					1				1		1	
Current receivables Group companies					1,019	1,544			1,019	1,544	1,019	1,544
Liquid funds						8				8		8
<b>Total financial assets</b>	<b>-</b>	<b>-</b>	<b>223</b>	<b>283</b>	<b>1,048</b>	<b>1,753</b>	<b>-</b>	<b>-</b>	<b>1,271</b>	<b>2,036</b>	<b>1,271</b>	<b>2,037</b>
<b>Financial liabilities</b>												
Long-term liabilities Group companies							6,061	6,396	6,061	6,396	6,061	6,396
Accounts payable							20	7	20	7	20	7
Current liabilities Group companies							690	1,595	690	1,595	690	1,595
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,771</b>	<b>7,998</b>	<b>6,771</b>	<b>7,998</b>	<b>6,771</b>	<b>7,998</b>
Unrealised profit/loss <sup>1)</sup>						1						

1) In those cases where there is a difference between booked value and fair value the disclosure concerning fair value belongs to level 3 in the fair value hierarchy.

The effect of valuing financial instruments at fair value was included in the parent company's profit for a total of SEK – million (3).

### 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 on the Group balance sheet.

Group	Level 1		Level 2		Level 3		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
<b>MSEK</b>								
<b>Financial assets</b>								
Other securities held as fixed assets	223	283			66	53	289	336
<i>Whereof shareholding in listed company</i>	223	283					223	283
<i>Whereof investment in an unlisted fund</i>					66	53	66	53
Other current receivables			10	4			10	4
<i>Whereof currency swaps</i>			10	4			10	4
<b>Total financial assets</b>	<b>223</b>	<b>283</b>	<b>10</b>	<b>4</b>	<b>66</b>	<b>53</b>	<b>299</b>	<b>340</b>
<b>Financial liabilities</b>								
Other long-term liabilities			171	38			171	38
<i>Whereof interest rate swaps</i>			169	37			169	37
<i>Whereof commodity hedge</i>			2	1			2	1
Other current liabilities			2				2	
<i>Whereof currency swaps</i>			2				2	
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>173</b>	<b>38</b>	<b>-</b>	<b>-</b>	<b>173</b>	<b>38</b>

Parent company	Level 1		Level 2		Level 3		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
<b>MSEK</b>								
<b>Financial assets</b>								
Other securities held as fixed assets	223	283					223	283
<i>Whereof shareholding in listed company</i>	223	283					223	283
<b>Total financial assets</b>	<b>223</b>	<b>283</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>223</b>	<b>283</b>

The table below is a reconciliation between the opening and closing balance of assets included in level 3.

Group	Other securities held as fixed assets <sup>1)</sup>	
	2014	2013
<b>MSEK</b>		
<b>Opening balance</b>	<b>53</b>	<b>39</b>
Investments during the year	5	12
Reported in other comprehensive income	8	2
<b>Closing balance</b>	<b>66</b>	<b>53</b>

1) Refers in its entirety to an investment in an unlisted fund. The holding is valued at fair value through other comprehensive income.

## Note 36 Financial risks and financial policy

### Finance and treasury

The Group is exposed to various types of financial risk through its operations. The term financial risk refers to fluctuations in the company's profits and cash flow resulting from changes in exchange rates, interest rates, refinancing and credit risks. Group finance and treasury is governed by the financial 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 and treasury committee which is chaired by the Chairman of the Board. It is authorised to make decisions that follow the financial policy in between meetings of the Board. The finance and treasury 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 responsibility of the Finance and Treasury function is to provide cost-effective funding and to minimise the negative effects on Group profit due to the price of financial risks.

The liquidity risk refers to the risk of Peab having difficulties in meeting its payment obligations as a result of a lack of liquidity or problems in converting or receiving new loans. Committed credit facilities combined with liquidity forecasts are used in order to ensure access to liquidity. 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 the year-end is presented below.

### Available liquid funds

Group MSEK	2014-12-31	2013-12-31
Liquid funds and bank holdings	812	459
Unutilized overdraft facilities	1,240	897
Other unused credit lines	4,700	3,450
<b>Total</b>	<b>6,752</b>	<b>4,806</b>

The financial policy dictates that Group net debt should mainly be covered by loan commitments that mature between 1 and 7 years. At the end of the year, the average loan period for utilised credits was 30 months (41), for unutilised credits 18 months (28), and for all granted credits 25 months (36). Peab's base financing consists of a syndicated loan facility of SEK 5,000 million. The loan agreements, which are not subject to amortization, run until September 2016. This loan facility is supplemented by capital market financing, other kinds of short-term operations financing, project related credits and financial leasing. The loan agreements contain 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 the year.

Peab set up a lending program for commercial papers in 2004. Under the program, Peab can issue commercial papers for a maximum of SEK 3.5 billion. The borrower is Peab Finans AB and the guarantor is Peab AB. At the end of the year, Peab had outstanding commercial papers worth SEK 1,170 million (853).

In 2011 Peab issued unsecured bonds for a nominal value of SEK 1,000 million that run for three, four and five years. In February 2012 Peab received FSA approval and registration for the issuance of Medium Term Notes (MTN) with a loan limit of SEK 3 billion. During 2014 no new bonds have been issued under the MTN program. At the end of the year Peab had outstanding bonds nominal SEK 1,950 million (2,450).

Total credit commitments, excluding unutilised leasing lines, that part of the certificate program which has not been utilised and the unutilised part of MTN-program, amounted to SEK 12,802 million (12,881) per 31 December 2014. SEK 6,765 million (8,534) was utilised of the total credit commitments.

### Age analysis of financial liabilities, undiscounted cash flow including interest

Group 2014 MSEK	Currency	Average interest rate on balance sheet date, %	Nominal value, original currency	Amount	Maturing	Maturing	Maturing	Maturing	Maturing	Maturing
				SEK	in 2015	in 2016	in 2017	in 2018	in 2019	2020-
Bank loans	SEK	1.9	2,329	2,329	1,389	541	124	142	68	65
Bank loans	NOK	3.4	311	327	260	30	1	16	10	10
Bank loans	EUR	2.1	70	666	190	78	7	7	7	377
Commercial paper	SEK	1.3	1,172	1,172	1,172	-	-	-	-	-
Bonds	SEK	2.6	2,026	2,026	641	1,029	357	-	-	-
Financial leasing liabilities	SEK	2.3	344	344	87	92	148	8	5	5
Financial leasing liabilities	NOK	2.3	98	103	30	26	19	14	8	5
Financial leasing liabilities	EUR	2.2	1	10	3	3	3	-	-	-
<b>Total interest-bearing financial liabilities</b>				<b>6,977</b>	<b>3,772</b>	<b>1,799</b>	<b>659</b>	<b>187</b>	<b>98</b>	<b>462</b>
Accounts payable	SEK	-	3,174	3,174	3,174	-	-	-	-	-
Accounts payable	NOK	-	503	529	529	-	-	-	-	-
Accounts payable	EUR	-	14	134	134	-	-	-	-	-
Other liabilities	SEK	-	201	201	186	10	2	-	-	3
Other liabilities	NOK	-	23	24	24	-	-	-	-	-
Other liabilities	EUR	-	6	57	38	19	-	-	-	-
Interest rate swaps	SEK	-	-	179	57	52	37	20	5	8
<b>Total non-interest bearing financial liabilities</b>				<b>4,298</b>	<b>4,142</b>	<b>81</b>	<b>39</b>	<b>20</b>	<b>5</b>	<b>11</b>
<b>Total financial liabilities</b>				<b>11,275</b>	<b>7,914</b>	<b>1,880</b>	<b>698</b>	<b>207</b>	<b>103</b>	<b>473</b>



Group 2013 MSEK	Currency	Average interest rate on balance sheet date, %	Nominal value, original currency	Amount SEK	Maturing in 2014	Maturing in 2015	Maturing in 2016	Maturing in 2017	Maturing in 2018	Maturing 2019-
Bank loans	SEK	2.8	4,130	4,130	1,450	137	1,828	113	251	351
Bank loans	NOK	3.8	299	316	205	86	1	1	18	5
Bank loans	EUR	2.1	67	601	189	84	7	5	5	311
Commercial paper	SEK	1.9	869	869	869	–	–	–	–	–
Bonds	SEK	3.2	2,323	2,623	573	654	1,038	358	–	–
Financial leasing liabilities	SEK	3.4	409	409	36	11	30	39	59	234
Financial leasing liabilities	NOK	3.8	142	150	36	32	31	30	12	9
<b>Total interest-bearing financial liabilities</b>				<b>9,098</b>	<b>3,358</b>	<b>1,004</b>	<b>2,935</b>	<b>546</b>	<b>345</b>	<b>910</b>
Accounts payable	SEK	–	3,236	3,236	3,236	–	–	–	–	–
Accounts payable	NOK	–	445	471	471	–	–	–	–	–
Accounts payable	EUR	–	13	116	116	–	–	–	–	–
Other liabilities	SEK	–	197	197	177	15	0	3	–	2
Interest rate swaps	SEK	–	–	66	44	19	9	–1	–1	–4
<b>Total non-interest bearing financial liabilities</b>				<b>4,086</b>	<b>4,044</b>	<b>34</b>	<b>9</b>	<b>2</b>	<b>–1</b>	<b>–2</b>
<b>Total financial liabilities</b>				<b>13,184</b>	<b>7,402</b>	<b>1,038</b>	<b>2,944</b>	<b>548</b>	<b>344</b>	<b>908</b>

### 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. On 31 December 2014, interest-bearing net debt amounted to SEK 3,886 million (5,948). Total interest-bearing liabilities amounted to SEK 6,765 million (8,534), of which SEK 3,368 million (3,470) were short-term. The financial policy dictates that the average fixed interest period on total borrowing may not exceed 24 months. Peab has

chosen short fixed interest periods for outstanding credits. Per 31 December 2014 there were interest rate swaps of SEK 3,350 million (3,350) with maturity between 0 and 8 years at an effective interest rate of 2.3 percent (2.3) according to the table below. Peab pays a fixed annual interest rate and receives floating rates (Stibor 3 months) for the interest rate swap. The swap agreement is recognised at fair value on the balance sheet date. Per 2014-12-31 this fair value was SEK –169 million (–37).

### Interest rate derivatives

MSEK	Currency	Effective rate %	Nominal value, original currency	Amount SEK	Maturing in 2014	Maturing in 2015	Maturing in 2016	Maturing in 2017	Maturing in 2018	Maturing in 2019	Maturing 2020-
Interest rate swaps 2014–12–31	SEK	2.3	3,350	3,350	–	500	600	850	1,150	–	250
Interest rate swaps 2013–12–31	SEK	2.3	3,350	3,350	–	500	600	850	1,150	–	250

As the table below shows, the fixed interest period for SEK 3,415 million (5,059) of the Group's total interest-bearing liabilities, including derivatives, is less than 1 year. Interest-bearing asset items totaling SEK 1,933 million (1,336) have short fixed interest periods, with the result that the fixed interest period for SEK 1,482 million (3,723) of Group net debt, including derivatives, is less than 1 year, making these liabilities directly susceptible to changes in market interest rates. Since the majority of the financial liabilities have a short maturity most of the interest rate risk is considered a cash flow risk. For further information see the sensitivity analysis on page 27 in the Board of Directors' report.

### Loan period for utilized credit per 31 December 2014

Fixed interest period	Amount, MSEK	Average effective interest rate, percent	Share, percent
2015	6,765	2.1	100
2016-	0	–	0
<b>Total</b>	<b>6,765</b>	<b>2.1</b>	<b>100</b>

### Fixed interest rate period on utilized credits, including derivatives per 31 December 2014

Fixed interest rate period	Amount, MSEK	Average effective interest rate, percent	Share, percent
2015	3,415	2.5	50
2016-	3,350	3.6	50
<b>Total</b>	<b>6,765</b>	<b>3.0</b>	<b>100</b>

### Currency risks

The risk that fair values and cash flows from financial instruments may fluctuate with changes in the value of foreign currencies is referred to as a currency risk.

### 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 31 December 2014, including leasing but excluding currency derivatives, was allocated as follows:

	Local currency in millions	MSEK
SEK	5,727	5,727
EUR	66	626
NOK	392	412
<b>Total</b>		<b>6,765</b>

Internal loans from Peab Finans AB are used to handle temporary liquidity needs in Peab's foreign operations. Currency swaps are used to eliminate exchange risks. Currency swaps usually run three months. Currency swaps are reported at fair value in book closing and value changes are reported as unrealised exchange rate differences in the income statement and as current receivables and liabilities in the balance sheet. At the end of the year, there were EUR 39 million (44) and USD 0 million (20) in outstanding currency swaps relating to financial exposure. Of the currency swaps referring to financial exposure EUR 28 million (33) are a hedge for the shareholding in Lemminkäinen Oyj. Exchange rate differences in net financials items from financial exposure were SEK –13 million (40). Exchange rate differences in operating profit were SEK –4 million (0).

### Exposure of net assets in foreign currency

The translation exposure arising from investments in foreign net assets is primarily hedged through loans in foreign currency or forward exchange contracts. At the end of 2014 there were no hedges through forward exchange contracts of foreign net assets in Norway. Hedges of foreign net assets in Finland, hedging through forward exchange contracts and loans amounted to EUR 16 million (16).

#### Foreign net assets

Local currency in millions	2014-12-31	Of which hedged	2013-12-31	Of which hedged
NOK	950	–	905	–
EUR	39	16	56	16
PLN	6	–	7	–
LVL	–	–	1	–

A 10 percent stronger euro rate on 31 December 2014 would entail a positive translation effect on equity of SEK 22 million (36). A corresponding strengthening of the Norwegian crown would generate a positive translation effect on equity of SEK 100 million (96). The translation effects are calculated on that part of foreign net assets which are not hedged. The effects of corresponding exchange rate changes on profit for the year are limited.

Annual exchange rate differences in equity (net assets in foreign subsidiaries) amounted to SEK 16 million (–139).

#### Commercial exposure

Although international purchases and sales of goods and services in foreign currency are currently small, 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 the year, there were exchange rate hedges related to forecasted currency flows of EUR 10 million (5).

Since anticipated currency flows are hedged there are no transaction or translation effects on equity (other than in the hedged reserve) or in profit for the year if currency rates change.

#### Share price risk

Peab is exposed to share price risk through shareholding in the listed company Lemminkäinen Oyj. On closing date the total reported value of this holding was SEK 223 million (283).

#### Credit risk

Credit risk refers to the risk of a counterparty failing to meet their 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 financial 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. Peab did not suffer any financial instrument losses in 2014.

Total counterparty exposure related to derivative trading calculated as a net receivable per counterparty amounted to SEK 0 million (0) at the end of 2014. The estimated gross exposure to counterparty risks related to liquid funds and current investments amounted to SEK 812 million (459).

#### 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. Bad debts are very rare in construction since invoicing is continuous during production in most projects. 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 established a credit policy for handling customer credit. For instance, it specifies where decisions regarding credit limits of various magnitudes 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 reported value presented in the Group balance sheet. Total bad debts amounted to SEK 31 million (34). The credit quality in accounts receivable that are not yet due and not written down is considered good.

#### Age analysis, not written down accounts receivable due

MSEK	Booked value of receivables not written-down	
	2014	2013
Accounts receivable, not fallen due	4,728	4,536
Accounts receivable, fallen due 0 – 30 days	722	628
Accounts receivable, fallen due 31 – 90 days	134	184
Accounts receivable, fallen due 91 – 180 days	83	129
Accounts receivable, fallen due 181 – 360 days	185	288
Accounts receivable, fallen due 360 days	286	380
<b>Total</b>	<b>6,138</b>	<b>6,145</b>

#### Accounts receivable written-down

MSEK	2014	2013
Opening balance	34	54
Reversed write-downs	–16	–52
Write-downs for the year	10	31
Translation difference	0	1
<b>Balance carried forward</b>	<b>28</b>	<b>34</b>

There are no mature receivables of significant amounts for other financial receivables.

#### Offsetting financial instruments

The Group is included in a derivative agreement under International Swaps and Derivatives Association (ISDA) master netting agreement. The agreement entails that 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 in the balance sheet. This is because offsetting according to ISDA agreements is only permitted if the counterparty or the Group cannot settle their obligations. In addition, it is not the intention of the counterparty or Group to settle dealings on a net basis or at the same time.

The information in the table below shows the financial instruments covered by a legally binding netting framework agreement or a similar contract.

Group	2014		2013	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
MSEK				
Booked gross amount	10	172	4	38
Amount covered by netting agreement	–10	–10	–4	–4
<b>Net sum after netting agreement</b>	<b>0</b>	<b>162</b>	<b>0</b>	<b>34</b>

The financial instruments below are covered by a binding agreement concerning offsetting. The agreement on offsetting means that repayment of loans and the redemption of preference shares must take place at the same time. Offsets have therefore been recognized on the balance sheet.

Group	2014	2013
MSEK		
Holding of preference shares in a joint venture	2,667	2,667
Interest-bearing long-term liabilities in a joint venture	–2,667	–2,667
<b>Total</b>	<b>0</b>	<b>0</b>

#### Capital management

Peab aims 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 is also intended to promote 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 the equity attributable to the owners of shares in the parent company.

### Equity

MSEK	2014	2013
Share capital	1,584	1,584
Other contributed capital	2,576	2,576
Reserves	-449	-283
Retained earnings including profit for the year	4,286	3,791
<b>Equity related to shareholders in parent company</b>	<b>7,997</b>	<b>7,668</b>

One of Peab's targets is an equity/assets ratio (equity divided by the balance sheet total) in excess of 25 percent. The Board of Directors believes that this level is well suited to Peab's construction and civil engineering activities in Sweden, Norway and Finland. The target is a part of the Group's strategic planning. If the equity/assets ratio is expected to exceed this level on a permanent basis, the capital should be transferred to the shareholders in the appropriate form. The equity/assets ratio at the end of 2014 was 28.2 percent (24.0).

It is the ambition of the Board of Directors to preserve a balance between a high rate of return on equity, which can be done through increased lending, and the security and benefits associated with a higher equity ratio. Therefore, one of Peab's financial targets is a return on equity (profit for the period attributable to holders of participations in the parent company divided by the average equity attributable to holdings of participations in the parent company) in excess of 20 percent. The return on equity was 13.1 percent (3.8) at the end of 2014. The Board believes the target figure is a long-term relevant level for Peab. By way of comparison, the Group's average interest expenses on interest-bearing borrowing were 3.0 percent (3.4).

Peab's goal concerning dividends is an annual distribution of 50 percent of profits after tax to shareholders. The level of dividends should be reasonable in relationship to developments in Peab's profit and consolidation requirements. An ordinary dividend of SEK 2.25 per share (1.80) is proposed for 2014. Calculated as a share of the Group's reported profit after tax, the proposed dividend amounts to 65 percent (178). Excluding the 1,086,984 B shares owned by Peab AB on 28 February 2015, which do not entitle to dividends, the proposed dividend is equivalent to a total dividend distribution of SEK 664 million (531). Besides the ordinary dividend, extra cash dividends may be proposed if the Board of Directors finds there are sufficient funds which are not considered necessary to Group development. Extra dividends may also be made in other forms besides cash.

At the start of 2014, 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 13 May 2014, the Peab Annual General Meeting authorise the Board of Directors to acquire at the most the number of shares in Peab AB such that after acquisition Peab would hold a maximum of 10 percent of the registered shares in the company. During 2014 no repurchases or divestitures have taken place. 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.

Some of Peab's loan agreements contain financial covenants in the form of interest coverage rate and equity/assets ratio which the Group must comply with, which is normal for this type of loan agreement. At the end of the year, Peab fulfilled these covenants with a broad margin.

## Note 37 Operational leasing contracts

### Expensed leasing payments for the period:

Group	2014	2013
MSEK		
Minimum lease payments	571	464
<b>Total leasing costs</b>	<b>571</b>	<b>464</b>

### Interminable leasing payments amount to:

MSEK	2014	2013
Within a year	408	385
Between one and five years	806	597
Later than five years	36	9
<b>Total</b>	<b>1,250</b>	<b>991</b>

Rental of premises, office inventories and some vehicles are classified as operational leasing contracts. Most of the leasing cost refers to rental of premises according to operational leasing contracts. The leasing contracts run without special restrictions with an option to renew. Other operational leasing contracts are divided among a number of lesser agreements.

Leasing income generated by objects that are rented to a third party is marginal.

## Note 38 Investment obligations

In 2014, the Group signed agreements to acquire tangible fixed assets amounting to SEK 81 million (65).

At the end of both 2014 and 2013, the Group had no commitments to invest in joint arrangements.

Companies classified as joint arrangements have committed investments of SEK 1,073 million (563). Most of the investment obligations should be regulated in the coming financial year.

The parent company has not signed any agreements to acquire tangible fixed assets.

## Note 39 Pledged assets, contingent liabilities and contingent assets

### Pledged assets

MSEK	Group		Parent company	
	2014	2013	2014	2013
<b>For own liabilities and provisions</b>				
<b>Related to long-term liabilities to credit institutions:</b>				
Real estate mortgages	737	987		
Floating charges	1	-		
Assets with attached liens	600	604		
Other	367	311		
<b>Related to current liabilities to credit institutions:</b>				
Real estate mortgages	1,179	475		
Assets with attached liens	241	374		
Other	51	-		
<b>Total related to own liabilities and provisions</b>	<b>3,176</b>	<b>2,751</b>	<b>-</b>	<b>-</b>
<b>For own contingent liabilities and guarantees</b>				
Real estate mortgages	3	3		
Floating charges	8	11		
Assets with attached lines	-	95		
<b>Total for own contingent liabilities and guarantees</b>	<b>11</b>	<b>109</b>	<b>-</b>	<b>-</b>
<b>Total pledged assets</b>	<b>3,187</b>	<b>2,860</b>	<b>-</b>	<b>-</b>

Contingent liabilities MSEK	Group		Parent company	
	2014	2013	2014	2013
Shared obligations as part-owner in limited partnerships	3	12	–	–
Guarantees and contracting guarantees for Group companies	–	–	14,237	16,407
Guarantee liabilities for the benefit of joint arrangements	2,441	1,836	2,441	1,836
Other guarantees and contingent liabilities	4,937	3,221	4,937	3,221
<b>Total</b>	<b>7,381</b>	<b>5,069</b>	<b>21,615</b>	<b>21,464</b>

Other guarantee and contingent liabilities primarily refer to obligations to tenant-owner cooperatives.

## Note 40 Related parties

### Related parties

The Group is subject to considerable influence by Mats Paulsson, Fredrik Paulsson and Anita Paulsson together with families, children and companies. Their combined votes accounted for some 58 percent of the votes in Peab AB per 31 December 2014.

Until the beginning of April 2014 Svante Paulsson and Sara Karlsson with families, children and companies were also a part of this circle with major influence in Peab. At the beginning of April 2014 they divested their entire holdings in Peab and Svante Paulsson left his position on the Board of Directors of Peab.

### Wihlborgs Fastigheter

Sara Karlsson is a member of the Board of Directors of Wihlborgs Fastigheter. Sara Karlsson is the daughter of Erik Paulsson who is Chairman of the Board of Directors of Wihlborgs Fastigheter and has a significant influence. Transactions are included up until the time that her considerable influence on Peab ceased.

### Skistar

The Skistar Group is subject to considerable influence by Mats Paulsson with families, children and companies through their ownership of the company. Mats Paulsson is a member of the Board of Directors of Skistar.

### Fabege

Svante Paulsson is a member of the Board of Directors of Fabege. Svante Paulsson is the son of Erik Paulsson who is Chairman of the Board of Directors and has a considerable influence. Transactions are included up until the time that his considerable influence on Peab ceased.

### Backahill

Svante Paulsson and Sara Karlsson are members of the Board of Directors of Backahill. Backahill is under considerable influence by them, together with their father Erik Paulsson. Transactions are included up until the time that their considerable influence on Peab ceased.

### Kranpunkten

Kranpunkten is subject to considerable influence by Fredrik Paulsson with family, children and companies through their ownership of the company. Fredrik Paulsson is also CEO of Kranpunkten.

### Ocay/Gullbergs

Fredrik Paulsson was one of the major owners of Gullbergs up to August 2012 when he sold most of his share of the company. Fredrik Paulsson is a member of the Board of Directors of Scandinavian Office Group, which is the parent company of Gullbergs.

### AB Axel Granlund/Volito

Karl-Axel Granlund is a member of the Board of Directors of Peab and has decisive influence in AB Axel Granlund/Volito together with his children, family and companies.

### Joint arrangements

In addition to the related parties presented below the Group has a related party relation with its joint arrangements, see note 17 and note 18.

### Subsidiaries

In addition to the related parties below given for the Group, the parent company has a close relationship with its subsidiaries, see note 41.

### Summary of transactions with related parties

Group MSEK	2014	2013
<b>Transactions with joint arrangements</b>		
Sales to joint arrangements	1,762	1,159
Purchases from joint arrangements	191	172
Interest income from joint arrangements	75	56
Interest costs to joint arrangements	2	3
Receivables from joint arrangements	1,869	1,311
Liabilities to joint arrangements	28	117
Dividends from joint arrangements	218	110
Guarantee liabilities for the benefit of joint arrangements	2,441	1,836
<b>Transactions with Wihlborgs</b>		
Sales to Wihlborgs	6	150
Purchases from Wihlborgs	5	10
Receivables from Wihlborgs	–	5
Liabilities to Wihlborgs	–	2
<b>Transactions with Skistar</b>		
Sales to Skistar	13	14
Purchases from Skistar	0	0
Receivables from Skistar	1	1
<b>Transactions with Fabege</b>		
Sales to Fabege	95	219
Purchases from Fabege	23	39
Receivables from Fabege	–	199
Liabilities to Fabege	–	4
<b>Transactions with Backahill</b>		
Sales to Backahill	45	88
Purchases from Backahill	0	1
Receivables from Backahill	–	11
Liabilities to Backahill	–	0
<b>Transactions with Kranpunkten</b>		
Sales to Kranpunkten	29	30
Purchases from Kranpunkten	57	61
Receivables from Kranpunkten	4	6
Liabilities to Kranpunkten	7	7
<b>Transactions with Ocay/Gullbergs</b>		
Sales to Ocay/Gullbergs	10	7
Purchases from Ocay/Gullbergs	52	53
Receivables from Ocay/Gullbergs	2	1
Liabilities to Ocay/Gullbergs	9	7
<b>Transactions with AB Axel Granlund/Volito</b>		
Sales to AB Axel Granlund/Volito	12	–
Purchases from AB Axel Granlund/Volito	1	–
Receivables from AB Axel Granlund/Volito	2	–
Liabilities to AB Axel Granlund/Volito	0	–
Dividends to AB Axel Granlund/Volito	36	–



## Summary of transactions with related parties

Parent company	2014	2013
MSEK		
<b>Transactions with subsidiaries</b>		
Sales to subsidiaries	236	105
Purchases from subsidiaries	38	13
Receivables from subsidiaries	1,019	1,544
Liabilities to subsidiaries	6,751	7,991
Interest income from subsidiaries	0	1
Interest costs to subsidiaries	211	214
Dividends from subsidiaries	1,278	82
<b>Transactions with joint arrangements</b>		
Receivables from joint arrangements	28	51
Interest income from joint arrangements	2	2
<b>Transactions with Backahill</b>		
Purchases from Backahill	0	1
<b>Transactions with Ocay/Gullbergs</b>		
Purchases from Ocay/Gullbergs	1	0
Liabilities to Ocay/Gullbergs	1	0
<b>Transactions with AB Axel Granlund/Volito</b>		
Dividens to AB Axel Granlund/Volito	36	-

## Executive management

For information on salaries and other remuneration to the Board of Directors and the CEO and senior officers along with information on costs and obligations relating to pensions and similar benefits and agreements on retirement remuneration, see note 9.

## Transaction terms

Transactions with related parties were priced on general market terms.

## Note 41 Group companies

Corp.ID.nr	Registered office	Share of equity (%)	Book value in parent company, MSEK		
			2014	2013	
Peab Finans AB	556552-1324	Båstad	100.0%	1,616	1,616
Peab Sverige AB	556099-9202	Båstad	100.0%	3,622	3,622
Peab Sp.z.o.o	40624	Warszawa	100.0%		
Kompetenskraft i Solna AB	556737-7683	Solna	100.0%		
Kompetanskraft AS	991 687 971	Oslo	100.0%		
KB Muraren 135	916837-9841	Båstad	100.0%		
KB Möllevarvet	969639-7877	Båstad	100.0%		
KB Snickaren 204	969684-0975	Båstad	100.0%		
Torghuset i Värnamo AB	556607-6807	Båstad	100.0%		
Undertak- och Fasad-entreprenader Sverige AB	556058-5837	Stockholm	100.0%		
Rörman Installation & Service Sverige AB	556026-0316	Sundbyberg	100.0%		
Fastighetsförvaltningsbolaget Gasellen 2 HB	916563-4271	Stockholm	100.0%		
Olsson & Zarins Baltinvest AB	556439-3592	Uppsala	100.0%		
Kungsfiskaren Bygg & Fastighet AB	556471-2296	Stockholm	100.0%		
Kipsala Business Center	40003729343	Riga	100.0%		
Peab Construction Syd AB	556292-2368	Båstad	100.0%		
Peab Construction i Göteborg AB	556626-9089	Båstad	100.0%		
Peab Byggservice AB	556066-3675	Båstad	100.0%		
Nybyggarna i Nerike AB	556582-1146	Örebro	100.0%		
Geodells Byggnads AB	556396-4187	Järfälla	100.0%		
Peab Fastigheter i Växjö AB	556716-6664	Båstad	100.0%		
Peab Ugglarp AB	556094-5072	Båstad	100.0%		
HälsingeBygg i Hudiksvall AB	556624-4025	Hudiksvall	100.0%		
Värby Fastighets AB	556703-4771	Båstad	100.0%		
Peab Exploatering AB	556129-8562	Stockholm	100.0%		
Berg och Falk AB	556602-3064	Ödeshög	100.0%		
BEFAB Schakt AB	556555-2287	Mjölby	100.0%		
Peab Sverige AB, dansk filial	1595622	Fredrikshavn	100.0%		
Peab Sverige AB, norsk filial	976 580 176	Oslo	100.0%		
Mora-Orsa Byggtjänst AB	556624-6160	Solna	100.0%		
Byggtjänst i Offerdal AB	556835-9755	Solna	100.0%		
Peab Boarp AB	556715-0247	Båstad	100.0%		
Malmööket AB	556709-6713	Båstad	100.0%		
Malmööket Ekonomisk Förening	769614-7821	Båstad	100.0%		
KB Bråmaregården 18:4	969638-3364	Kristianstad	100.0%		
Peab Infra Oy	2303725-2	Helsinki	100.0%		
Peab Bostadsproduktion AB	556554-6487	Båstad	100.0%		
AB Alingsås Trähus	556576-5194	Alingsås	100.0%		
Norrberga Exploaterings AB	556809-1846	Solna	100.0%		
Peab Anläggning AB	556568-6721	Båstad	100.0%	381	371
Berg & Våg Maskin AB	556130-4972	Salem	100.0%		
Skillingenäs AB	556587-0192	Båstad	100.0%		
Peab Drift & Underhåll AB	556569-4386	Stockholm	100.0%		
Stockholm Hamnentreprenad AB	556036-9133	Stockholm	100.0%		
Linje & Kabelplöjning i Borlänge AB	556487-3098	Borlänge	100.0%		
Olof Mobjer Entreprenad AB	556445-1275	Båstad	100.0%		
West Wind AB	556615-7797	Solna	100.0%		
G Nilsson Last & Planering i Ranseröd AB	556236-0908	Båstad	100.0%		
AB Jämshögs Grus & Entreprenad	556048-3918	Båstad	100.0%		
BEFAB Entreprenad Mjölby AB	556595-7452	Linköping	100.0%		
Peab Drift & Underhåll i Mellansverige AB	556581-4612	Linköping	100.0%		
Åstorps Bioenergi AB	556644-8246	Båstad	100.0%		
Peab Industribyggnad i Norr AB	556851-7121	Båstad	100.0%		
Peab Anlegg AS	913 502 566	Bærum	100.0%		
Peab Prosjekt i Nord ANS	913 935 047	Bærum	100.0%		
Peab Oy	1509374-8	Helsinki	100.0%	488	488
Kehitysyhtiö Pyynikki Oy	2214064-5	Helsinki	100.0%		
Eastendin Palvelu Oy	2013178-8	Helsinki	100.0%		
Peab AS	990 040 729	Bærum	100.0%	538	724

	Corp.ID.nr	Registered office	Share of equity <sup>1/2)</sup>	Book value in parent company, MSEK		Corp.ID.nr	Registered office	Share of equity <sup>1/2)</sup>	Book value in parent company, MSEK		
				2014	2013				2014	2013	
Björn Bygg AS	943 672 520	Tromsø	100.0%			998 622 670	Bærum	100.0%			
Firkanten Eiendom AS	982 794 528	Harstad	100.0%			2586326-7	Helsinki	100.0%			
Nilsen & Haukland AS	986 359 168	Harstad	100.0%			556511-5408	Båstad	100.0%	1,370	1,370	
Bogstrand AS	996 043 428	Harstad	100.0%			556190-3765	Helsingborg	100.0%	60	60	
Peab Eiendomsutvikling AS	987 099 011	Bærum	100.0%			556442-7432	Båstad	100.0%	1	0	
ANS Solligården	957 524 346	Bærum	100.0%			556134-4333	Båstad	100.0%	7	7	
Peab Bolig Prosjekt AS	990 892 385	Bærum	100.0%			556568-8784	Båstad	100.0%	0	0	
Telemark Vestfold Entreprenør AS	959 414 572	Skien	100.0%			556438-9665	Båstad	100.0%	241	272	
Hus & Hyttebygg AS	990 347 093	Skien	100.0%			556470-0184	Båstad	100.0%			
K.Nordang AS	936 574 696	Stranda	90.1%			556233-8680	Stockholm	100.0%			
Byggservice & Vedlikehold AS	986 346 384	Bærum	100.0%	68	81	Flygstaden Intressenter i Grevie AB	556541-5360	Båstad	100.0%		
Peab Invest AS	981 704 665	Oslo	100.0%	256	1,332	Peab Projektutveckling AB	556715-0254	Båstad	100.0%	4	0
Peab Industri AB	556594-9558	Båstad	100.0%	2,588	2,588	Peab Bostad AB	556237-5161	Stockholm	100.0%		
Peab Industri Våxtorp AB	556232-8368	Båstad	100.0%			Stockholms Kommersiella Fastighets AB	556105-6499	Stockholm	100.0%		
Peab Industri Sverige AB	556594-9624	Ängelholm	100.0%			Hatteskär AB	556874-6936	Båstad	100.0%		
Lambertsson Sverige AB	556190-1637	Båstad	100.0%			Peab Projektutveckling Väst AB	556092-9852	Gothenburg	100.0%		
Lambertsson Kran AB	556543-5293	Båstad	100.0%			Peab Trading Väst AB	556594-9590	Gothenburg	100.0%		
KB Muraren 105	916837-9544	Mölnadal	100.0%			Lambel AB	556577-8890	Gothenburg	100.0%		
Krantorp KB	969623-0540	Mölnadal	100.0%			Smögen Exploatering AB	556090-5472	Båstad	100.0%		
ATS Kraftservice AB	556467-5998	Båstad	100.0%			Peab Borås Exploatering AB	556651-7727	Båstad	100.0%		
Hagström i Nås AB	556377-1376	Vansbro	100.0%			Kreaton AB	556644-5010	Gothenburg	100.0%		
Swerock AB	556081-3031	Helsingborg	100.0%			Peab Holding Väst AB	556900-2586	Gothenburg	100.0%		
Swerock Uppsala AB	556031-3289	Uppsala	100.0%			Kompligens Fastigheter AB	556691-2555	Båstad	100.0%		
AB Uppsala Grus	556206-6281	Uppsala	100.0%			KB Klagshamn Exploatering	916563-4412	Båstad	100.0%		
Rådasand AB	556042-8699	Lidköping	100.0%			Peab Trading Nord AB	556715-4827	Solna	100.0%		
Peab Transport & Maskin AB	556097-9493	Örkelljunga	100.0%			Fastighetsbolaget Pollaren AB	556715-5337	Solna	100.0%		
AB Roler	556100-0729	Örebro	100.0%			H2 Helsingborg AB	556544-1986	Båstad	100.0%		
Ferdigbetong AS	987 013 117	Tromsø	100.0%			Fastighets AB Ekudden	556628-0326	Alingsås	100.0%		
Gryttby Grus och Sand AB	556846-9323	Uppsala	100.0%			Västgöta Mark och Entreprenad AB	556644-1308	Alingsås	100.0%		
Skandinaviska Byggelement AB	556034-2148	Helsingborg	100.0%			Husgruppen i Alingsås KB	969728-7887	Gothenburg	100.0%		
Lättklinkerbetong AB	556239-1721	Alingsås	100.0%			Kista Gård 3 Parkering AB	556938-3648	Solna	100.0%		
P Andersson Fastighet 1 i Mälardalen AB	556824-5624	Helsingborg	100.0%			Fastighetsbolaget Måsbodarna Tre AB	556691-9907	Solna	100.0%		
Peab PGS AB	556428-5905	Båstad	100.0%			Telge Peab AB	556790-5889	Södertälje	100.0%		
Peab Asfalt AB	556098-8122	Båstad	100.0%			Peab Trading Öst AB	556778-8749	Stockholm	100.0%		
Bodenhus AB	556279-8768	Boden	100.0%			Fastighets AB Isolatorn	556913-9644	Solna	100.0%		
Pionjärerna Fastighets AB	556114-9773	Boden	100.0%			Perioden Fastighets AB	556832-7919	Solna	100.0%		
Kvalitetsasfalt i Mellansverige AB	556537-5432	Västerås	100.0%			Enavallens Fastighets AB	556734-0871	Enköping	100.0%		
Peab Asfalt Norge AS	994 628 577	Bærum	100.0%			Peab Trading Solna AB	556793-1554	Solna	100.0%		
Peab Grundläggning Norden AB	556554-1587	Båstad	100.0%			KB Messingen	916837-9817	Stockholm	100.0%		
Peab Grundläggning AB	556154-7364	Båstad	100.0%			Fastighets AB Spelhamen	556795-0992	Solna	100.0%		
Nordisk Fundamentering AS	996 217 981	Enebakk	100.0%			DGV i Enskede AB	556750-3791	Stockholm	100.0%		
Peab Bildrift Norden AB	556707-8380	Helsingborg	100.0%			ATS Service AB	556707-9719	Sigtuna	100.0%		
Peab Bildrift Sverige AB	556313-9608	Helsingborg	100.0%			Hanbjelken AB	556699-4306	Solna	100.0%		
Peab Bildrift Norge AS	892 890 692	Skedsmo	100.0%			Forsen 2 i Eskilstuna AB	556749-4801	Eskilstuna	100.0%		
Peab Vagnpark AB	556234-0371	Båstad	100.0%			Furuspecialen i Nyköping Fastighets AB	556695-9986	Solna	100.0%		
Swecem AB	556919-5760	Helsingborg	100.0%			Eidslundfastigheter Sverige AB	556750-2165	Linköping	100.0%		
Peab Industri Norge AS	990 609 527	Bærum	100.0%			Råsta Arenabostäder AB	556789-3002	Solna	100.0%		
Lambertsson Norge AS	985 129 738	Enebakk	100.0%			Råsta Köpcenterbostäder AB	556789-2921	Solna	100.0%		
Kranor AS	976 313 062	Slemmestad	100.0%			Peab Hermelinen AB	556872-5633	Stockholm	100.0%		
Rolf Olsens vei 30/32 AS	990 285 624	Bærum	100.0%			Peab Racketen AB	556721-1635	Stockholm	100.0%		
Peab Industri Finland AB	556687-9226	Helsingborg	100.0%			Loak AB	556764-6491	Solna	100.0%		
Peab Industri Oy	1509160-3	Helsinki	100.0%			Peab Söderbymalm 3:405 AB	556722-0735	Stockholm	100.0%		
Lambertsson Oy	0937993-4	Helsinki	100.0%			Centrumhuset i Sigtuna AB	556961-9769	Solna	100.0%		
Annehem Fastigheter AB	556683-4452	Båstad	100.0%	222	222	Ångström & Mellgren AB	556592-6895	Västerås	100.0%		
Annehem Fastigheter & Projekt AB	556715-5220	Båstad	100.0%			Norrvikens Fastigheter AB	556703-1470	Stockholm	100.0%		
Fastighets AB Skeppsdockan i Malmö	556563-0711	Ängelholm	100.0%	0	0	Peab Markutveckling AB	556949-4437	Solna	100.0%		
Valhall Flyg AB	556718-8593	Ängelholm	100.0%			Peab Fastighetsutveckling AB	556824-8453	Båstad	100.0%		
Valhall Flyg KB	969724-7865	Ängelholm	100.0%	0	0	Peab Invest Oy	1773022-9	Helsinki	100.0%		
Br Paulsson Peab AB	556113-4114	Båstad	99.9%	157	157	Property Gardener Oy	2558819-7	Helsinki	100.0%		
Stadiongatans Lokalutyrning AB	556141-1736	Båstad	100.0%			Kiinteistö Oy Eventes II	1582860-1	Esbo	100.0%		
Norrviken Exploaterings AB	556245-3356	Båstad	100.0%			Kiinteistö Oy Mallanpuisto	1580499-2	Esbo	100.0%		
Vejby Transport & Miljö AB	556240-2742	Ängelholm	100.0%	1	1	Kiinteistö Oy Kauppakatu 4	2625234-5	Tammerfors	100.0%		
Peab Support AB	556061-1500	Stockholm	100.0%	55	42	Kiinteistö Oy City Garden	2625235-3	Tammerfors	100.0%		
						Kiinteistö Oy Piha	2625238-8	Tammerfors	100.0%		

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Corp.ID.nr	Registered office	Share of equity <sup>1)2)</sup>	Book value in parent company, MSEK	
			2014	2013
Peab Fastighetsutveckling Sverige AB	556825-9856	Båstad	100.0%	
Peab Utveckling Nord AB	556341-7228	Båstad	100.0%	
Peab Ågaarena 1 AB	556741-8552	Solna	100.0%	
Peab Ågaarena 2 AB	556741-8560	Solna	100.0%	
Peab Exploaterarenastaden AB	556741-8586	Solna	100.0%	
Peab Drivaarena AB	556741-8578	Solna	100.0%	
Peab Högsbo AB	556594-4583	Gothenburg	100.0%	
Peab Brunnsbå AB	556649-9116	Båstad	100.0%	
Båråmo i Värnamo AB	556713-7871	Båstad	100.0%	
Peab Hem AB	556077-8499	Båstad	100.0%	
Peab Fabriksgatan AB	556963-9825	Solna	100.0%	
Peab Bråmaregården AB	556781-6698	Båstad	100.0%	
Peab Kastanjeparken AB	556059-0910	Båstad	100.0%	
Annehem Hylliecentrum AB	556683-4478	Båstad	100.0%	
Annehem Hyllie point 3 AB	556762-0587	Båstad	100.0%	
Annehem Hyllie point 4 AB	556901-4565	Båstad	100.0%	
Annehem Bygg & Projekt AB	556699-8430	Båstad	100.0%	
Peab Bad AB	556870-3564	Solna	100.0%	
Peabri Glumslöv AB	556758-6853	Helsingborg	100.0%	
Peabri Glumslöv HB	969717-3335	Helsingborg	100.0%	
Åke & Clas Skoogh Holding AB	556722-9066	Kristianstad	100.0%	
Peab FU Holding 1 AB	556855-6954	Solna	100.0%	
Peab FU Måby AB	556874-6837	Solna	100.0%	
INSPI Sweden AB	556796-7970	Stockholm	100.0%	
Peab FU Sporthall AB	556901-4557	Solna	100.0%	
Peab FU Holding 3 AB	556866-8635	Solna	100.0%	
Peab FU Almnäs AB	556594-9160	Solna	100.0%	
Peab FU Visby AB	556679-4862	Solna	100.0%	
Peab FU Staget AB	556928-0760	Solna	100.0%	
Peab FU Visby Exploatering AB	556800-9335	Solna	100.0%	
Peab FU Fartygsmekano AB	556345-8586	Solna	100.0%	
Peab FU Jupiter 11 AB	556892-3428	Solna	100.0%	
Peab FU Jupiter 4 AB	556126-0745	Solna	100.0%	
Peab FU ÖFU AB	556916-2596	Solna	100.0%	
Annehem MAH AB	556919-5752	Solna	100.0%	
Våxjö Skatan 12 AB	556914-7514	Solna	100.0%	
Peab FU Bommen AB	556928-0752	Solna	100.0%	
Peab FU Rorkulten AB	556928-0794	Solna	100.0%	
Peab FU Holding 2 AB	556864-4156	Solna	100.0%	
Peab Projektfastigheter AB	556202-6962	Stockholm	100.0%	
Peab Förvaltning Nyköping AB	556632-7747	Nyköping	100.0%	
Peab Park AB	556107-0003	Båstad	100.0%	
Kokpunkten Fastighets AB	556759-5094	Stockholm	100.0%	
Ängelholms Flygplats AB	556814-2896	Båstad	100.0%	
Ljungbyhed Park AB	556545-4294	Båstad	100.0%	
Ljungbyheds Golfcenter AB	556571-3012	Båstad	100.0%	
Projektfastigheter Götaland AB	556259-3540	Båstad	100.0%	
Haga Exploatering AB	556715-4850	Solna	100.0%	
Skånehus AB	556547-6958	Båstad	100.0%	
PEAB FU Silhouette 1 AB	556895-0116	Solna	100.0%	
Ulriksdal Utveckling AB	556509-6392	Solna	100.0%	
Riksten Friluftstad AB	556547-8764	Stockholm	100.0%	
Peab FU Rifa AB	556909-4690	Solna	100.0%	
Peab FU Rönnåsen AB	556909-4708	Solna	100.0%	
Peab Holding AB	556594-9533	Båstad	100.0%	
Fältjägaren 1 AB	556851-7287	Östersund	100.0%	
Fältjägaren 3 AB	556851-7261	Östersund	100.0%	
Fältjägaren 4 AB	556851-7279	Östersund	100.0%	
Fältjägaren 5 AB	556851-7246	Östersund	100.0%	
Fältjägaren 7 AB	556855-7176	Östersund	100.0%	
Hejoca Östersund AB	556979-7698	Östersund	100.0%	
Visborg Infanteristen 1 AB	556970-5717	Solna	100.0%	
Visborg Infanteristen 2 AB	556970-5725	Solna	100.0%	
Visborg Infanteristen 3 AB	556970-5733	Solna	100.0%	
Visborg Infanteristen 4 AB	556970-5758	Solna	100.0%	
Peab FU Rebbelberga 147 AB	556470-0176	Solna	100.0%	
Peab FU Holding 4 AB	556946-9058	Solna	100.0%	

Corp.ID.nr	Registered office	Share of equity <sup>1)2)</sup>	Book value in parent company, MSEK		
			2014	2013	
Peab FU Distansen AB	556946-9033	Solna	100.0%		
Peab FU Husbacka AB	556946-9108	Solna	100.0%		
Peab FU Spinnakern AB	556949-4338	Solna	100.0%		
Peab FU Trossen AB	556949-4304	Solna	100.0%		
Peab FU Gennakern AB	556949-4312	Solna	100.0%		
Incasec AB	556591-2267	Båstad	100.0%	0	0
Peab Grevie AB	556715-0213	Båstad	100.0%	0	0
Peab Invest Yek AB	556753-4226	Borås	100.0%		
Peab Vejby AB	556663-2682	Båstad	100.0%	50	50
Sieglo AB	556556-0595	Båstad	100.0%	169	169
Skåne Projektfastigheter AB	556471-9143	Båstad	100.0%	0	1
Lappmarken i Malmö AB	556796-2849	Båstad	100.0%		
Mauritz Larsson Byggnads AB	556036-8242	Båstad	100.0%		
Projektfastigheter Väst AB	556044-1866	Båstad	100.0%		
<b>Total</b>				<b>11,894</b>	<b>13,173</b>

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

2) Except for the Group companies acquired in 2014 (see note 5), the share of capital in 2014 corresponds to the share of capital in 2013.

#### Parent company

MSEK	2014	2013
Acquisition value brought forward	16,038	15,073
Purchases	0	359
New issue	–	731
Paid shareholder contribution	28	17
Reduction of share capital	–	–140
Sales	0	–1
<b>Accumulated acquisition values brought forward</b>	<b>16,066</b>	<b>16,038</b>
Revaluations brought forward	100	100
<b>Accumulated revaluations carried forward</b>	<b>100</b>	<b>100</b>
Write-downs brought forward	–2,965	–2,626
Write-downs for the year	–1,307	–339
<b>Accumulated write-downs carried forward</b>	<b>–4,272</b>	<b>–2,965</b>
<b>Book value carried forward</b>	<b>11,894</b>	<b>13,173</b>

During the year, participations in Group companies were written down by SEK 1,307 million (339), of which SEK 187 million (277) refer to shares in Peab AS based on impairment tests. In the calculation of the useful value of Peab AS a pre-tax weighted discount rate of 13.1 percent (10.8) has been used. Other write-downs refer to 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 from shares in Group companies" line.

**Note 42** Untaxed reserves

Parent company		
MSEK	2014	2013
Tax allocation reserve	–	156
Accumulated additional depreciation, machinery and equipment	0	0
<b>Total</b>	<b>0</b>	<b>156</b>

**Note 43** Cash flow statement**Paid interest and dividends received**

MSEK	Group		Parent company	
	2014	2013	2014	2013
Dividends received	219	120	1,278	92
Interest received	116	117	3	5
Interest paid	–450	–502	–212	–214

**Adjustments for items not included in cash flow**

MSEK	Group		Parent company	
	2014	2013	2014	2013
Profit from participation in joint ventures	158	53	–	–
Dividends received from joint ventures	218	110	–	–
Depreciation and write-downs	1,110	974	1,472	340
Unrealised exchange rate difference	–49	–80	–16	1
Losses on sale of fixed assets	–73	–76	–2	–
Losses on sale of business/subsidiary	–	–184	–	–478
Provisions	101	90	20	–
Change in fair value of financial instruments	–16	–61	–	–3
Accrued income	–	–	–10	–5
Other	–42	–	–	–
<b>Total</b>	<b>1,407</b>	<b>826</b>	<b>1,464</b>	<b>–145</b>

**Transactions without payments**

MSEK	Group	
	2014	2013
Aquisition of assets by financial leasing	133	125

**Acquisition of subsidiaries/businesses**

Group		
MSEK	2014	2013
<i>Acquired assets and liabilities</i>		
Intangible assets	65	–
Tangible assets	23	0
Financial assets	7	–
Deferred tax recoverables	1	2
Project and development property and inventories	52	198
Accounts receivable and other receivables	43	3
Liquid funds	22	1
Interest-bearing liabilities	–13	–74
Deferred tax liabilities	–13	0
Accounts payable and other current liabilities	–39	–6
	<b>148</b>	<b>124</b>
Purchase prices	148	124
Paid purchase sum	148	124
Less: Liquid funds in acquired companies	–22	–1
<b>Effect on liquid funds</b>	<b>126</b>	<b>123</b>



**Disposal of subsidiaries/businesses**

Group MSEK	2014	2013
<i>Disposed assets and liabilities</i>		
Tangible assets	–	87
Financial assets	–	0
Project and development property and inventories	–	1,255
Accounts receivable and other receivables	–	16
Liquid funds	–	2
Long-term provisions	–	–8
Interest-bearing liabilities	–	–1,150
Deferred tax liabilities	–	–
Accounts payable and other current liabilities	–	–66
	<b>–</b>	<b>136</b>
Sales price		320
Received purchase sum	–	320
Less: Liquid funds in disposed companies	–	–2
<b>Effect on liquid funds</b>	<b>–</b>	<b>318</b>

**Liquid funds**

The following components are included in liquid funds;

Group MSEK	2014	2013
Liquid funds	792	438
Current holdings (equivalent to liquid funds)	20	21
<b>Total</b>	<b>812</b>	<b>459</b>

**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 Förslöv. The consolidated accounts for 2014 consist of the parent company and its subsidiaries, together referred to as the Group. The Group also includes shares of holdings in joint arrangements.

The Annual Report has been prepared in accordance with good accounting practices in Sweden and the consolidated accounts have been prepared in accordance with International Accounting Standards, stated in the regulation of the European Parliament and the Council of Ministers (EG) no 1606/2002 of July 19, 2002, concerning the application of international accounting standards. The Annual Report and the consolidated accounts give a true and fair view of the parent company as well as of the Group's position and result. The Board of Directors' report for the parent company and the Group gives a true and fair view of the parent company's and Group's business development, position and result. It also describes the major risks and uncertainty factors facing the parent company and Group companies.

Förslöv, April 1, 2015



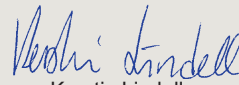
Göran Grosskopf  
Chairman of the Board



Mats Paulsson  
Vice Chairman of the Board



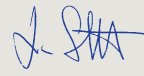
Karl-Axel Granlund  
Member of the Board



Kerstin Lindell  
Member of the Board



Fredrik Paulsson  
Member of the Board



Lars Sköld  
Member of the Board



Nina Udnes Tronstad  
Member of the Board



Patrik Svensson  
Member of the Board



Kim Thomsen  
Member of the Board



Lars Modin  
Member of the Board



Jesper Göransson  
Chief Executive Officer

The Annual Report and the consolidated accounts have been approved for publication by the Board of Directors and the Chief Executive Officer on April 1, 2015. 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 13, 2015.

## Auditor's report

To the annual meeting of the shareholders of Peab AB, corp. id. 556061-4330

### REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Peab AB (publ) for the year 2014. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 14 – 79.

#### *Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts*

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director 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.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Opinions*

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and in accordance with 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 annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Peab AB (publ) for the year 2014.

#### *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, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

#### *Auditor's responsibility*

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As 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.

As basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

#### *Opinions*

We recommend to the annual 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.

Förlöv, April 7, 2015

KPMG AB



Thomas Thiel

Authorized Public Accountant



### Peab first with Nordic e-Construction

Due to the short notice of orders the supply chain for civil engineering has long been characterized by limited transparency and plan communication. This has made overcapacity a necessity in order to ensure deliveries.

Two and a half years ago Peab began a pilot project making it the first company in Sweden to use the trade standard for electronic information exchanges for civil engineering transportation and machine services called Nordic e-Construction (NeC). The standard comes from the construction trade's Electronic Business Standard (BEAst) as an initiative to streamline order and payment processes for civil engineering.

A digitalized system offers information in real time and the ability to work uniformly with all parties. Greater automation has reduced administration, freeing time for planning which has led to lower costs, shorter lead times and fewer mistakes. NeC thus generates both productivity and environmental gains for civil engineering. Trade standardization of article numbers for material, machines and services is expected to be a future aid in the work with environmental improvement measures such as documenting and monitoring fuel consumption.



# Our work with sustainability

**At Peab sustainability is firmly anchored in our vision and core values. As the Nordic Community Builder we intend to work with sustainability in a down-to-earth, developing, personal and reliable way. Peab affects society and the environment for the people that will now and in the future live with what we construct. We intend to be a part of driving development in a positive direction, on our own and with others.**

## UN GLOBAL COMPACT AND GRI

Peab signed the UN Global Compact in 2012. This has contributed to greater awareness and competence in Peab, partly through the methodical follow up work we have pledged to do. More detailed information concerning Peab's work on sustainable development is given in Peab's sustaina-

bility report which follows the international guidelines laid down by the GRI (Global Reporting Initiative). The report is available on Peab's website [www.peab.com](http://www.peab.com).

## STRATEGIC SUSTAINABILITY WORK

Sustainability is an integrated part of Peab's vision and Group strategies and we endeavor to integrate sustainability into every aspect of our business. Responsibility and authority has been delegated to the business areas which are supported by special sustainable expertise on different levels in the organization as well as a number of governing and supportive documents.

## CODE OF CONDUCT

Peab's Code of Conduct is the overriding steering document for our sustainability work and it's based on the principles in the

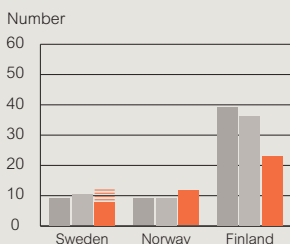
UN's Global Compact. The Code of Conduct clarifies how Peab's employees should behave towards each other and other stakeholders. It is also included in contracts Peab draws up to ensure that suppliers and contractors will behave in the same manner. In addition to the Code of Conduct there are a number of underlying policies, such as Peab's ethical guidelines, which are fundamental to Peab's sustainability work.

## STAKEHOLDER SUSTAINABILITY DIALOGUES

Peab has held annual stakeholder sustainability dialogues since 2012 that focus on how Peab, together with those that affect or are affected by Peab's operations, can contribute to sustainable development. An extensive stakeholder sustainability dialogue was held in 2013 and it showed

EMPLOYEES	BUSINESS	CLIMATE AND ENVIRONMENT	SOCIETY
<ul style="list-style-type: none"> <li>Health and the work environment</li> <li>Competence and career development</li> <li>Equality and diversity</li> </ul>	<ul style="list-style-type: none"> <li>Cooperation between customers and suppliers</li> <li>Responsibility in the supplier chain</li> <li>Ethics and anticorruption</li> </ul>	<ul style="list-style-type: none"> <li>Resource efficiency</li> <li>Phasing out environmentally and health hazardous substances</li> </ul>	<ul style="list-style-type: none"> <li>Taking responsibility for, and participating in, local society</li> <li>Focus on youths</li> <li>Mentorship</li> </ul>

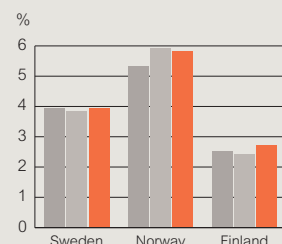
## Workplace accidents per 1 million hours worked



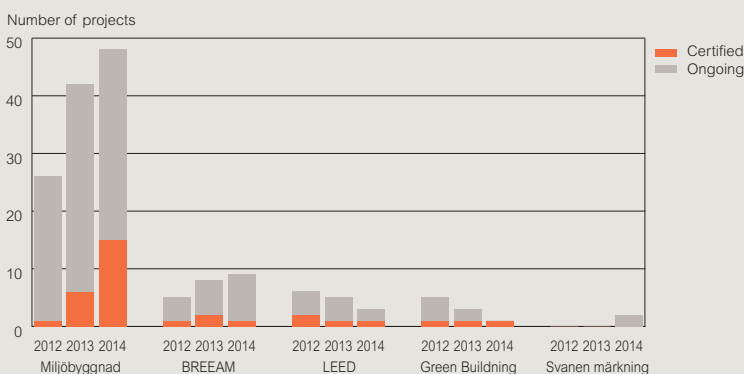
Statistics on accidents at the workplace are based on accidents that cause an absence of at least eight hours. In previous years statistics have been based on data from internal systems for Norway and Finland, whereas for Sweden they have been based on data retrieved from the Swedish Work Environment Authority. From 2014 and onwards statistics for Sweden will also be based on data from our internal system, a result of improved work methods. The discrepancy between internal and external statistics is marked by the hatched bar area. The explanation for the discrepancy is that the statistics retrieved from the Swedish Work Environment Authority are based entirely on severe accidents (visit [www.av.se](http://www.av.se)), while the internal system notes all accidents causing eight hours sick leave.

■ 2012 ■ 2013 ■ 2014

## Sick leave



## Environmental and sustainable certification of products



The diagram shows the number of projects that are certified or where certification is underway. Underway refers to projects that have been registered at the organization responsible for the certification system. Certified refers to projects that have been certified although they may not have the final certification given after a certain verification period. The diagram includes Peab's own in-house projects where Peab is responsible for certification and projects Peab is building for a customer.

that customer and supplier relations are important areas for Peab's work with sustainability. For this reason the dialogues with these groups were expanded in 2014 and the most significant areas that emerged have been divided into four chapters which constitute the contents of our sustainability report for 2014. The results of the stakeholder sustainability dialogues and more detailed information on our sustainability work can be found in the complete sustainability report at [www.peab.se](http://www.peab.se).

**OUR EMPLOYEES**

Responsible leaders and coworkers are essential to Peab's continued success. The same holds true for employees' ability to develop in a safe workplace. Peab continually advances employees' know-how, in part to meet market demands and in part to better understand customers' situations and needs.

**HEALTH AND THE WORK ENVIRONMENT**

Health and the work environment have been prioritized a long time at Peab. Our work environment policy, which is integrated into our company policy, is the basis of our strategic work with the work environment. In Sweden we follow the requirements set out in AFS 2001:1 and Norway we work according to the Work Environment Act and valid regulations for the construction and civil engineering industries. Finnish operations are certified according to OHSAS 18001.

In order to prevent workplace accidents Peab provides safe equipment and quality

assured work methods as well as training this area. When employees and subcontractors come to a new workplace they are given an introduction with a review of the risks on the site. If serious incidents or accidents occur we spread safety warnings throughout our organization to avoid a similar occurrence. All incidents and accidents are reported and followed up to learn from what has happened. Peab's crisis organization is called in when serious accidents occur. No mortal accidents occurred in our workplaces in 2014. In December 2014 executive management set up a goal concerning the work environment: the number workplace accidents will be halved during the period 2015-2017. An immediate result of this decision is the intensification of follow-ups and preventive measures.

For the third year in a row Peab held a focus week on the theme the work environment throughout the Group. The purpose of the week is to share experiences and discuss areas where we can improve the work environment as well as discuss matters like safety on worksites, the working climate, coworkership and leadership. During the focus week 566 visits were made to workplaces in Sweden, Norway and Finland by representatives from management on different levels.

Peab works systematically to promote good health, prevent illness and injuries, and with rehabilitation. According to the Swedish Work Environment Authority strain factors are the primary cause of work-related illness in our industry. Peab has for years trained a number of site managers and safety officers in ergonomics.

**COMPETENCE AND CAREER DEVELOPMENT**

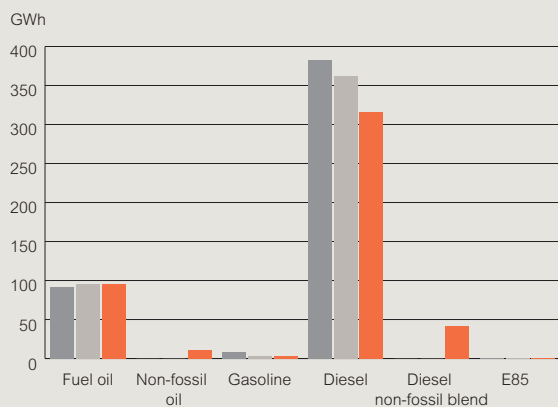
Our ambition is that 70 percent of competence development will occur in daily work, 20 percent through networks, exchanges and collaboration and 10 percent through formal education. In 2014 we launched Peab's new development measures. The first programs were the position preparation programs aimed at preparing employees for new leadership roles. In addition to these programs Peab offers a large number of custom-made, independent development possibilities in specialist areas and leadership.

Developmental discussions are an important part of Peab's business development and a principle leadership tool. 70 percent of Peab's employees said they had a developmental discussion in 2014. Our ambition is to increase this number. The result of the Handshake, Peab's personnel survey showed that Peab's trademark as an employer is good. This was confirmed when Peab placed number 21 in Universum's and Metrojobb's annual survey Sweden's Best Employer.

**EQUALITY AND DIVERSITY**

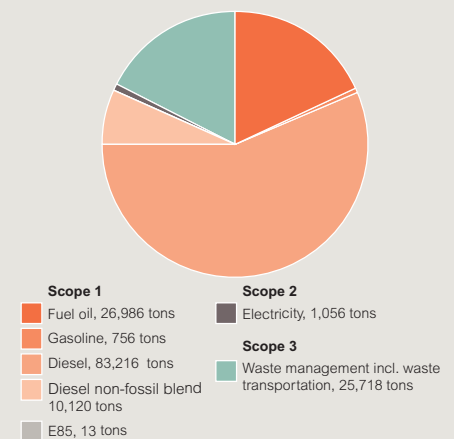
Equality and diversity are a challenge and a core issue for Peab and the entire industry. They are two of the Group's focus areas for the period 2015-2017. In 2014 a project plan was produced with targets that will be defined and translated into action plans. Peab is engaged in the work being done in the construction industry to increase diversity and the number of female managers. The laws of each country are the basis of

**Fuel, 415 GWh**



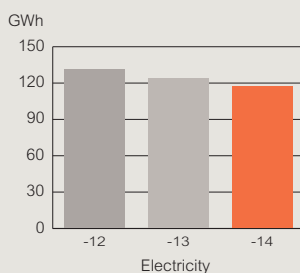
The chart shows the fuel consumption in Sweden. The statistics are based on the number of liters purchased and the conversion into GWh is performed using the conversion factors in GRI. Separate reporting of diesel with a non-fossil blend started in 2014.

**Carbon dioxide emissions**  
147,865 tons



The above chart shows Peab's carbon dioxide emissions for the Swedish business. Emissions were calculated with the aid of the Greenhouse Gas Protocol.

**Energy, 117 GWh**



The statistics for electricity include the business in Sweden and Finland. Electricity utilisation in Sweden is limited to the electricity purchased via a central contract supplier. This electricity is environmentally declared, and corresponds to around 50 per cent of the purchasing volume for electricity. The electricity usage in Finland is estimated on the basis of our finance system.

equal pay in the Peab Group. Salaries for women and men are set according to the same guidelines and the nature of the job, performance and qualifications decide individual wages.

**THE BUSINESS**

Sustainability matters are crucial to our business as both a risk and an opportunity. Long-term profitability requires sustainable work that meets the demands and expectations from the world around us and at the same time generates new business. Good business ethics are fundamental to Peab's operations.

**Cooperation and development**

Peab welcomes more collaborative projects in our industry. Collaboration provides opportunities to learn new things and develop while improving the conditions for handling resources and quality leading to lower total costs. Peab often participates in shared industry development projects that contribute to sustainable development in society.

**Long-term customer relations**

Working together with customers provides Peab with better insight into what customers want and knowledge about why their demands are important, which allows us to adjust Peab's business to the priorities of our customers. In order to discover how customers experience contact with Peab and how well the delivered product/service meets their expectations we use SCI surveys (Satisfied Customer Index). The surveys are sent to business customers,

internal and external, as well as housing customers when they have moved into Peab's own developed housing or in cases where Peab has done guarantee work. The result of the surveys is analyzed and then dealt with in the respective unit.

**Sustainable supply chain**

Peab's suppliers and subcontractors are an extension of our business. Ensuring a sustainable supply chain requires measures throughout the chain, and from all parties. A basic demand Peab puts on all its suppliers is that they follow international conventions and laws, as well as Peab's Code of Conduct. We currently have routines and supportive forms for assessing suppliers before buying and for evaluating them after buying. In 2014 we started up our own developed purchase and supplier portal that makes it possible to compile assessments and make evaluations of suppliers digitally. Daily reports with updated information on suppliers such as credit, VAT and registration for corporation tax comes in from an external information system, which has helped to improve steering and quality control of suppliers. Since 2011 Peab also has a national agreement with the Swedish Tax Authority to improve control of suppliers and counter financial crime.

**Ethics are fundamental to our business**

Peab's work with ethics and against corruption is all about building trust and preventing brand risks and is aimed at creating safe and profitable business for everyone

involved. An essential part of this work is education in ethics and ensuring transgressions and their consequences are communicated. Peab's ethical guidelines summarize how employees should behave in the company, society and in business. Peab's Ethics Council answers questions of an ethical nature pertaining to our business and employees, it communicates Peab's stance in ethical issues internally and externally as well as prepares and decides on matters where laws or ethical guidelines have been transgressed. If employees are unsure how to act in a situation they can turn to their closest supervisor, Peab's Group functions or the Ethics Council. An external whistle-blower system will be implemented in 2015 and will guarantee anonymity in correspondence on matters concerning ethics. Peab offers a number of courses where ethics is at the top of the agenda.

**CLIMATE AND ENVIRONMENT**

Reducing the impact of our business on the climate and the environment is a self-evident part of responsible community building. Efficient use of resources generates business opportunities and potential savings – all while cutting down on environmental impact.

**Systematic environmental work**

Our systematic environmental work is an integral part of Peab's operations and we continually strive to improve and develop it. The business areas cooperate in common issues but are responsible for developing and running climate and environmental

**Students Teach Other Students**

During four weeks students from the Peab School and Tynnered School worked together to renovate the student lounge in Tynnered School. The students themselves were responsible for the ideas, drawings and actual renovation. The purpose of the project was to let Tynnered School students try out working as professional craftsmen. By integrating practical reality with the school's theoretical subjects the students got a better idea of the different vocations construction offers. In turn, the Peab secondary school students who acted as supervisors to the younger pupils were given the opportunity to take on a new role and use the knowledge they had acquired. In this role, they as professionals were also responsible for teaching.

Taking responsibility and cooperating have been important ingredients in the project involving the Peab School, Tynnered School, Peab and Mentor Sverige. A similar renovation project was held in 2013 at Bredäng School in Stockholm.





work within their own respective operations. Peab's environmental management system is an integrated part of our business management system. Our environmental policy is integrated into our company policy and meets all the demands of ISO 14001:2004. Peab works systematically with environmental certification, when customers so desire and in our own developed projects.

#### RESOURCE EFFICIENCY

Resource efficiency is a critical matter in the energy, material and transportation intensive industry Peab is active in. Well established routines, a high level of competence and continuous development work is therefore essential to rationalizing resource consumption and reducing our negative impact on the climate and environment. Peab focuses on finding energy efficient solutions in production as well as in the products we turn over to customers after completion. Peab strives to build housing with lower energy consumption than the norms. Energy consumption at Peab's worksites is rationalized through measures such as well insulated barracks, presence-steered lighting and LED lamps.

During the last ten year period Peab Asphalt has worked intensively to develop an energy efficient method to manufacture asphalt. Lowering the laying temperature reduces both energy consumption and CO<sub>2</sub> emissions. In 2014 Peab adapted three asphalt plants in Sweden to run on bio oil. The bio oil used is classified as carbon dioxide neutral by the Swedish Energy

Agency. Peab has a number of subsidiaries and brands that focus on local entrepreneurship and future solutions. Swerecycling is, for example, a newly established brand within Peab/Swerock that works with recycling and handles, among other things, excavated material and concrete. The solar energy company Glacell was acquired in 2014 and focuses on future energy solutions.

#### PHASING OUT ENVIRONMENTALLY AND HEALTH HAZARDOUS SUBSTANCES

Historically our industry has used a number of substances that have recently proven to be dangerous for people and the environment. Peab is striving to eliminate substances and substance groups that are still allowed but entail a potential risk to health or the environment. Peab wants to be able to offer sound, healthy environments for everyone who lives in, and works with, what we build. For this reason we are participate in trade initiatives to phase out dangerous substances. In Sweden Peab mainly uses two systems to assess the environmental impact of products; BASTA and Byggarubedömningen. Both systems have substance criteria to phase out environmentally and health hazardous substances. Peab participates in the work to develop these systems. The Norwegian equivalent is the electronic system CoBuilder/BASS. In Finland we use TUKES safety data sheets (Finnish Safety and Chemicals Agency) to ensure products we use in production are legal. The business areas Civil Engineering and Industry have

jointly purchased a chemical management system that provides up-to-date safety data sheets and shows which products contain risky substances.

#### COMMUNITY INVOLVEMENT

In addition to contributing to actual constructions the role of a community builder is directly tied to taking responsibility for developing society. Peab's highest commitment is to the youth in our society. There are five secondary schools in the Peab School – Peab's own charter school – system, 450 students and nearly 50 employees. In early summer 2014 an extensive process with students, parents, teachers, authorities, the industry, municipalities and researchers was initiated that resulted in the concept: "Best school – Best journey". The Peab School will be Sweden's best construction and civil engineering education and the school where students can make the best journey based on their individual situation.

Peab offers training spots for youths who want to get an insight into the industry and we have a long tradition of supporting activities for young people that promote team sports, equality and diversity. In the autumn of 2014 Peab and the Peab School, together with Mentor Sverige, carried out a project with Tynnered School. Peab School secondary school students supervised Tynnered School elementary school students in the renovation of a student lounge. Peab also supports the Gothenburg Award which promotes developing society sustainably.







### Recycled waste is useful in new projects

By investing in Swerecycling Peab, through its subsidiary Swerock, has significantly increased its involvement in waste and recycling. Swerecycling's first facility was erected in the port of Malmö. Waste such as contaminated earth, concrete and asphalt remains and other construction and destruction material from construction and civil engineering projects is taken care of here.

The infrastructure and know-how already exists in Peab and we plan to establish similar facilities all around Sweden. However, Swerecycling is not just aimed at handling Peab's waste – in time we will offer its services to other companies as well. Recycling dug up material or material from destruction sites saves natural resources and costs. It also rationalizes transportation to and from construction and civil engineering projects reducing CO<sub>2</sub> emissions since trucks run loaded in both directions.



# Corporate governance report 2014

## CORPORATE GOVERNANCE AND THE CORPORATE GOVERNANCE REPORT

Corporate governance is the decision systems that owners use to govern the company directly or indirectly. On the one hand these systems consist of external laws and regulations such as the Company Act and other relevant laws, the regulations for Nasdaq Stockholm issuers and the Swedish Code of Corporate Governance and on the other hand they consist of Peab's Articles of Association as well as Peab's own internal regulations and policies that the Board of Directors and executive management decide on.

The corporate governance report is not a part of the financial reports. The company's auditors read the corporate governance report and acknowledge that a corporate governance report has been drawn up and that its legally stipulated information is consistent with the annual accounts and group accounts.

## THE ANNUAL GENERAL MEETING AND THE NOMINATION PROCEDURE

The Annual General Meeting (AGM) was held on 13 May 2014 at Grevieparken, Grevie. It was attended by 386 shareholders, representing over 74 percent of the votes, either personally or through representatives.

The procedure of preparing the nomination of members of the Board of Directors and the auditor for the AGM follows the nomination procedure established at the previous AGM.

At the 2014 AGM the major shareholders recommended a nomination committee consisting of the Chairman of the Board of Directors and an additional three to four members, of which two to three members should represent the major shareholders and one to two members should represent smaller shareholders. The AGM elected Malte Åkerström, Göran Grosskopf, Magnus Svärth and Mats Rasmussen, all reelected, to act as Peab's nomination committee with Magnus Svärth as Chairman. The nomination committee's proposals will be presented to shareholders in the notice to attend the 2015 AGM. An account of the work of the nomination committee will be available on Peab's website.

## THE BOARD OF DIRECTORS AND ITS WORK

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 2014 AGM that the Board of Directors should consist of seven members chosen by the



Göran Grosskopf, Chairman of the Board

AGM and the following persons were elected as members of the Board of Directors;

- Göran Grosskopf (reelection)
- Karl Axel Granlund (reelection)
- Fredrik Paulsson (reelection)
- Mats Paulsson (reelection)
- Lars Sköld (reelection)
- Kerstin Lindell (new election)
- Nina Udnes Tronstad (new election)

Göran Grosskopf was appointed Chairman of the Board by the AGM.

The following employee representatives were appointed by the employee unions at the 2014 AGM; Patrik Svensson, Kim Thomsen and Lars Modin (members), Torsten Centerdal and Kristina Bengtsson (deputies).

## Board meetings, attendance 2014

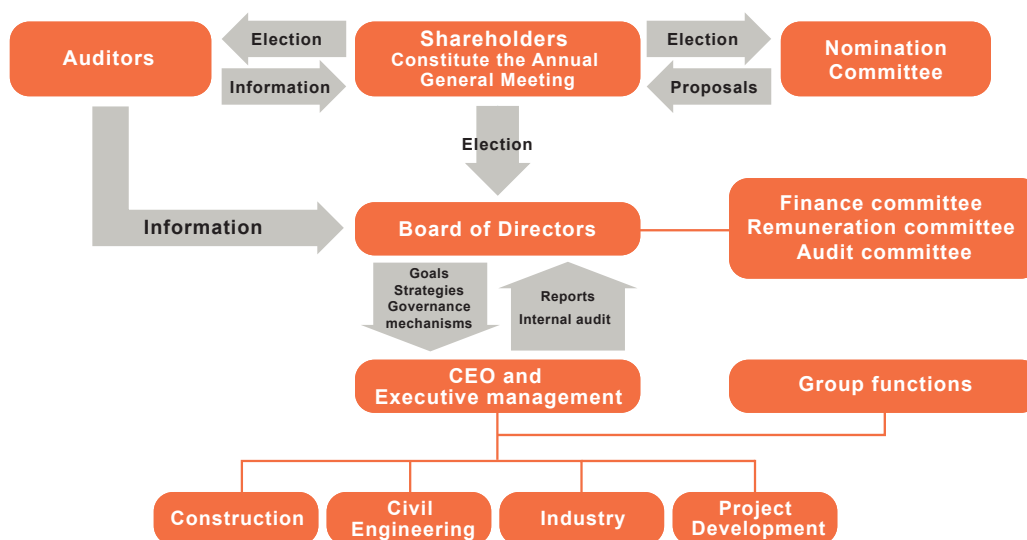
AGM elected members	12/2	4/4	13/5	13/5 <sup>1)</sup>	21/8	13/11
Göran Grosskopf	•	•	•	•	•	•
Mats Paulsson	•	•	•	•	•	•
Karl-Axel Granlund	•	•	•	•	•	•
Fredrik Paulsson	•	•	•	•	•	•
Svante Paulsson <sup>2)</sup>	•	•	•			
Anne-Marie Pålsson <sup>2)</sup>	•	•	•			
Anette Brodin Rampe <sup>2)</sup>	•	•				
Lars Sköld	•	•	•	•	•	•
Kerstin Lindell <sup>3)</sup>				•	•	•
Nina Udnes Tronstad <sup>3)</sup>				•	•	•
<b>Employee representatives</b>						
Patrik Svensson, ordinary	•	•	•	•	•	
Kim Thomsen, ordinary		•			•	
Lars Modin, ordinary	•	•	•	•	•	•
Torsten Centerdal, deputy	•	•	•	•	•	•
Kristina Bengtsson, deputy	•	•	•	•	•	•

<sup>1)</sup> Constitutional Board meeting.

<sup>2)</sup> Left 13/5 during the regular AGM.

<sup>3)</sup> Began 13/5 during the regular AGM.

• Attendance



The Board of Directors held six meetings in 2014, five of which were ordinary Board meetings (including the constitutional meeting) and one additional Board meeting, which was held per telephone.

Members of executive management have given reports at the Board meetings. The company's auditors were present at one of the ordinary Board meetings before the AGM in 2014. After the AGM the principle company accountant was present at one 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.

The members of the Board of Directors elected by the shareholders are compensated in accordance with decisions taken by the AGM.

The majority of the AGM elected members of the Board of Directors (Göran Grosskopf, Karl-Axel Granlund, Kristina Lindell, Lars Sköld and Nina Udnes Tronstad) are independent in relation to the company and executive management. They are also independent in relation to the company's major owners. Mats Paulsson and Fredrik Paulsson are regarded as dependent in relation to the major shareholders as well as the company and executive management.

#### THE AUDIT COMMITTEE Members in 2014

- Göran Grosskopf, Chairman
- Karl-Axel Granlund
- Fredrik Paulsson
- Mats Paulsson
- Svante Paulsson <sup>1)</sup>
- Anne-Marie Pålsson <sup>1)</sup>
- Lars Sköld
- Annette Brodin Rampe <sup>1)</sup>
- Kerstin Lindell <sup>2)</sup>
- Nina Udnes Tronstad <sup>2)</sup>

<sup>1)</sup> Member until the AGM 13/5 2014.

<sup>2)</sup> Member since the constitutional Board Meeting after the AGM 13/5 2014.

The audit committee prepares the work of the Board of Directors by ensuring the quality of company financial reports, establishing guidelines for which other services besides auditing the company may procure from the company accountants, maintaining regular contact with the company accountant regarding the scope and focus as well as their view of company risks, evaluating the auditing work and informing the nomination committee of the evaluation and assisting the nomination committee in producing proposals for auditors and remuneration for auditing work. The auditing committee met once in 2014. All members of the committee attended the meeting as well as the principle company accountant. The audit committee regularly reports to the Board of Directors.

#### THE FINANCE COMMITTEE Members in 2014

- Göran Grosskopf, Chairman
- Karl-Axel Granlund
- Mats Paulsson

The finance committee handles and makes decisions on financial matters in accordance with the Finance Policy established by the Board of Directors. Executive management representatives give reports to the finance committee meetings. The finance committee met nine times during 2014. All members attended all meetings. The finance committee regularly reports to the Board of Directors.

#### THE REMUNERATION COMMITTEE Members in 2014

- Göran Grosskopf, Chairman,
- Karl-Axel Granlund,
- Mats Paulsson

The remuneration committee prepares guidelines and the framework for Group executives regarding salaries and other

terms of employment and it provides the Board of Directors with a proposal regarding the CEO's salary and other terms. The remuneration committee also decides the salaries and other terms for other members of executive management based on proposals from the CEO. The remuneration committee met twice in 2014. All members of the committee participated. The remuneration committee regularly reports to the Board of Directors.

#### REMUNERATION TO EXECUTIVE MANAGEMENT

The 2014 Annual General Meeting approved the Remuneration Policy for executive management. The remuneration policy is available on Peab's website, [www.peab.se](http://www.peab.se). Information about salaries and other remuneration to the CEO and members of executive management can be found in note 9 in the Annual Report, page 52 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 with an equal number of deputies are elected by the AGM. At the AGM in 2014 KPMG was elected the company auditor with the authorized public accountant Thomas Thiel as principle company accountant until the AGM 2015.

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 over the last three years.

#### 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. Executive management consists of the CEO, the CFO, the Business Area Manager of Construction and COO, the Business Area Manager of Civil Engineering and Industry, Business Area Manager of Project Development and the HR Director.

Executive management meetings are held once a month and address issues of strategy and tactics to improve operations. Heads of Group staff teams and other officers are called to attend meetings when needed.

#### **BUSINESS AREAS**

Group operations are run in four business areas: Construction, Civil Engineering, Industry and Project Development. Each business area has a management team led by the BA Manager and consisting otherwise of operational managers in the business area and staff members.

#### **GROUP STAFF**

Group staff, which supports both executive management and operations in the business areas, strategically and in day-to-day operations, are been divided into the following teams;

- Finance and treasury
- HR
- Purchasing
- Information
- CSR/Corporate Social Responsibility

The staff teams work independently with defined goals and coordinate their work in dialogue with each other.

#### **BUSINESS GOVERNANCE**

Executive management sets overriding goals and strategies for the business in the Group's business plan. This then is broken down and worked with in the different business areas, regions and companies that make their own business plans.

Peab's organization is characterized by its clearly decentralized production focus and delegation of authority and responsibility in order to achieve efficient management and control in each business area.

Control is ensured through a clear line of decision authority for every type of major decision which includes requiring special approval by executive management, or an organ delegated by it. This refers to the acquisition/divestiture of development property, businesses and other major investments as well as predetermined levels for bidding for individual positions. Principles for board appointments and signing for the company are centrally determined.

#### **ETHICAL GUIDELINES**

Peab founded its ethical work on Peab's

core values; Down-to-earth, Developing, Personal and Reliable many years ago. These core values form the basis of "Peab's Ethical Guidelines" established by executive management. We work continuously to spread and root Peab's Ethical Guidelines throughout the organization.

#### **THE BOARD OF DIRECTORS' DESCRIPTION OF INTERNAL CONTROL AND RISK MANAGEMENT CONCERNING FINANCIAL REPORTING**

Peab's Board of Directors is responsible for ensuring that there are efficient procedures for the management and control of the Group regarding financial reporting. The CEO is responsible for ensuring that internal control is organized and follows the guidelines laid down by the Board of Directors. There is a clear set of rules in the Group for the delegation of responsibility and authority which follows the Group's operative structure. Processes and tools for internal steering and control is provided and coordinated by the Group function Group Finance and treasury.

The Board of Directors' guidelines for internal control concerning financial reporting were laid down in the Internal Control Policy. This policy establishes the way in which the internal control of financial reporting is organized, reviewed and assessed based on the following factors;

- Control environment
- Risk assessment
- Information and communication
- Control structure
- Evaluation/follow-up

The CEO has the comprehensive responsibility for an efficient control environment and good internal control in the Group. It is the responsibility of each Business Area Manager to ensure good internal control in their respective area and they need also to ensure that everyone works in accordance with the Group policies, systems and routines.

The CEO is responsible for evaluating the financial reporting at the first ordinary meeting of the Board of Directors after the end of the financial year.

The Board of Directors has assessed the need for an internal auditing department. 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.

#### **DEVIATIONS FROM THE CODE**

Peab has elected to make the following deviations from the code:

##### **Code rule 9:2**

The Chairman of the Board may chair the remuneration committee.

Other members elected by the AGM must be independent in relation to the company and Group management.

#### **Deviation**

Mats Paulsson, who is a member of the remuneration committee, is not independent in relation to the company and Group management.

#### **Explanation of the deviation**

The Board wishes to take advantage of the long and unique experience in matters of compensation for senior officers that founder and former CEO of Peab, Mats Paulsson, has. The majority of the members of the remuneration committee are independent in relation to the company and Group management and this is believed to guarantee the objectivity and independence of the remuneration committee.

#### **AUDITORS' STATEMENT ON THE CORPORATE GOVERNANCE REPORT To the Annual General Meeting of Peab AB (publ) Company ID nr. 556061-4330**

The Board of Directors are responsible for the corporate governance report 2014 on pages 87-89 and that it has been prepared according to the Annual Accounts Act.

We have read the corporate governance report and based on this reading and our knowledge of the company and the Group we believe we have sufficient grounds for our statement. This means that our statutory review of the corporate governance report has a different focus and a much more narrow scope than compared to the focus and scope of an audit according to the International Standards on Auditing and the professional code for auditors in Sweden.

In our opinion a corporate governance report has been prepared, and its legal contents agree with the annual accounts and Group accounts.

Förslöv, April 7, 2015  
KPMG AB



Thomas Thiel  
*Authorized Public Accountant*



## Board of Directors



**Göran Grosskopf**

Born 1945. Appointed 2004. Professor, LLD and Dr Econ  
Chairman of the Boards of Peab AB, Stichting Ingka Foundation, Stichting IKEA Foundation, Stichting IMAS Foundation, Birgma Holdings (Hongkong) Ltd, ColoPlus AB, Mats Paulsson's Foundation and Medicon Village AB.  
Member of the Boards of Birgma International SA and Odilia AB.  
Former professor of tax law and working chairman of the board of Tetra Laval Group.  
Holding: 823,500 A shares  
460,000 B shares



**Mats Paulsson**

Born 1944. Appointed 1992. Vice chairman of the Board of Peab AB.  
Member of the Boards of Skistar AB, Mentor Sverige AB, Mats Paulsson's Foundation and Medicon Village AB.  
Formerly, various positions in Peab since 1959.  
Holding: 13,754,910 A shares  
35,255,750 B shares



**Karl-Axel Granlund**

Born 1955. Appointed 2000. MSc (economics), MSc (engineering)  
Main owner and chairman of the Board of Volito AB.  
Holding: 1,500,000 A shares  
17,902,000 B shares



**Kerstin Lindell**

Born 1967. Appointed 2014. MSc (economics), MSc (engineering), Ph D Polymer Chemistry  
CEO of Bona AB.  
Vice chairman of the Board of the Chamber of Commerce and Industry of Southern Sweden.  
Member of the Boards of HMS Networks AB and Exel Composites Plc.  
Holding: None



**Fredrik Paulsson**

Born 1972. Appointed 2009. Member of the Board and CEO of Kranpunkten i Skandinavien AB. Member of the Boards of Scandinavian Office Group AB, Stichting INGKA Foundation, Stichting IKEA Foundation and Stichting IMAS Foundation.  
Holding: 8,280,810 A shares  
5,002,154 B shares



**Lars Sköld**

Born 1950. Appointed 2007. Chairman of the Boards of Kulturgastronomen AB, Södertuna Slott drift AB and Södertuna Konferensslott AB.  
Formerly positions as CEO and President of STC, Interfinans AB, CEO of Sveaskog AB and CEO of Klövern Fastigheter AB.  
Holding: 20,000 B shares



**Nina Udnes Tronstad**

Born 1959. Appointed 2014. MSc (engineering), Senior Vice President Procurement Kvaerner ASA. Member of the Board of Trelleborg AB, Norwegian University of Science and Technology (NTNU) and Nordox AS.  
Formerly positions as Group Executive of Kvaerner ASA, CEO of Kvaerner Verdal AS, Group Executive of Statoil ASA and various management positions at Statoil.  
Holding: None



**Patrik Svensson**

Born 1969. Appointed 2007. Foreman Construction Sweden  
Employee representative  
Holding: None



**Kim Thomsen**

Born 1965. Appointed 2008. Carpenter Construction maintenance Sweden  
Employee representative  
Holding: None



**Lars Modin**

Born 1957. Appointed 2011. Project Manager Construction Sweden  
Employee representative  
Holding: None



**Torsten Centerdal**

Born 1958. Appointed 2013. Asphalt layer Industry Sweden  
Employee representative (deputy)  
Holding: 5,500 B shares



**Kristina Bengtsson**

Born 1977. Appointed 2013. KMA-coordinator Construction Sweden  
Employee representative (deputy)  
Holding: None

*The holdings reported were those on 28 February 2015. Holdings include those of spouses, children who are minors and private company holdings.*

## Executive management



**Jesper Göransson**  
CEO and President  
Born 1971  
Employed since 1996  
Holding: 427,000 B shares



**Niclas Winkvist**  
CFO  
Born 1966  
Employed since 1995  
Holding: 98,000 B shares



**Tina Hermansson Berg**  
Human Resources and Safety  
Born 1969  
Employed since 2012  
Holding: 3,200 B shares



**Roger Linnér**  
BA Manager Construction  
and COO  
Born 1970  
Employed since 1996  
Holding: None



**Karl-Gunnar Karlsson**  
BA Manager Civil  
Engineering and BA Manager  
Industry  
Born 1956  
Employed since 2003  
Holding: 15,400 B shares



**Tomas Anderson**  
BA Manager Project  
Development  
Born 1956  
Employed since 1996  
Holding: 35,100 B shares

## Auditor



**KPMG AB**  
**Thomas Thiel**  
Principle company accountant  
Born 1947  
Authorized public accountant  
Accountant at Peab AB since  
2009

*The holdings reported were those on 28 February 2015. Holdings include those of spouses, children who are minors and private company holdings.*

# The Peab share

Peab's B share is listed on the NASDAQ Stockholm, Large Cap. As of 31 December 2014 the total market capital of Peab was SEK 16.3 billion (11.7).

## TRADING IN THE PEAB SHARE

As of 30 December 2014 the last trading day of the year the closing price of the Peab share was SEK 54.95 (39.35), which was a 40 percent increase during the year. The Swedish Stock Exchange, measured by the Affärsvärlden Index, increased in 2014 by 12 percent. In 2014, the Peab B share was quoted at a maximum of SEK 55.65 (39.89) and a minimum of SEK 38.89 (30.81) and about 146 million shares (98) were traded, which is equivalent to 586,000 shares per trading day (391,000) and a turnover rate of 55.7 percent.

## TOTAL RETURN

The total return on the Peab share in 2014 amounted to 44.5 percent, to be compared to the SIX Return index of 15.8 percent. In the five-year period 1 January 2010 to 31 December 2014 the annual total return on Peab's B share amounted to 53 percent, to

be compared to the SIX Return Index of 89 percent during the same period.

## SHARES AND SHARE CAPITAL

The total number of shares at the beginning of 2014 was 296,049,730 divided into 34,319,957 A shares with 10 voting rights per share and 261,729,773 B shares with 1 voting right per share. The share capital amounted to SEK 1,583.9 million (1,583.9).

At the end of 2014 the number of A shares was 34,319,957 representing 11.6 percent (11.6) of 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 capital and 43.3 percent (43.3) of the votes. Information on share capital development over time is available at [www.peab.com](http://www.peab.com).

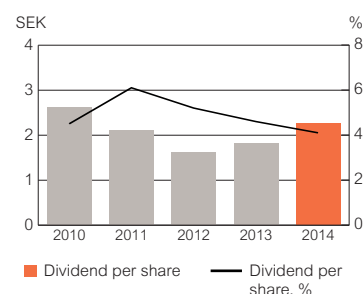
## HOLDINGS OF OWN SHARES

At the beginning of 2014 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 2014.

## DIVIDEND

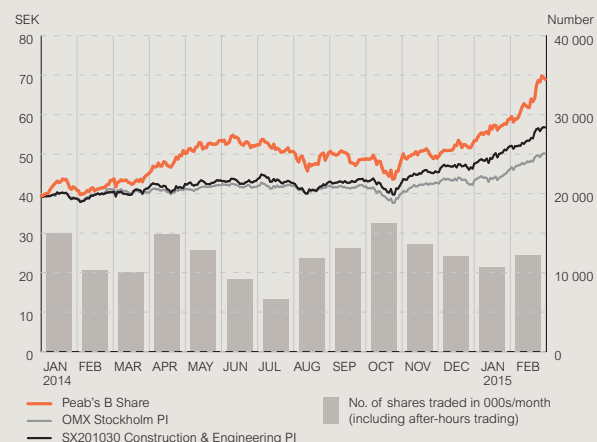
A dividend of SEK 2.25 (1.80) per share is proposed for 2014. Calculated as a percentage of the Group's reported profit after tax the proposed dividend amounts to 65 percent (178). The direct return calculated on the proposed dividend and at the closing price on 30 December 2014 is 4.1 percent (4.6).

## Dividend and direct return



## Price trend of the Peab share.

2 Januari 2014 – 28 February 2015



## Peab share, total return.

31 December 2009 – 31 December 2014



## List of shareholders on 28 February 2015

	A shares	B shares	Total number of shares	Proportion of capital, %	Proportion of votes, %
Mats Paulsson with companies	13,754,910	35,255,750	49,010,660	16.6	28.6
Karl-Axel Granlund with family and companies	1,500,000	17,902,000	19,402,000	6.6	5.4
Anita Paulsson with family and companies	8,280,811	5,013,905	13,294,716	4.5	14.5
Fredrik Paulsson with family and companies	8,280,810	5,002,154	13,282,964	4.5	14.5
Carnegie Funds		10,202,300	10,202,300	3.4	1.7
Kamprad family foundation		8,581,236	8,581,236	2.9	1.4
Peab's profit share foundation		8,373,432	8,373,432	2.8	1.4
Handelsbanken Funds		5,626,727	5,626,727	1.9	0.9
Danica Pension		3,460,739	3,460,739	1.2	0.6
Avanza Pension		2,832,581	2,832,581	1.0	0.5
Länsförsäkringar Funds		2,466,797	2,466,797	0.8	0.4
Foreign shareholders		50,924,760	50,924,760	17.2	8.4
Others	2,503,426	105,000,408	107,503,834	36.2	21.5
<b>Number of outstanding shares</b>	<b>34,319,957</b>	<b>260,642,789</b>	<b>294,962,746</b>		
Peab AB		1,086,984	1,086,984	0.4	0.2
<b>Number of registered shares</b>	<b>34,319,957</b>	<b>261,729,773</b>	<b>296,049,730</b>	<b>100.0</b>	<b>100.0</b>

## Data per share

	2014	2013
Earnings, SEK	3.48	1.01
Equity, SEK	27.11	26.00
Cash flow before financing, SEK	9.50	2.12
Share price at year-end, SEK	54.95	39.35
Share price/equity, %	202.7	151.3
Dividend, SEK <sup>1)</sup>	2.25	1.80
Direct return, % <sup>2)</sup>	4.1	4.6
P/E-ratio <sup>2)</sup>	16	39

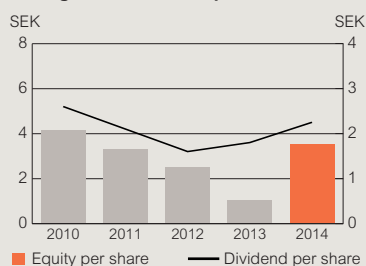
1) For 2014, Board of Directors' proposal to the AGM.

2) Based on closing price at year-end.

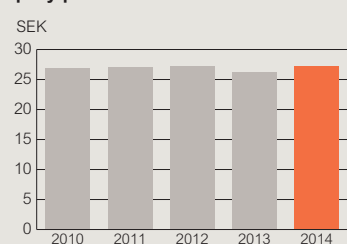
Allocation of shareholdings<sup>3)</sup>

Number of shares	Number of shareholders	Proportion of capital, %	Proportion of votes, %
1- 500	18,977	1.2	0.6
501- 1 000	6,207	1.8	0.9
1 001- 5 000	8,256	6.8	3.3
5 001- 10 000	1,524	3.8	1.8
10 001- 15 000	573	2.4	1.2
15 001- 20 000	272	1.6	0.8
20 001-	749	82.4	91.4
	<b>36,558</b>	<b>100.0</b>	<b>100.0</b>

3) Per 2015-02-28.

Earnings and dividend per share <sup>1)</sup>

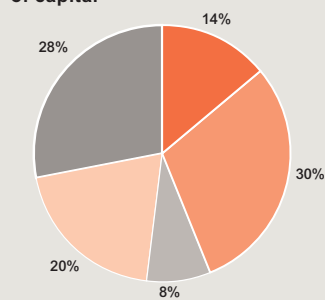
## Equity per share



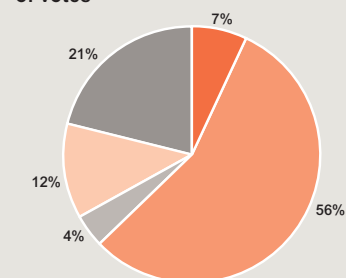
1) For 2014, Board of Directors' proposal to the AGM.

Shares and votes per share class <sup>2)</sup>

Share class	Number	Number of votes	Proportion of capital, %	Proportion of votes, %
A	34,319,957	10	11.6	56.7
B	261,729,773	1	88.4	43.3
<b>Total</b>	<b>296,049,730</b>		<b>100.0</b>	<b>100.0</b>

Shareholder categories, proportion of capital <sup>2)</sup>

Financial companies and trust funds 14% Interest organizations 8% Swedish private persons 30%  
Other Swedish legal entities 20% Foreign shareholders 28%

Shareholder categories, proportion of votes <sup>2)</sup>

2) Per 2015-02-28.



FIVE-YEAR OVERVIEW

Group					
MSEK	2014	2013	2012 <sup>1), 2)</sup>	2011 <sup>1)</sup>	2010 <sup>1)</sup>
<b>Income statement items</b>					
Net sales	43,630	43,127	46,840	43,539	38,045
Operating profit	1,752	614	1,057	1,505	1,503
Pre-tax profit	1,230	383	815	1,195	1,513
Profit for the year	1,027	298	726	943	1,190
<b>Balance sheet items</b>					
Fixed assets	9,284	9,770	9,788	10,850	9,657
Current assets	19,101	22,135	22,287	20,499	17,923
<b>Total assets</b>	<b>28,385</b>	<b>31,905</b>	<b>32,075</b>	<b>31,349</b>	<b>27,580</b>
Equity	7,997	7,668	7,978	7,947	7,673
Non-controlling interests	0	0	1	0	0
Long-term liabilities	4,719	6,087	7,767	8,208	6,061
Current liabilities	15,669	18,150	16,329	15,194	13,846
<b>Total equity and liabilities</b>	<b>28,385</b>	<b>31,905</b>	<b>32,075</b>	<b>31,349</b>	<b>27,580</b>
<b>Key ratios</b>					
Operating margin, percent	4.0	1.4	2.3	3.5	4.0
Profit margin, percent	4.3	2.0	2.8	3.8	4.6
Return on equity, percent	13.1	3.8	9.2	12.1	15.6
Capital employed	14,762	16,202	16,620	17,094	14,712
Return on capital employed, percent	12.1	5.2	7.7	10.5	11.7
Equity/assets ratio, percent	28.2	24.0	24.9	25.4	27.8
Net debt	3,886	5,948	6,478	6,626	5,719
Debt/equity ratio, multiple	0.5	0.8	0.8	0.8	0.7
Interest coverage ratio, multiple	4.8	1.9	2.9	4.3	7.6
<b>Capital expenditures</b>					
Goodwill	26	-14	14	79	-6
Other intangible assets	-2	-4	2	47	-1
Buildings and land	36	0	57	-234	46
Machinery and equipment	532	261	847	1,014	496
Shares and participations	-263	105	-487	231	773
Project and development property	-99	265	822	273	797
<b>Orders</b>					
Orders received	31,690	34,292	38,743	37,986	34,764
Order backlog	24,922	28,164	28,056	28,378	27,063
<b>Personnel</b>					
Average number of employees	13,176	13,792	14,828	14,560	13,541
<b>Data per share</b>					
Earnings, SEK	3.48	1.01	2.47	3.26	4.11
after completed subscription and conversion	3.48	1.01	2.47	3.26	4.10
Cash flow, SEK	9.50	2.12	3.30	-3.71	-1.09
after completed subscription and conversion	9.50	2.12	3.21	-3.60	-1.06
Equity, SEK	27.11	26.00	27.05	26.94	26.76
after completed subscription and conversion	27.11	26.00	27.05	28.10	27.93
Share price at year-end, SEK	54.95	39.35	31.04	34.30	57.25
Ordinary dividend, SEK <sup>3)</sup>	2.25	1.80	1.60	2.10	2.60
Number of shares at year-end, millions	295.0	295.0	295.0	295.0	286.7
after completed subscription and conversion	295.0	295.0	295.0	303.8	295.5
Average number of outstanding shares, millions	295.0	295.0	295.0	288.9	288.6
after completed subscription and conversion	295.0	295.0	303.0	297.7	297.4

1) Not translated according to IFRS 11, Joint Arrangements.

2) Changes have occurred in the reporting of employee benefits, for which the revised IAS 19 has been applied since January 1, 2013. Comparative figures for 2012 have been recalculated. In brief, the amendment of IAS 19 entailed that the opportunity to utilize the corridor method has been discontinued whereby actuarial gains and losses arising must be recognized directly in Other comprehensive income in the period they arise. The return on plan assets must also be calculated using the same rate as the discount rate for the pension commitment. The interest-rate component in the pension commitment and the anticipated return on plan assets are now recognized in net financial items."

3) For 2014, the Board of Director's proposal to the AGM.

## Financial definitions

### Capital employed

Total assets at year-end less non-interest-bearing operating liabilities and provisions.

### Capital employed for the business areas

Total assets reduced by deferred tax receivables and internal receivables from the internal bank Peab Finans with deductions for non-interest-bearing liabilities and deferred tax liabilities.

### Cash flow per share

Cash flow per share calculated as the total of the cash flow from current operations and cash flow from investment activities divided by the average number of outstanding shares during the year.

### Direct return

Dividend as a percentage of the share price at year-end.

### Earnings per share

Profit for the period attributable to shareholders in parent company divided by the average number of outstanding shares during the period.

### Equity/assets ratio

Equity as a percentage of total assets at year-end.

### Equity per share

Equity attributable to shareholders in parent company divided by the number of outstanding shares at the end of the period.

### Interest coverage ratio

Pre-tax profit items plus interest expenses in relation to interest expenses.

### Net assets (+) / Net debt (-)

Interest-bearing liabilities including provisions for pensions less liquid and interest-bearing assets.

### Net debt/equity ratio

Interest-bearing net debt in relation to equity.

### Operating margin

Operating profit as a percentage of net sales.

### Order backlog

The value of the remaining income in ongoing production plus orders received yet to be produced.

### Orders received

The sum of orders received during the year.

### P/E ratio

Share price at year-end divided by earnings per share.

### Profit margin

Pre-tax profit items plus financial expenses as a percentage of net sales.

### Return on capital employed

Pre-tax profit items plus financial expenses as a percentage of average capital employed.

### Return on equity

Profit for the period attributable to shareholders in parent company divided by average equity attributable to shareholders in parent company.

## Construction related definitions

### Contract amount

The amount stated in the contract for contract work excluding VAT.

### Design and construct contract

Contract work where the contractor, in addition to building, is also responsible for planning the project.

### Fixed price

Contract to be carried out for a fixed price without the contractor being able to alter it, unless the client makes changes to the contract or makes supplementary orders.

### General contract

Contract work where the contractor carries out construction and appoints and is responsible for subcontractors on the basis of documentation provided by the client.

### Partnering/Collaboration

A type of structured collaboration in the construction industry in which the developer, consultants, contractors and other key players 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. We avoid different players only being involved in the process for a limited time. In partnering/collaboration we take advantage of everyone's know-how all the time as we work together from start to finish.

### PGS

PGS stands for Peab Gemensamt System (Peab's General System) and refers to standardized construction elements manufactured in Peab's own factories or by partners. PGS means industrial construction from fabrication to final mounting.

### Project and development property

Holdings of unimproved land and decontamination property for future development, real estate with buildings for project development or improvement and thereafter sales within Peab's normal operation cycle.

### Project development

Finding project and development properties in the market and developing these into complete projects.





# Welcome to Peab's Annual General Meeting

## TIME AND LOCATION

The Annual General Meeting of Peab AB will be held at 3 p.m. on Tuesday 13 May 2015, Grevieparken in Grevie, Sweden.

## NOTIFICATION

Notification of participation in the Annual General Meeting must be submitted at the latest at 2 p.m. on Thursday 7 May 2015. Notification may be submitted by telephone to +46 431 893 50, by mail to Peab Annual General Meeting, c/o Euroclear Sweden AB, Box 7841, SE-103 98 Stockholm, or via the company's website at [www.peab.com](http://www.peab.com).

To participate in the Annual General Meeting shareholders must be registered in the share register kept by Euroclear Sweden AB by Thursday 7 May 2015 at the latest. Shareholders who have registered their shares in trust must have registered such shares in their own names at the latest by this date. Shareholders should request trustees to undertake such registering a few days in advance.

## DIVIDEND

The Board of Directors proposes to the Annual General Meeting an ordinary

dividend of SEK 2.25 per share for 2014. The proposed record day is Monday 18 May 2015. If the Annual General Meeting approves the proposal submitted, dividends will be distributed from Euroclear Sweden AB on Thursday 21 May 2015.



# Financial information

At [www.peab.com](http://www.peab.com) we continually provide current information on the company, financial results and how our share is developing. Financial reports and publications can be downloaded there as well. They can also be ordered by contacting: Peab AB, 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](http://www.peab.com/reports).

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## Shareholder information

### ANNUAL CALENDAR 2015

First Quarter Report	13 May
Annual General Meeting	13 May
Second Quarter Report	21 August
Third Quarter Report	12 November
Year-end Report	16 February 2016
Annual Report	April 2016

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Peab is the Nordic Community Builder with some 13,000 employees and net sales of more than SEK 43 billion. The Group's subsidiaries have strategically located offices in Sweden, Norway and Finland. Group headquarters are in Förslöv on the Bjäre Peninsula in Skåne. The share is listed on Nasdaq Stockholm.

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