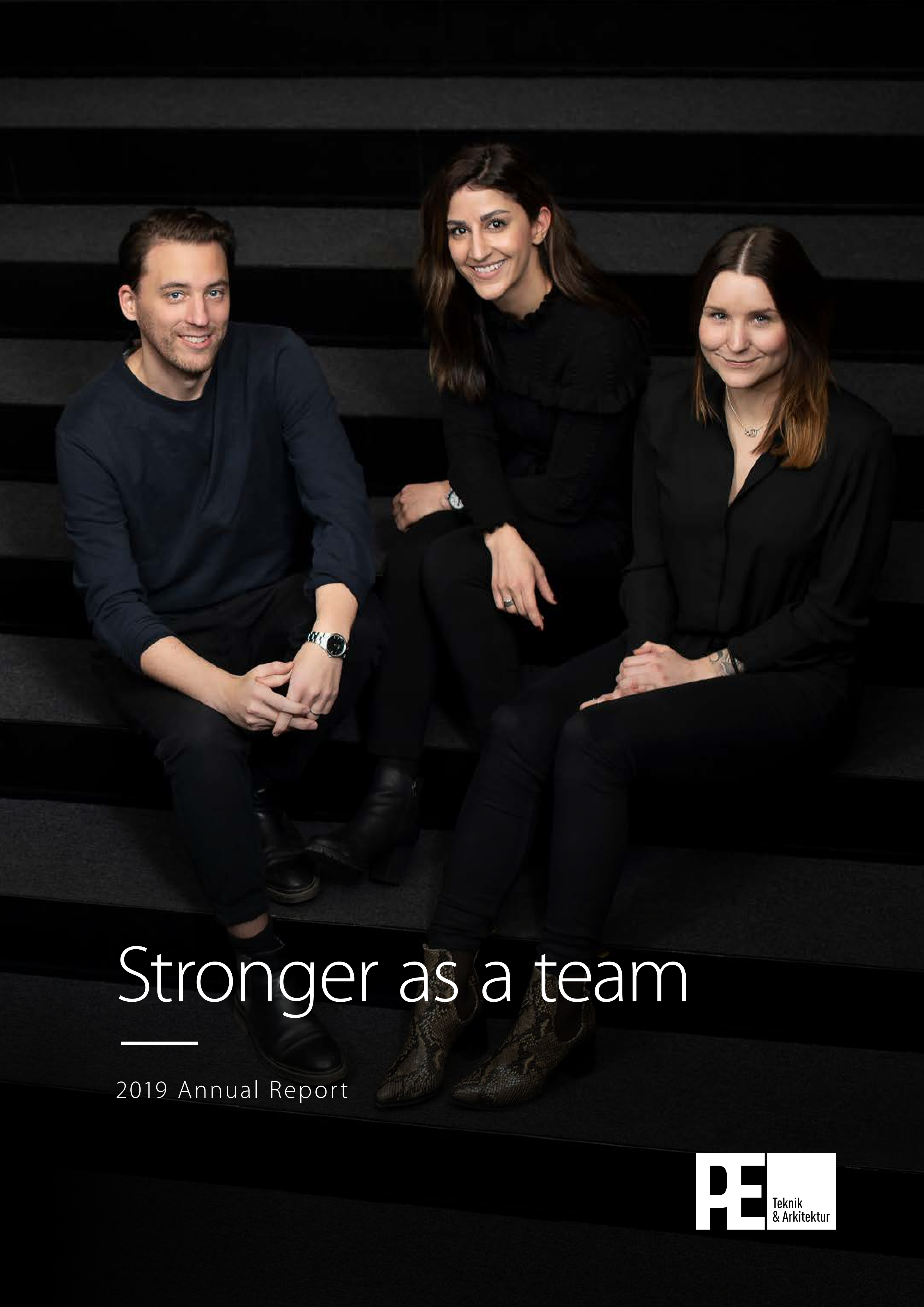

Stronger as a team

2019 Annual Report

PE Teknik & Arkitektur

PE is one of Sweden's leading engineering and architecture consulting firms. As urban planners, we create innovative and sustainable solutions shaping the development of cities, infrastructure and industry. We are represented throughout Sweden, and in 2019 we generated sales of just over SEK 1.3 billion. PE was founded in 2006 and is listed on Nasdaq Stockholm.

Sustainability – part of our business strategy

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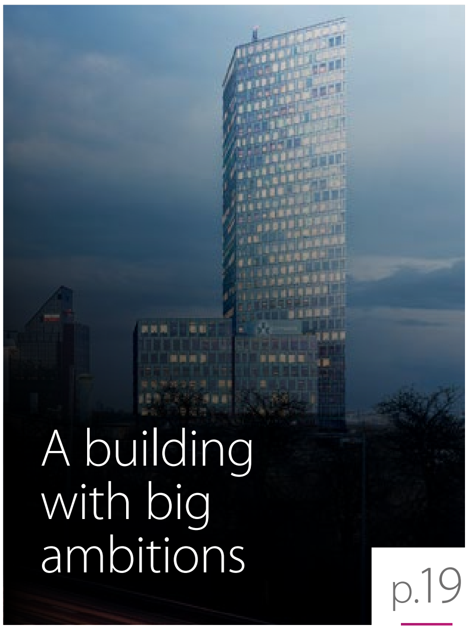
Stronger as a team

To be the best workplace in our industry, we have to attract and develop the best people

p.25



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Commercial decisions are taken where the business is carried out

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Contents

This is PE

Society today is packed with challenges that demand change and new solutions. PE's mission is to address these challenges. We are one of Sweden's leading engineering and architecture consulting firms. As urban planners, we create innovative and sustainable solutions shaping the development of cities, infrastructure and industry. The Group employs architects, engineers, project managers and other experts who work closely together to generate value for our clients, and for society in general.

Our business concept

We maintain a firm belief in entrepreneurship, and that our shared success is built on the personal drive of each and every employee. Taking as our basis a combination of genuine commitment to the assignment, the client, the end user and society, we create successful projects where the client is delighted not only with the end result, but also with the process of getting there.

Since the company was established in 2006, PE has combined a wide range of strengths in the form of both businesses and people. We bring a variety of backgrounds, skills and experience, but we have one thing in common: a passion to renew and improve society. By encouraging collaboration between our architects, engineers and specialists, we become more innovative and better at identifying synergy effects and solutions. And that's what makes us the strong company we are today. We provide advanced consulting services and solutions in our three divisions: Architecture & Management, Civil Engineering & Infrastructure and Systems.

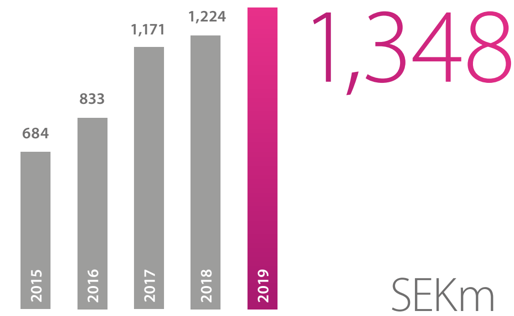
Our vision

We have grown substantially in recent years, making us a significant player. In a world that is constantly changing, we also need to renew and adapt, and as part of this process we have a real sense of responsibility for making a difference. Our vision is for us to help renew society, which we achieve through innovative and sustainable solutions. That is why we constantly challenge one another to think more broadly, and sometimes differently. This helps develop our knowledge and our skills, and, by extension, how we create value for our clients, our shareholders and society in general.

> We are powered by a desire to renew and improve. It is this drive and commitment that attract not only clients, but also the best employees.

We renew society through innovative and sustainable solutions

Vision



Revenue

30

Locations*

42

Offices

1,129

Employees

Architecture & Management

Proportion of revenue 27%

Services within urban planning, architecture, landscape architecture and interior architecture, as well as project management, analysis and consulting on all stages of the building process or on issues concerning societal development and sustainability.

Civil Engineering & Infrastructure

Proportion of revenue 32%

Services within areas such as building design, acoustics, geotechnics,energy, environment, sustainability, bridge and plant design, railways, roads, water treatment and environmental impact.

Systems

Proportion of revenue 41%

Services within areas such as HVAC design, electrical and telecommunications engineering, safety, fire protection and sprinkler systems, automation and digitalisation.

Three divisions

*Of which one office in Skien, Norway, and one in Chennai, India.

We have a sense of **Commitment**

We are driven by **Entrepreneurship**

We take **Responsibility**

Core values

2019 in figures

A new acquisition
January saw the acquisition of Mats & Arne Arkitektkontor AB. The company is based in Gothenburg and Stenungsund and strengthens PE's offering in the region. With a workforce of 23, the company contributed just over SEK 22 million to Group revenue, with an operating profit of SEK 0.7 million.

Low activity after summer
On 17 September, PE announced that EBITA for the third quarter was negatively affected by a low utilisation rate in August and the first half of September.

One PE
During the year, PE implemented a number of changes with the aim of creating a cohesive, efficient and profitable company. Particular efforts were focused on consolidating our operating companies, bringing them together under one roof at a number of sites, integrating acquisitions and systems, and incorporating about 20 brands into a single brand. A somewhat weaker market and costs relating to the implementation of various activities have impacted the company's profitability in 2019.

Efficiency measures to boost profitability
In December, extensive measures were introduced to increase the company's efficiency and profitability, with an annual effect of SEK 55 million. The non-recurring cost of implementing the cost savings programme is SEK 25 million. All the efficiency measures introduced involving personnel reductions and cost savings in 2019 will reduce our cost base by a total of approximately SEK 70 million for the full year 2020 compared with 2019.

Continued investment in railways
The strategically important investment within infrastructure continued during the year. Restructuring costs and investments in the Infrastructure area impacted earnings in the amount of SEK 35 million.

Key performance indicators

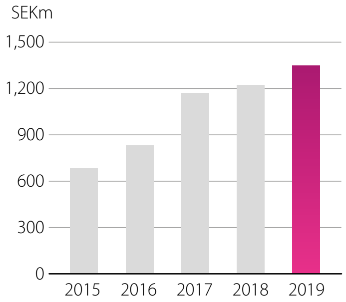
SEK million	2019	2018	2017	2016	2015
Net revenue	1,348	1,224	1,171	833	684
EBITA (adjusted earnings)	9	80	97	47	32
EBITA margin, % (adjusted earnings)	0.7	6.6	8.3	5.6	4.7
Operating profit/loss, EBIT	–25	74	65	0	32
EBIT margin, %	–1.8	6.1	5.6	0.0	4.7
Profit/loss for the year	–40	57	38	–5	23
Earnings per share	–1.62	2.63	1.73	–0.24	1.08

PE is continuing to grow.
Revenue increased by just over ten percent in 2019.

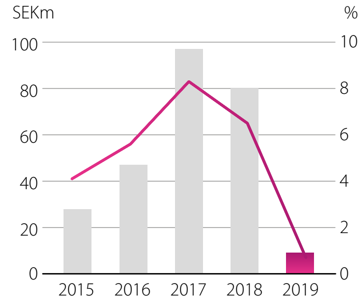
SEK 1,348 million

Net revenue

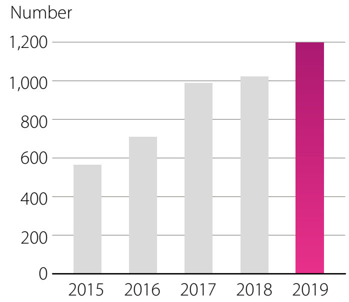
(SEK 1,224 million)



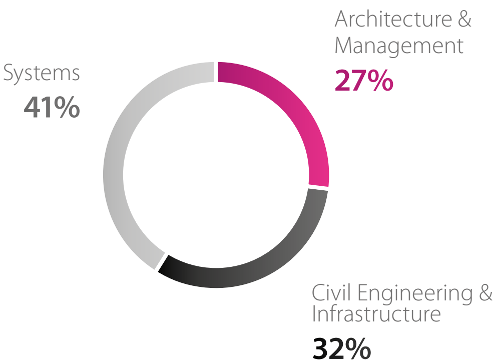
Net revenue



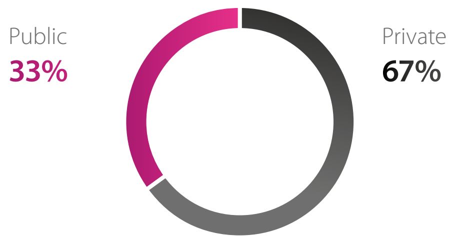
EBITA (SEK million) and
EBITA margin (%)
(adjusted earnings)



Average number of employees



Net revenue per division of total



Clients

1 %

Margin
(adjusted EBITA)
(7%)

10 %

Total growth
(5%)

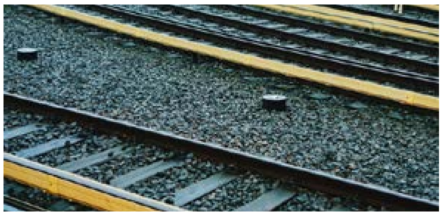
1

Company acquisitions
(7)

2019 in brief

PE welcomes Mats & Arne
Architecture group Mats & Arne Arkitektkontor is acquired. The company is based in Gothenburg and Stenungsund and strengthens PE's architectural offering in the region.

PE becomes one
On 1 April, PE becomes a single cohesive company. Through consolidation, all the companies in the Group merge and all employees are gathered under a single brand. The move brings together our operating companies and some 20 brands to form a single entity.



Railway for the future
PE wins two major railway assignments for the Swedish Transport Administration. The assignments relate to project planning of ERTMS, which is a new standard and technology for signalling systems throughout Europe. The aim is to simplify and improve safety in relation to rail operations and to facilitate train traffic within Sweden and between countries.

January | February | March | April | May | June

Sustainable Property launched
The new Sustainable Property tool is launched extensively on the market. The tool allows PE's experts to help property owners and managers work more efficiently with sustainability and increase the value of their property portfolio.

Focus on fire protection
The new Fire Safety, Risk & Protection business area is created. The business area operates across Sweden and offers expertise within fire protection planning, extinguishing systems, risk analysis, inspections and safety-related functions.

Sweden's smartest cities unveiled
Linköping, Malmö and Lund are Sweden's smartest cities, according the Society Barometer, which is conducted for the fourth consecutive year. This year's theme is Smart Cities, and the report attracts significant attention and is presented at seminars across Sweden over the spring, autumn and winter.

The future Danderyd Hospital
Danderyd Hospital is to be one of Sweden's most modern hospitals and Locum is therefore carrying out extensive new construction work and refurbishments. Following a procurement process, PE is chosen to take charge of both electrical project planning and HVAC design as part of the project.

Architects sign up to support the climate
To ensure PE can meet the needs of society without exceeding Earth's ecological resources we need to strengthen our working practices and create architecture that is mindful of the climate. As part of this, PE's architects sign up to LFM30 (Local Malmö 2030 Road Map) and the Swedish Architects Declare Climate & Biodiversity Emergency initiative.

Award-winning Sustainability Report
PE's 2018 Sustainability Report is highlighted as one of the best on the Stockholm Stock Exchange. This follows a review of all the sustainability reports of the 99 small cap companies by independent firm Sthlm Kommunikation & IR.

July | August | September | October | November | December

Familiar face becomes CEO
PE's founder Per-Arne Gustavsson once again takes over as President and CEO, and his vision is clear: "The PE that we are in the process of creating together will have an efficient, cohesive structure and commercial decisions will be taken where the business is carried out, namely by our teams in the local markets."

Gala recognises commitment
The annual PE gala is held in Gothenburg. The event acknowledges those employees and managers who have gone beyond the call of duty for their colleagues, the company or society.

Interview with President and CEO Per-Arne Gustavsson

Per-Arne, how would you summarise the year?
It's been a challenging year for us. Net revenue rose by 10 percent over the year, owing to the acquisitions we made, but we experienced negative organic growth, primarily as a result of the efficiency improvements, restructuring and reductions in personnel that we made to improve profitability.

The EBITA margin for the full year 2019 was 0.7 percent, adjusted for items affecting comparability, which is significantly lower than in the previous year. The decline is due to extensive changes at some of our divisions, a slowdown in the Stockholm market and our investment in infrastructure. We have also focused in particular on consolidating our operating companies, bringing them together under one roof at a number of sites, integrating acquisitions and systems, and incorporating about 20 brands into a single brand. The combined measures we took over the year provide us with a more effective platform and improved earnings capability.

What efficiency improvements were introduced during the year, and what impact are they expected to have?
We have adapted our organisation and reduced our cost base in response to prevailing market conditions. In the fourth quarter we decided to make additional savings to cut costs, with an annual effect of SEK 55 million. The measures we introduced in 2019 will reduce our cost base by a total of around SEK 70 million in 2020 compared with 2019. The programme of measures also aims to restore our utilisation rate for the business to targeted levels. Combined with revenue-boosting activities, this will enable us to gradually improve profitability towards achieving our targets.

How are the various divisions performing?
Performance by our three divisions varied over the year. The Architecture & Management division encountered a weaker market, but Architecture coped well. We have strengthened our position in the Gothenburg region through the acquisition of Mats & Arne Arkitektkontor, and developed our offering within sustainable societal development in order to provide the best solutions in our assignments, in close cooperation with our clients and partners. We have restructured and phased out parts of our management offering, which has had a negative impact on earnings. Looking ahead, the focus will be on measures to boost profitability.

The Civil Engineering & Infrastructure division grew during the year via the acquisition of Integra Engineering, which took place at the end of 2018. Work on integrating the company's operations, systems and brands was completed during the year. There are synergies in a number of areas and we see significant opportunities to enhance the combined building design offering. Our ongoing investment in infrastructure is strategically important and we expect to see healthy demand in the foreseeable future, as well as a gradual improvement in the utilisation rate and profitability in 2020. We are also clarifying our environment and sustainability offering through the formation of the new Building Environment business area.

The Systems division now also incorporates the former Industry & Energy division. We saw a varied performance from our business areas during the year. Fire Safety, Risk & Protection and HVAC design performed in line with our expectations, while Electrical, Telecommunications & Safety was affected by a slowdown primarily in the Stockholm market. Our adjustment measures undertaken in combination with increased sales and marketing efforts have led to these business areas now being well adapted to prevailing market conditions. Industry & Energy concentrated on consulting services for automation and digitalisation. We believe we will create an efficient and profitable business area in the long term, given the measures we have taken and potential synergies with other parts of the division.

What is your view of market conditions?
At the time of writing it is too early to say how COVID-19 will affect our business and our financial earnings for 2020. We are adapting operations to mitigate the risk of spreading the virus, and to protect the health of our employees. At the same time we are working to minimise the impact on our business. Our primary focus is to continue delivering in our client assignments in all the projects that are underway, or that are in the start-up phase.

Generally speaking, demand in our industry is largely fuelled by significant social needs. In architecture, the underlying market trends for the services we offer are stable, albeit at a lower level than before and with geographic variations. We are also noticing indications of a persistent stabilisation in construction going forward, with infrastructure projects, facilities and environmental projects in particular expected to increase. We therefore view the market for most of our specialist services and our local markets as

The PE that we are in the process of creating together will have an efficient, cohesive structure and commercial decisions will be taken where the business is carried out.

positive in the long term. In installation engineering, the market has stabilised at a slightly lower level than previously, and the focus remains on marketing and sales. The industrial segment market is expected to continue to vary between different areas of industry, but the niches we operate in are seeing stable demand.

What trends are you noticing in the market?
I would say the most critical trend is the increased demand for suppliers who can offer know-how in a number of disciplines. Much greater emphasis is now being focused on having a holistic approach to sustainability in projects. The level of complexity and the pace of change is growing in the urban planning industry, which demands an increasingly considered strategy. Important choices are made in the early stages that have a significant influence from a sustainability point of view. Our new business areas Societal Development and Building Environment are a response to this, combining expertise within various disciplines to address complex challenges in the areas of urban planning and property development.

What are the most important activities for generating growth?
We will be continuing to work on strengthening our combined foundation of brands and support systems, drawing maximum benefit from shared resources and skills. We plan to consolidate our local market positions in those areas where we are seeing stable demand and a robust underlying need for our services. Our primary focus is to offer all our employees the best conditions for focusing on their assignments. To be a values-focused, end-to-end supplier with specialists who work together to deliver the industry's best solutions for our clients. In 2020, we will also recruit new employees in a number of areas where demand is stable and growing. Once we have restored profitability to targeted levels, we will be ready to take the next step in our growth journey as an urban planner, and we will evaluate potential bolt-on acquisitions in areas where we are keen to consolidate our position and customer offering.

What's your outlook for 2020 and what will be the priorities?
At the moment it's difficult to predict the impact of COVID-19, but we are entering 2020 with significantly improved earnings capability compared with the previous year. The changes we have made offer us a good foundation for gradually approaching our profitability target of an EBITA margin that exceeds eight percent over a business cycle. In 2020 we will be focusing on leveraging the efficiency measures we have implemented and ensuring an improvement in profitability across all business areas.

When PE was founded in 2006, the core concept was to bring different areas of expertise together to generate greater benefit than each discipline could offer on its own. We have experienced significant growth and the Group now has over a thousand employees. The PE we are in the process of creating together will have an efficient, cohesive structure and commercial decisions will be made where the business is carried out, namely by our local teams in order to establish robust market positions close to our clients. Entrepreneurship is an important part of our culture and history. As an attractive employer focusing on development, learning and commitment among our employees, we are creating the foundations for profitable growth. This will enable us to meet our clients' needs by being a reliable partner and helping them with complex challenges and offering sustainable solutions.

Vision, values and strategy

What sets PE apart is our desire and motivation to renew and change. Working together with colleagues, clients and partners in strong teams we are continually developing our ability to be innovative, to collaborate and deliver solutions for a more sustainable society. Our values, our strategy and our vision are the glue that binds us together.

PE was founded in 2006 with the vision of renewing the industry. We have grown substantially in recent years, and we have become a significant player. We have raised our sights and wenow want to extend our desire to develop our industry to include society in general as well. We want to contribute towards renewing society, and we want to do this in strong teams that deliver innovative and sustainable solutions. That is why we constantly challenge one another to think more broadly, and sometimes differently. This helps develop our knowledge and our skills, and, by extension, how we create value for our clients, ourselves and society.

Clear values

Our values are founded on the dynamism and the robust culture that exist in our organisation. Together we strengthen the development of society and create solutions to people's everyday challenges. To make our corporate culture more comprehensible, we have boiled it down to three words that are significant for us: Commitment, Entrepreneurship and Responsibility.

Our commitment permeates everything we do – in our assignments, in our role as urban planners, and in how we work in teams with our clients and with one another. We are the sum of many different companies and people, which is why entrepreneurship plays such an important role in our culture and history. Through strong business acumen on our local markets, we take a holistic approach and consider the value we can create. As urban planners, we also take responsibility for contributing to positive and sustainable development on both a large and small scale. We consider it only natural to take responsibility in everyday situations as well, both as managers and employees. Together, we create the workplace we want and the society we choose to live in.

Strategic platform

Our strategic platform is the basis for what we want to do and how we want to do it. Active collaboration means proactively seeking opportunities to work across disciplines, both internally and in partnership with our clients. Fundamentally, it is an approach, but we rely on the support of smart digital aids, frameworks and tools. Sustainability starts with our vision, and we achieve this mainly via the assignments we carry out for our clients, in which we are involved in designing the society of the future. Business optimisation is about continually identifying areas for improvement. Digitalising and building shared platforms enables us to streamline our work, further raise quality and free up time to focus on being innovative and creating maximum customer value in our assignments.

Long-term strategy

Our three business strategies are built on the underlying drivers and trends in the market. Their purpose is to create a sustainable operation, strengthen our position in the market and in the long term, achieve our vision. Profitable growth involves identifying and consolidating our market position within geographical and technical segments where there is a greater need for specialist expertise. This is the foundation of healthy margins and strong underlying growth. Best workplace highlights the importance of continuing to build up our culture, responsive leadership and an innovative environment to attract and develop the best people. Highest customer value is about how we establish the ability to act as a partner to our clients during the early phases of a project, and how we combine different areas of expertise to generate the highest possible customer value in our assignments.

> ”
> The PE that we are creating together will have an efficient, cohesive structure and commercial decisions will be taken where the business is carried out, namely by our teams on the local market.
>
> Per-Arne Gustavsson, founder, President and CEO

Vision

Our vision outlines where we are headed as a company. It gives us a clear sense of the direction we are taking, which inspires us to aim higher and constantly challenge ourselves

Strategies

Our three strategies are built on the underlying drivers and trends in the market and in the long term aim to realise our vision and achieve our overall financial targets

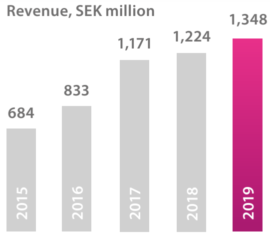
Strategic platform

Our strategic platform is the basis for what we want to do and how we want to do it, both internally and externally

Culture

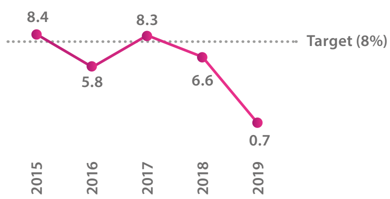
Our core values are based on the dynamism and the culture that exist in our organisation. Together we strengthen the development of society and create solutions for people's everyday problems

Revenue, SEK million



Our objectives

Operating margin EBITA, % (adjusted earnings)



PE's overall objective is to generate value for shareholders and other stakeholders via **profitable and sustainable growth**.

PE aims to achieve an operating margin (EBITA) **exceeding 8 percent** over a business cycle.

Market and trends

Our industry is continuing to expand, and the underlying growth factors and trends indicate long-term growth. For PE this means that we are developing more areas of expertise and fresh opportunities to adopt an innovative approach in our client solutions. As specialists, our value increases with the complexity of the assignment, as you need strong, collaborative teams with a range of skills to integrate new technology and new perspectives.

The Swedish engineering consultancy market

Sweden currently has over 11,000 engineering consultancy companies, and in 2018 the industry employed just over 72,700 people. The market has experienced strong growth over a number of years, with revenue for the engineering consultancy sector increasing from SEK 46 billion in 2010, to SEK 95 billion in 2018.

Despite the large number of companies the market is dominated by a small group, with the ten largest operators accounting for almost half the market.

Strong growth factors and trends

PE's performance is affected by societal developments in Sweden and the global performance of Swedish industry. The strongest drivers are a combination of historically strong population growth, rapid technical development and a strong sustainability trend. Our strategy is inspired by these three key trends as we identify our focal areas and improve our expertise.

The urbanisation trendis global and is not only leading to the growth and expansion of major cities. It is also changing the nature of these cities as infrastructure has to be adapted and our habits and expectations evolve. We are seeing a considerable need for improvements to infrastructure, health care, retirement homes and communication hubs, and that new forms of housing, shopping areas and workplaces are emerging.

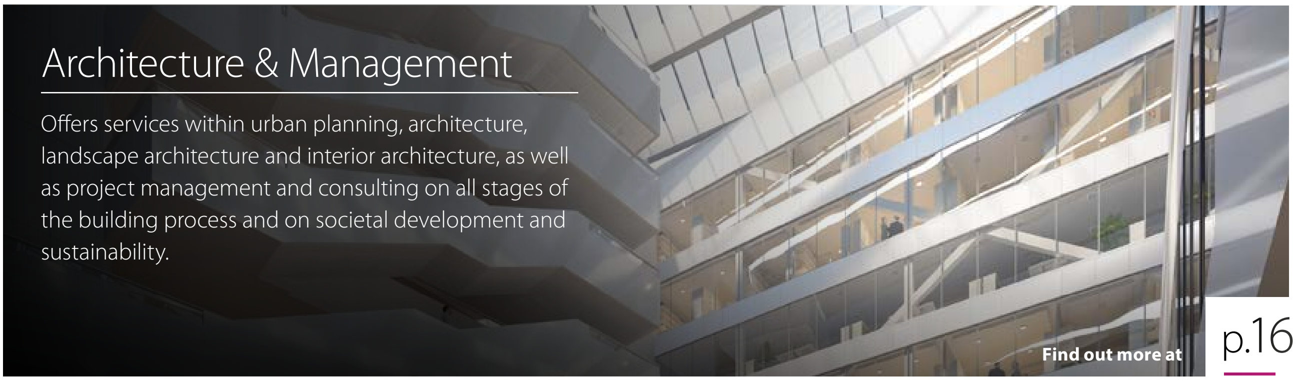
Digitalisation and automation are having a fundamental impact on cities, infrastructure and industry and ultimately how society progresses. We are noticing how both industry and logistics are becoming increasingly automated and interlinked via the Internet of Things (IoT). Our cities are growing smarter and more connected, and physical and digital infrastructure are merging. We are consolidating our expertise and building active partnerships to make sure we keep pace with the accelerating trend.

The sustainability focus within urban planning continues to intensify and in addition to tougher rules and legal requirements, end customers and end users expect environmental and sustainability aspects to be considered at every stage. Our role is to think about how architecture, technology and new approaches can contribute sustainable solutions within both urban planning and industry.

Source: Almega Swedish Federation of Consulting Engineers and Architects (Innovationsföretagen), Industry Overview 2019

Our organisation

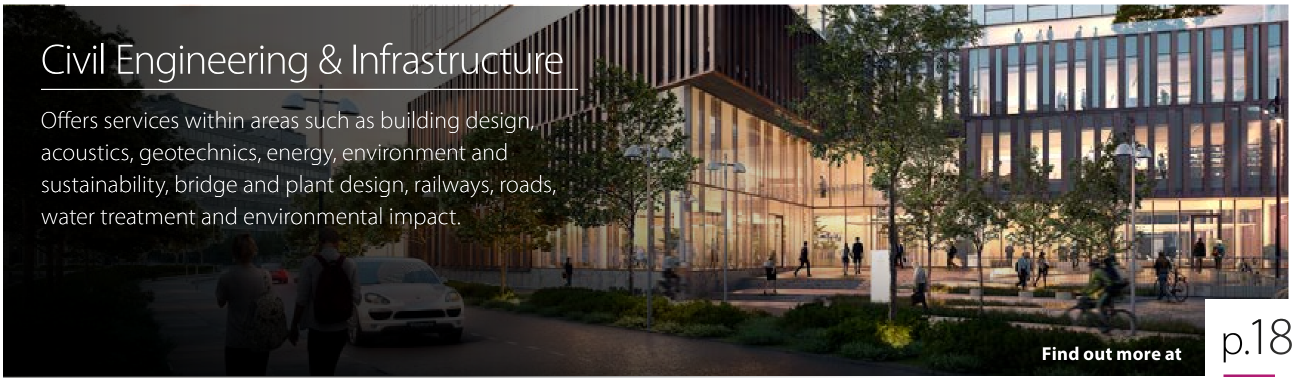
We have a skills-centred organisation. Our employees work closely with our clients and are able to respond quickly and take on additional skills in order to solve complex tasks. Three clear divisions enable us to create the best conditions for collaboration and efficient internal processes.



Architecture & Management

Offers services within urban planning, architecture, landscape architecture and interior architecture, as well as project management and consulting on all stages of the building process and on societal development and sustainability.

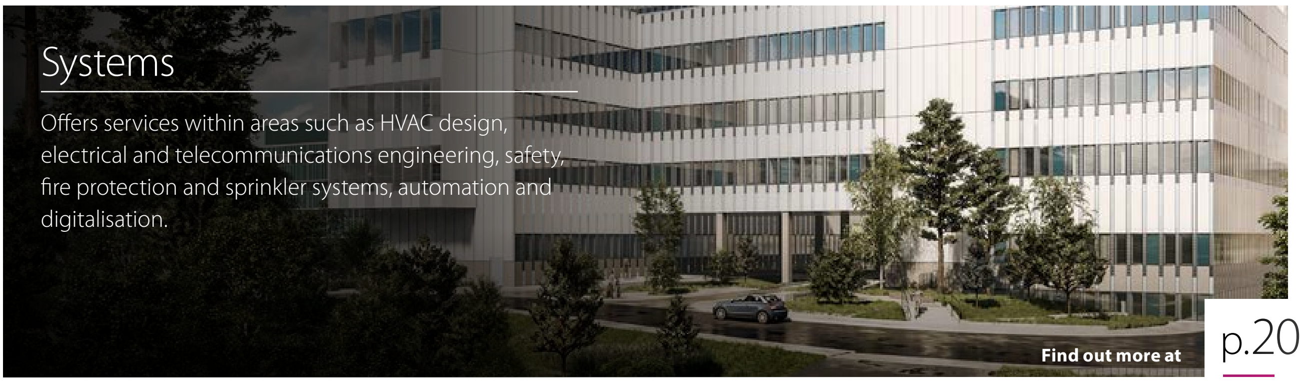
Find out more at p.16



Civil Engineering & Infrastructure

Offers services within areas such as building design, acoustics, geotechnics, energy, environment and sustainability, bridge and plant design, railways, roads, water treatment and environmental impact.

Find out more at p.18



Systems

Offers services within areas such as HVAC design, electrical and telecommunications engineering, safety, fire protection and sprinkler systems, automation and digitalisation.

Find out more at p.20

Architecture & Management

Architecture & Management offers a wide range of services within urban planning, architecture, landscape architecture and interior architecture, as well as project management, analysis and consulting on all stages of the building process or on issues concerning societal development and sustainability.

Architecture at the forefront of our development

Architecture is about solving complex challenges via a combination of vision, intelligent design and the ability to take a holistic approach. We work with our clients in constantly striving to raise the bar in terms of architectural design, be innovative and create sustainable solutions. We are of the view that urban planning and architecture play a pivotal role in how we tackle society's challenges such as growing cities, increased digitalisation and a greater need for sustainable solutions. As a multidisciplinary urban planner, we combine our various areas of expertise both in and beyond our assignments. We believe a higher degree of cooperation and strong teams enable us to deliver greater value to both clients and society as a whole.

Consulting and management throughout the building process

The division has a number of specialists in societal development and all stages of the building process. They guide our clients prior to critical decisions, or lead various kinds of projects from start to final inspection. Our project managers and consultants have many years' experience from working in segments such as construction, installations, infrastructure and industry. We also draw on the expertise of technical specialists from our various disciplines, and we have access to a substantial network to manage the very toughest challenges. This gives us the opportunity to work with our clients to put together a bespoke team with the optimum mix of experience and specialist expertise.

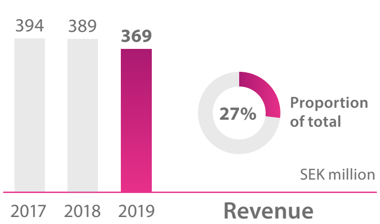
Strategic issues in urban planning

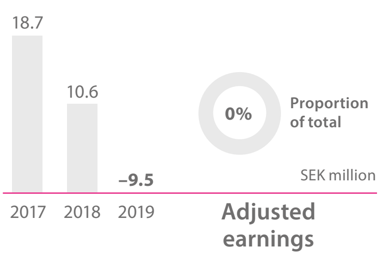
We offer analysis and consulting services in urban planning to tackle the challenges and opportunities that arise as a result of the changes taking place in society and the heightened focus on sustainability. Specifically this involves devising strategies, source documentation, analyses, implementation plans or being on board as an advisor during key stages of our clients' development. The focus is on issues associated with sustainability and digitalisation, and we help our clients make considered choices in order to take a more sustainable route, both strategically and in practical terms.

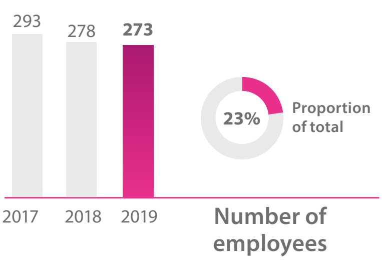
SEK million	**2019**	**2018**	**2017**
Net revenue	369.3	388.8	393.7
Total growth, %	–5.0%	–1.2%	40.2%
Operating profit/loss, EBIT – adjusted	–9.5	10.6	18.7
- EBIT margin, %	–2.6%	2.7%	4.7%

–5.0%

Revenue growth







Campus in a new light

The Ångström Laboratory is one of Uppsala University's larger facilities. It is home to science and technology departments and research groups in the fields of physics, chemistry, mathematics and materials science.

At the end of 2011, four architectural bureaus were invited to submit proposals for a parallel assignment to modernise the Ångström Laboratory and bring the Department of Information Technology and the other existing departments at Ångström under one roof. Our proposal was chosen. We have been responsible for architecture, electrical project planning, interior details, landscape planning and project management.

When the building is finished in 2021/2022, around 400 people will be working there and roughly 1,000 new students will join the Ångström Laboratory with the move. This project, called Nya Ångström (New Ångström), is being carried out to achieve new, exciting collaborative partnerships and to create an effective and attractive knowledge centre for students, teaching staff and researchers.

> Find out more about the assignment at pe.se

> **This assignment has been a genuine collaborative effort. An entire team of us worked on the project and made decisions together.**
>
> Marika Axén, responsible architect at PE

Civil Engineering & Infrastructure

Civil Engineering & Infrastructure offers services to clients in the construction and property sectors, as well as infrastructure. These services range from building design, acoustics, geotechnics, energy, environment and sustainability, to bridge and plant design, railways, roads and environmental impact.

Building projects in all phases

Building projects have become more complex, particularly when it comes to requirements for technical standards and energy consumption. But there are also more opportunities. Coming up with a suitable design requires expertise, experience and the ability to think along slightly different lines. The division carries out projects within all phases of a property's life cycle. From improvements to undeveloped land and construction, to upgrades to an existing building. We have a broad skills base and are one of the market leaders in building design in Sweden. When we join the process at an early stage, we identify solutions that become pivotal later on. Building from scratch or redesigning is a complex issue with long-term impact. By factoring sustainability in right from the start, we can identify opportunities for synergies between the exterior and interior environment, installation systems, buildings and the activities that are conducted in them. The result adds value on many levels, in the short and long term.

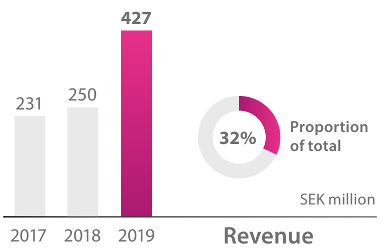
Infrastructure throughout Sweden

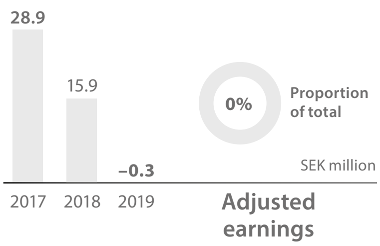
Clean water, bridges and trains that arrive on time. Much of what is taken for granted is at the heart of PE's business. We work with infrastructure projects throughout Sweden, with both local and international operators. Our assignments are hugely varied, ranging from writing one-off environmental impact assessments, EIAs, to planning ports and major railway projects. One common denominator is that we always consider the bigger picture, including sustainability and social benefit aspects. We often join at an early stage and operate as an integral part of the client's organisation. We provide expertise and employees who can be involved throughout the chain – from initial contact, to evaluation following completion.

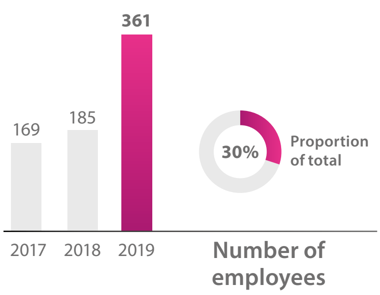
SEK million	2019	2018	2017
Net revenue	427.1	250.2	231.2
Total growth, %	70.7%	8.2%	67.4%
Operating profit/loss, EBIT – adjusted	–0.3	15.9	28.9
- EBIT margin, %	–0.1%	6.3%	12.5%

+70.7 %

Revenue growth







A building with big ambitions

Work began recently on the construction of Skanska Norden's tallest office block – Citygate in Gothenburg's Gårda district. An office block that stands out from the crowd both in terms of its impressive height of 144 metres and its expansive views of the city. But Citygate is also unique in other ways, as the project takes considerable social responsibility for promoting employment and combating exclusion among young people.

The building will have 36 floors with a lettable area of 42,000 square metres. Tenants will enjoy uninterrupted views of large areas of Gothenburg from the property, which is being built opposite the fire station in Gårda. From several of the floors the views will stretch as far as the port entrance. Here at PE we are extremely proud to be the lead designer and developer of the frame.

The skyscraper expects to welcome its first tenants in the second quarter of 2022. The lower section will feature 2,600 square metres of interconnected floors. In the top part, each floor has an area of 800 square metres that can be sectioned off for two tenants.

> Find out more about the assignment at pe.se

> **Citygate is an office block with a heart, which aims to be at the forefront when it comes to ecological and social sustainability.**
>
> Skanska

Image: Henning Larsen Architects/Skanska

Systems

Systems offers installation engineering services at all stages of the building process, focusing on HVAC design, electrical and telecommunications engineering, safety, fire safety, risk, protection and sprinkler systems, as well as services within automation and digitalisation aimed at the industrial sector.

Technology that adds value

Effective systems and a good end product require documentation that is both carefully considered and meticulous. When we supply documents for projects, we take comprehensive responsibility. It makes it cost-effective and ensures we keep to the schedule. Systems account for a significant portion of the cost in a construction project, which is why there are considerable gains to be made. Our provision of clear, precise and comprehensible advice makes the work of the contractors that much easier and more cost-effective,while retaining quality. Here at PE we have an approach that involves efficient teams of experts working across different disciplines.

Better documentation leads to better systems

Designing HVAC solutions is a complex matter. It requires knowledge and experience, but equally a creative ability to solve challenges. It is also about thinking long term and predicting needs and consequences far into the future. A building or plant's energy consumption is largely dependent on how its HVAC solutions are designed. In the early stages, we can analyse the conditions and encourage the entire design in the right direction. We also take on the most demanding assignments within HVAC design, for example operating theatres or cleanrooms for industry and research.

Wide-ranging expertise makes for satisfied clients

We help our clients make industry more profitable, sustainable and competitive. Our wide range of skills, added commitment and in-depth experience mean we deliver a comprehensive offering. We have offices and operations across Sweden and clients coming back to us within the energy, engineering, automotive, food, defence and paper and pulp industries. The common theme is that our clients want to work with a partner who can consider matters from the industry's perspective.

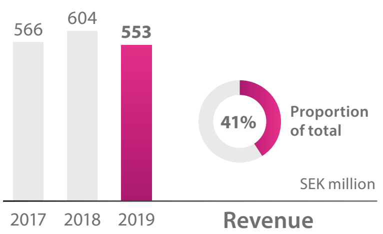
Capable engineers in India

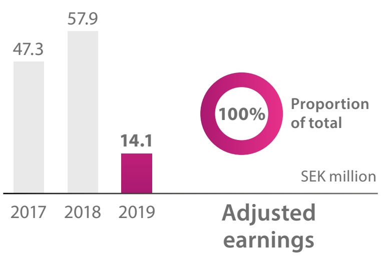
In 2015, we acquired the Indian company Aristi in Chennai, which is one of the biggest cities in India. Their skills and multidisciplinary methods were a perfect match with PE's approach. Aristis' employees are highly qualified in project management, machine and plant design, calculation, energy and infrastructure. The business has grown over the past few years, and around 60 people now work at Aristi.

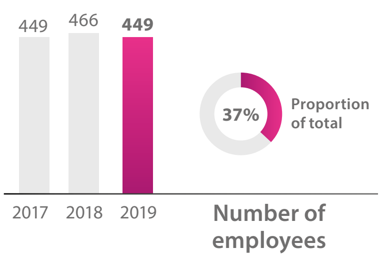
SEK million	2019	2018	2017
Net revenue	553.1	604.2	566.2
Total growth, %	–8.5%	6.7%	34.5%
Operating profit/loss, EBIT – adjusted	14.1	59.7	47.3
- EBIT margin, %	2.5%	9.9%	8.4%

–8.5%

Revenue growth







Double assignment at Danderyd Hospital site

Over the past few years, Danderyd Hospital in Stockholm has undergone its biggest ever refurbishment since it opened back in 1964. Region Stockholm's property company Locum AB has carried out extensive new construction work and refurbishments in the area, with the aim of providing more beds, improved premises and an environment that protects both patients and employees. Plans are now underway for a new healthcare building at the site. An implementing decision is expected in June 2020.

Our task encompasses all HVAC design, project planning of electrical and telecommunications systems for the new building, along with temporary measures at the existing hospital while the new building is under construction. We will also design the transport system, which includes lifts and pneumatic tube systems within the building.

The plan is for the building to accommodate around 170 beds, clinics and support functions for adjacent services, and a new helicopter platform for the hospital.

> Find out more about the assignment at pe.se

It's very exciting to be taking on this important project. To get to construct a new building, instead of the previous plan to refurbish an old building presents a fantastic opportunity to create purposeful and sustainable premises.

Mikael Trautmann, Project Manager at Locum

Illustration: Carlstedt arkitekter/CF Møller. The illustration gives a rough idea of the building's size. The actual design and facade may change.

Stronger as a team

To be the best workplace in our industry, we have to attract and develop the best people. We do this by continuing with efforts to strengthen our own corporate culture. PE shall be characterised by responsive leadership focusing on professional development and an innovative environment.

1,129
Employees

42years
Average age

9 out of 10
Employees feel their working groups have a very strong team spirit

PE built on strong teams

PE has grown into one of Sweden's leading engineering and architecture consulting firms. But our most important successes are not only measured in figures. As a company we want to be involved in creating a society where we ourselves want to live and grow.

PE is the sum of many companies

When Per-Arne Gustavsson founded PE in 2006 he had a clear vision: to renew society through innovative and sustainable solutions. The basis was an unshakeable belief in entrepreneurship and the personal drive of each and every employee. He also wanted to challenge and improve the industry, and to create something new by offering intelligent end-to-end solutions and integrated consultancy services that shape the development of cities, infrastructure and industry.

PE is now made up of over a thousand employees. A strategic combination of organic growth and acquisitions has been crucial for our rapid growth and the companies that we have had the pleasure of welcoming to PE have been some of the most accomplished in our industry. This has not only brought in skilled and experienced employees, but also ensured that we have people in place all over the country who really know their clients.

In a world that is constantly changing, we need to respond accordingly and as part of this process we have a real sense of responsibility for making a difference. Our successes are not only measured in figures. We are also keen to be involved in creating a society where we ourselves want to live and develop, and strong teams are the foundation for success.

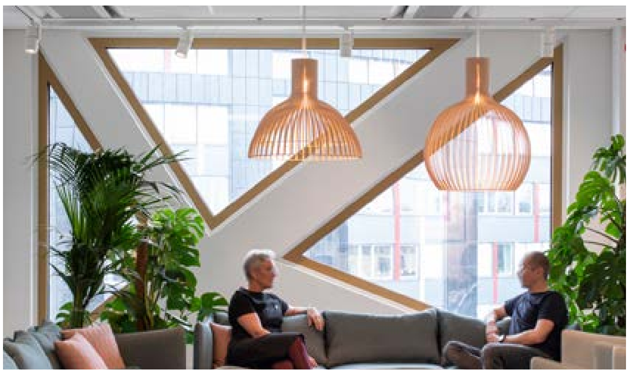
PE as an employer

Markets operate in different ways and are subject to varying conditions, so how we build a strong PE on local markets is determined by the local team, although we are all working towards the same overall goals under a single brand. Our objective is to grow as an urban planner, expand our skills base and pursue sustainable business to enable us to spread our influence and fulfil our vision.

We work in strong teams alongside our clients to ensure all employees have the opportunity to perform to the best of their ability. Our composition and culture promote collaboration between our various areas of expertise at PE, and offer access to a broad internal network. We are always on the lookout for new employees who share our passion and want to help find solutions to our clients' and society's challenges.

The role of consultant at PE involves continual professional development. Each project is unique, and our employees get to swap roles and work in different teams. In smaller projects, our employees get the opportunity to take on greater responsibility, while in bigger projects they are part of a strong team that works together to achieve a successful end result. At PE we work with individual development plans, mentoring and training. Employees have a considerable amount of influence over, and responsibility for their own professional development, and together we create the conditions to ensure everyone is able to achieve their goals.

Aura in Malmö



Juvelen in Uppsala

Over the year, some 20 offices merged to facilitate collaboration and cooperation. Combined PE offices have been established in Malmö, Uppsala and Örebro.

Meet Leader of the Year Filippa Persson, Regional Manager for Energy and Environment in Stockholm

Filippa Persson heads up the Environment business area, and in 2019 she was the recipient of the prestigious Leader of the Year award. According to Filippa, a good leader is someone who is keen to coach others, plan and drive the business forward.

How does it feel to have been chosen as Leader of the Year?
Well it's been a while now, so it's had a chance to sink in! But it feels fantastic and I'm both delighted and proud, it's really affected me. I was just really happy and touched to be nominated, to think that some people felt I deserved it.

What do you consider to be the attributes of a good leader?
Actually, the most important thing is to want to be a leader. Then there are so many different kinds of leaders, and you can lead in so many different ways, but to enjoy coaching others, planning and driving the business forward are all important, I think. And it's also important to make time for leadership, and to make doing a good job of it a priority. In principle, all leaders have their own manager who sets the tone, and I've had a really good manager. I've had time to devote to being a leader, which has made me feel able to do it well.

Do you think PE's leadership style differs from that of other companies?
I think the thing that sets PE apart is the sense of shared commitment and that PE feels like a relatively flat organisation, which makes it easy to network and collaborate.

Would you like to inspire others to be leaders?
I would really like to encourage other women to take the plunge and try a leadership role. I'm convinced there are so many more women out there who would be great leaders, but who lack the confidence to try. But if they did, they would no doubt succeed. You have to work your hours, so you may as well be doing something you enjoy and that offers you the chance to grow. It's just like taking on a new assignment – it's about learning new skills. I'd really like to recommend it to more women.

> It's important to make time for leadership and to make it a priority.

Sweden's smartest cities – Society Barometer 2019

Our cities are growing and developing at an increasingly rapid rate, which impacts our habits and behaviour as well. It imposes new, tough requirements on those of us involved in creating and renewing our cities. In order to gain a better understanding of what people in our communities need, we conduct a survey every year called the Society Barometer. The theme for this year's report was smart cities, and we asked the Swedish people how smart they think their cities really are.

Smart cities should use digitalisation to serve their citizens in a way that facilitates their daily lives without wasting the Earth's resources. But how far has Sweden come as part of this development? In the 2019 Society Barometer, we found out which of Sweden's 20 biggest cities are regarded at the smartest. The results revealed strong figures for Sweden's university cities, while our biggest cities are not considered to be particularly smart. For us as urban planners, it is important to know how smart residents feel their cities are, what their priorities are and how well these are currently being satisfied. The ranking reveals that Linköping, Malmö and Lund are Sweden's three smartest cities. One significant reason why Linköping was voted top is its smart business sector – an area where the city really stands out. Our biggest cities, Stockholm and Gothenburg, are not perceived as particularly smart by their residents, and fall far short of the top performers.

”

Technical developments should always be built around people's needs. As urban planners, we have a considerable responsibility to fulfil residents' requirements and needs. We can use innovation and digitalisation to make it easier for Swedes to live more sustainably

Amanda Tevell, Business Area Director at PE and one of the report's experts

What is a smart city?

A smart city is a sustainable city, both socially and ecologically, where digitalisation and innovation permeate every aspect of society. In a smart city, digitalisation, innovations and data are used to improve and streamline the living environment and cooperation between residents,business and property managers. A smart city also invests in environmental and low-carbon technology to make communities more social, ecological and financially sustainable.

1 in 20

Feel that they have a say in the development of their city

How we work with sustainability

Sustainability is in our DNA and a key success factor for us as an urban planner. Sustainability is a key part of our vision and is a strategic platform that should be reflected in everything we do. We work with sustainability in three ways: through collaboration in society, in our business with our employees, and primarily by contributing our know-how in assignments.

Meet PE's Sustainability Council

PE's Sustainability Council has led the Group's sustainability work since 2018, with ultimate responsibility held by the President and CEO. The role of the Sustainability Council is to take overarching responsibility for all aspects of sustainability by prioritising and coordinating overall efforts, based on the materiality analysis.

The aim is to enable our architects, engineers and specialists to contribute sustainable, innovative solutions across the thousands of assignments we carry out each year. The Sustainability Council coordinates measures to ensure that PE complies with legislation and rules to which we are subject, that we have appropriate targets and policies, and that we conduct stakeholder engagement and an annual materiality analysis. This requires ongoing business intelligence and contributions from each role. The council also acts as a client for sustainability initiatives within the Group.

> We have chosen to have a Sustainability Council instead of a Head of Sustainability in order to better manage the complexity and breadth that sustainability-related work entails.
>
> Per-Arne Gustavsson, President and CEO

Amanda Tevell
Business Area Director
Societal Development

Per-Arne Gustavsson
President and CEO

Åsa Holmgren
HR Director

Peter Stigson
Group Manager
(PhD Eng.)

Sofia Wollmann
Quality and Environment Director

Sustainability – part of our business strategy

Sustainability is part of our vision, but it is also a vital part of our business strategy. It's a core element that should be reflected in everything we do as we create value for our clients, and for society as a whole.

We renew society with innovative and sustainable solutions

We endeavour to contribute to a more sustainable future. We do this primarily in the projects we undertake, together with our clients. Together, we are building the properties, communities, infrastructure and industry of tomorrow. This is described in PE's vision to renew society through innovative and sustainable solutions.

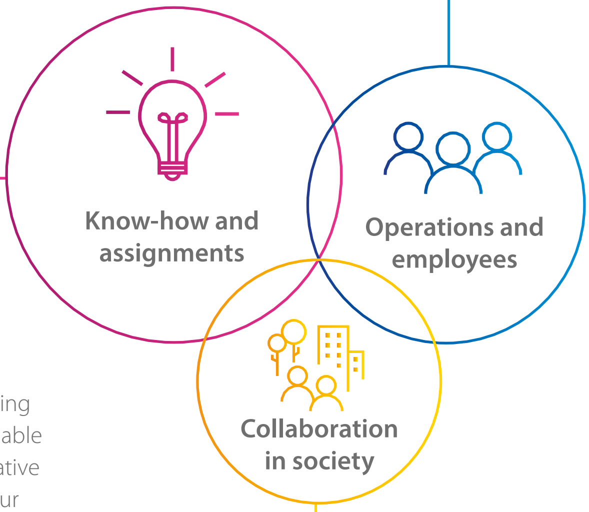
Sustainability: a cornerstone of the Group's strategy

Together with active collaboration and business optimisation, sustainability is part of the strategic platform for PE's group strategy. This means that sustainability should be reflected in everything we do, both within the company and externally.

Scope and definition of sustainability

Our sustainability work is defined by 13 topics that together both encapsulate and specify the overall complexity of the issue. These topics are divided into three areas: Knowledge and Assignments, Business and Employees and Collaboration in Society. Environment, social conditions and personnel, human rights and anti-corruption are included in these various topics.

We manage and define the scope of sustainability. Sustainability management includes all sustainability topics, including material sustainability topics.



We practise what we preach. We understand the value in taking a long-term approach to working with sustainability in our business and are constantly seeking ways to improve.

PE's sustainability topics

Scope: PE, internal. This work takes place in our internal processes and is supported by designated functions within the organisation.

5 Environment and carbon emissions
6 Employee wellbeing
7 Equality
8 Business ethics
9 Stable finances
10 Safety and preparedness
11 Responsible supply chain

We are passionate about helping our clients make more sustainable choices. We contribute innovative and sustainable solutions in our assignments.

PE's sustainability topics

Scope: PE and our clients. Work takes place together with our clients in the form of projects, in which we contribute know-how.

1 Contribution to sustainability through our assignments
2 Employee sustainability capabilities
3 Expert sustainability offering
4 Quality

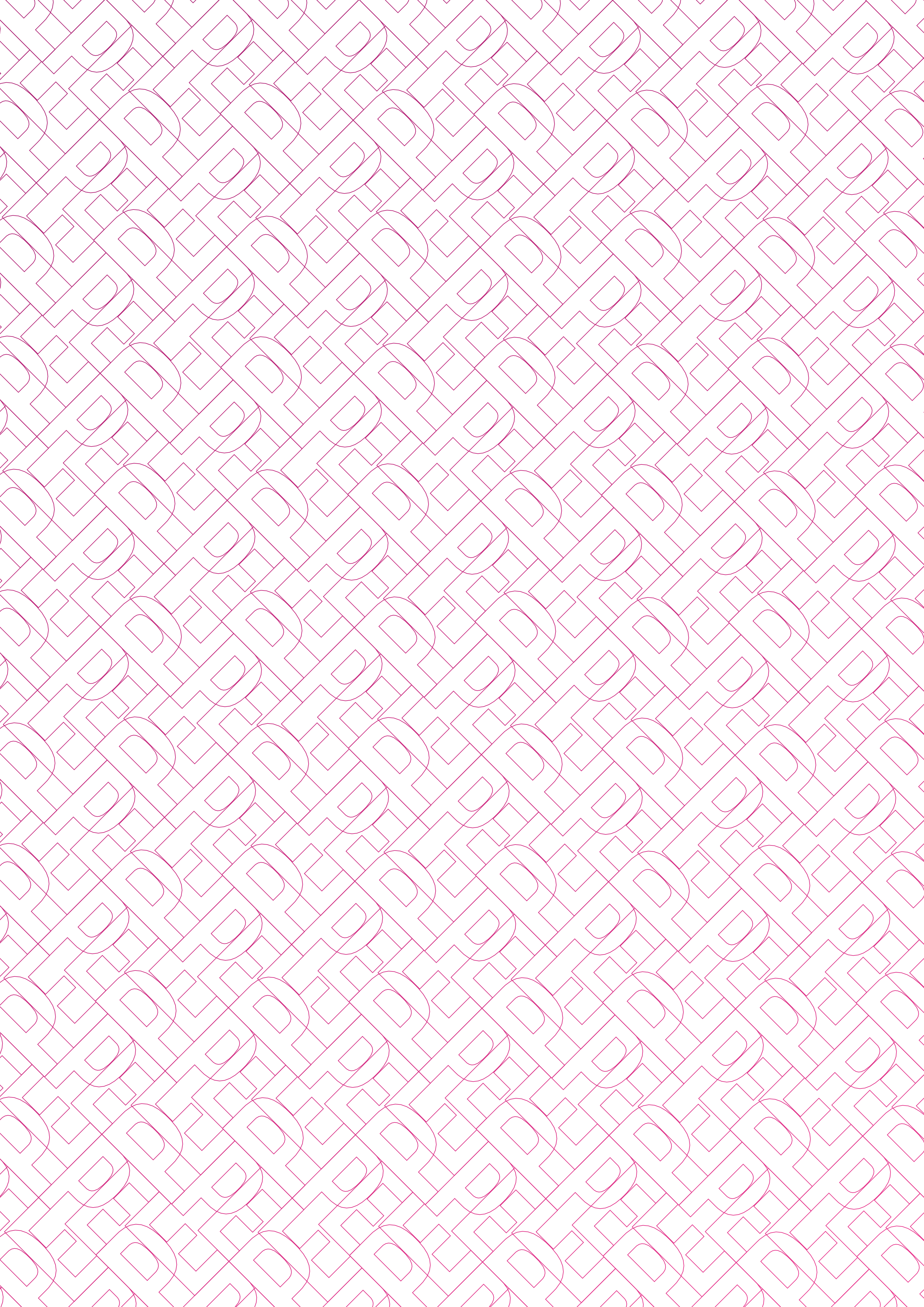
We can and want to contribute to building a sustainable society. We take responsibility for the future in cooperation with our stakeholders.

PE's sustainability topics

Scope: PE and our stakeholders. Work takes place in collaboration with other actors in society.

12 Social advocacy and analysis
13 Transparency and stakeholder engagement

Text in bold indicates material topics in the 2019 analysis.



Five-year review

SEK 000s	2019	2018	2017	2016	2015
Operating net revenue	1,348,389	1,223,796	1,170,700	833,430	683,677
Operating expenses	–1,268,432	–1,134,243	–1,079,638	–784,033	–618,629
Profit/loss before depreciation/amortisation, EBITDA	79,957	89,554	91,062	49,397	65,048
Profit/loss before depreciation/amortisation, EBITDA (adjusted earnings)	92,659	99,151	119,749	67,629	72,849
EBITA	–16,051	70,803	68,708	–427	32,321
EBITA (adjusted earnings)	9,168	80,401	97,394	47,076	57,260
Operating profit/loss, EBIT	–24,732	74,161	64,989	366	32,321
Operating profit/loss, EBIT (adjusted earnings)	487	76,681	93,675	47,869	57,260
Profit/loss after net financial items	–36,861	68,381	57,369	–8,520	23,705
Profit/loss for the year	**–40,202**	**57,121**	**37,515**	**–4,956**	**22,922**
ATTRIBUTABLE TO:					
Parent Company shareholders	–39,698	56,832	37,330	–5,148	23,220
Non-controlling interests	–504	289	186	192	–298
Capital structure					
Goodwill	597,436	573,028	322,649	302,963	90,124
Other non-current assets	233,775	117,874	67,646	108,980	109,272
Current assets	388,633	503,790	333,243	337,790	233,756
Shareholders' equity including non-controlling interests	522,380	587,183	228,454	191,021	196,543
Non-current liabilities	316,814	296,768	187,605	257,828	49,358
Current liabilities	380,650	310,741	307,480	300,884	187,252
Total assets	1,219,844	1,194,692	723,538	749,733	433,153
Net debt	400,296	221,944	246,302	298,094	40,344
Cash flow					
Cash flow from operating activities	77,532	37,837	76,569	–15,651	73,867
Cash flow from investing activities	–35,627	–275,071	–18,917	–235,785	–98,678
Cash flow from financing activities	–122,120	342,758	–67,266	227,667	39,050
Cash flow for the year	–80,216	105,524	–9,614	–23,769	14,239
Key performance indicators					
Operating margin EBITDA, %	5.9	7.3	7.8	5.9	9.5
Operating margin EBITDA, % (adjusted earnings)	6.9	8.1	10.2	8.1	10.7
EBITA margin, %	–1.2	5.8	5.9	–0.1	4.7
EBITA margin, % (adjusted)	0.7	6.6	8.3	5.6	8.4
Operating margin EBIT, %	–1.8	6.1	5.6	0.0	4.7
Operating margin EBIT, % (adjusted earnings)	–0.0	6.3	8.0	5.7	8.4
Equity/assets ratio, %	42.8	49.1	31.6	25.5	45.0
Net debt/EBITDA, multiple	5.01	2.48	2.70	6.03	0.62
Net debt/EBITDA, multiple (adjusted earnings)	4.32	2.24	2.06	4.41	0.55
Projektengagemang share information					
Earnings per share, Parent Company proportion**	–1.62	2.63	1.73	–0.24	1.08
Shareholders' equity per share, Parent Company proportion in SEK*	21.25	23.87	9.27	7.75	8.02
Cash flow from operating activities per share in SEK	3.16	1.54	3.12	–0.64	3.01
Ordinary dividend per share	–	1.00	0.48	–	0.12
Number of shares at year-end	24,555,677	24,555,677	5,851,414	5,851,414	5,851,414
Other					
Average number of FTEs	1,198	1,022	988	710	565
Revenue per employee	1,126	1,198	1,185	1,174	1,210

*recalculated based on the number of shares outstanding at year-end
**recalculated based on average number of shares for the year

Directors' report

The Board and Chief Executive Officer of Projektengagemang Sweden AB (publ) hereby submit the annual accounts and consolidated financial statements for the 2019 financial year. Projektengagemang Sweden AB (publ) with registered offices in Stockholm, company registration number 556330-2602, is the Parent Company in the Group. All amounts are given in SEK thousand unless otherwise stated.

PE is a multidisciplinary engineering and architectural consulting company with considerable expertise and project capability, and the company is listed on Nasdaq Stockholm. The Group's operations are primarily centred on Sweden, with operating companies located across the country. In addition, there is a subsidiary in Chennai, India and one in Skien, Norway. The extensive know-how of PE's engineers, architects and experts is integrated and generates value for clients and society.

PE supplies knowledge-intensive services throughout the client's project, such as feasibility studies, investigations and strategic planning. At the end of the 2019 financial year, the company had a workforce of 1,129. This makes PE one of Sweden's leading engineering and architectural consulting firms. Some 10,000 assignments were carried out during the year for 3,000 clients.

Clear end-to-end solutions

PE's operations are divided into three divisions – Architecture & Management, Civil Engineering & Infrastructure, and Systems. The company has a decentralised organisation with opportunities for individual impact, and each business area in each segment is responsible for its operations. The three segments are a more effective way of responding to the needs of primary customer segments and client demand, while further clarifying our end-to-end solutions. During the year, the Industry & Energy division was integrated as a business area under the Systems division. This was in order to harness the synergy effects associated with complementary skills, market resources and potential cost reductions.

Earnings and operations

Net revenue for the 1 January to 31 December period amounted to SEK 1,348.4 million (1,223.8), an increase of 10 percent compared with the previous year. The increase in revenue in the period relates to companies acquired in 2018 and 2019 performing in line with expectations and contributing SEK 259.5 million. Integra Engineering accounts for most of this amount. Organic growth was –6.8 percent. The decrease is primarily attributable to reductions in personnel, particularly within Management, which is part of the Project Management business area, and to reductions in personnel within the Industry & Energy business area, as well as to a lower utilisation rate compared with the previous year. The calendar effect did not have an impact on the period. The effect of the acquired companies per division is detailed in the table below. Profit before acquisition-related items (EBITA) was SEK –16.1 million (70.8), and operating profit (EBIT) was SEK –24.7 million (74.2). The corresponding profit adjusted for items affecting comparability amounted to SEK 9.2 million (80.4) and SEK 0.5 million (76.7) respectively. The EBITA margin adjusted for items affecting comparability amounted to 0.7 percent (6.6). The lower adjusted EBITA compared with the previous year was mainly due to weaker demand in the Stockholm area in some of our divisions, as well as resource-intensive work in integrating acquired companies and merging businesses, which had a negative impact on the utilisation rate. A cost savings programme to improve profitability was also implemented, with a SEK 25 million impact on the fourth quarter. This item has been recognised as an item affecting comparability. Operating profit (EBIT) was positively impacted by a capital gain of SEK 2.6 million (0) from the sale of non-current assets.

Programme of measures

In 2019 we adjusted and reduced our cost base in response to prevailing market conditions. In the fourth quarter we implemented further measures to increase the company's efficiency and profitability, with an annual effect of SEK 55 million. The non-recurring cost of implementing the cost savings programme was SEK 25 million, which impacted fourth-quarter earnings. In total, the efficiency measures we introduced involving personnel reductions and cost savings in 2019 will reduce our cost base by approximately SEK 70 million for the full year 2020 compared with 2019. This programme of measures aims to restore our utilisation rate for the business to targeted levels and adjust our costs. Combined with revenue-boosting activities, we can now raise our level of earnings towards our profitability target.

Acquisitions and integration

The first quarter saw the acquisition of Mats & Arne Arkitektkontor AB, which conducts operations from Gothenburg and Stenungsund. The company has wide-ranging expertise within architecture and consolidates PE's offering in the region. During the period, the company contributed SEK 22.2 million to Group revenue, with operating profit of SEK 0.7 million. If the company had been owned for the full year, the company would have contributed revenue of approximately SEK 23.7 million and operating profit of SEK –0.3 million.

During the year, all businesses were integrated into a single operating company. This took place via company mergers and business transfers.

The effect of acquisitions made in 2018 and 2019 is detailed below.

2019	**Net revenue**	**Operating profit/loss**
Effects of acquisitions		
Architecture & Management	25,282	5,244
Civil Engineering & Infrastructure	205,473	35,158
Systems	28,727	3,457
Total	**259,482**	**43,859**

Acquisition analysis

All acquisition analyses have been established as of year-end 2019.

Cash flow and financial position

Cash flow from operating activities amounted to SEK 77.6 million (37.8). Change in working capital totalled SEK 7.2 million (–42.7). Investing activities exhibited a net outflow during the period of SEK 35.6 million (275.1), with acquisitions of subsidiaries accounting for SEK 24.9 million (276.1) and the remaining portion primarily attributable to purchases of non-current assets. Cash flow from financing activities totalled SEK –122.1 million (inflow of SEK 342.8 million). This mainly consisted of net changes to drawn overdraft facilities of SEK 26.9 million, amortisation of bank loans and lease liabilities by SEK –51.2 million and SEK –74.9 million respectively and a dividend payment of SEK –24.6 million. Net debt at the end of the quarter totalled SEK 400.2 million (207.8). The transition to accounting according to IFRS 16 has affected net debt in the amount of SEK 136 million.

The equity/assets ratio for the Group amounts to 43 percent (49). Equity amounts to SEK 523.2 million (587.2), corresponding to SEK 21.29 per share (23.87).

Employees

The number of employees at the end of the period was 1,129 (1,211). The average number of employees in 2019 totalled 1,198 (1,051).

PE pursues strategic and long-term efforts to attract and develop its employees. This is achieved by marketing PE externally and by highlighting the opportunities for professional development and career paths that exist within PE, as well as offering all employees stimulating tasks and further training. To realise synergies associated with our employees and our work processes, we carry out internal and external leadership courses and development programmes.

PE works purposefully and has been successful with its employer branding to present the company as an attractive employer internally and to potential employees, and to strengthen the company's brand.

PE strives to achieve an even gender balance, and around 30 percent of employees are women. The company organises activities to raise the percentage of female employees. In 2015, PE launched the KVIST network, which is for female engineers and architects. At the beginning of 2019, the network's membership reached 700 and it is now one of the largest in the industry. Activities include inspirational lectures for both professionals and students, and a mentoring programme in which female engineering and architecture students are assigned a mentor for nine months. PE endeavours to reflect the multicultural society in which we operate.

Work environment

Efforts to ensure a good work environment are pursued according to shared procedures that are part of PE's business system.

Recruitment

One overriding challenge in our industry is access to the right skills. PE works actively with recruitment using dedicated HR resources in the divisions, and concentrating on employer branding. As an attractive employer focusing on development and commitment among our employees, we will ensure continued profitable growth.

Recruitment efforts take place continually within each division, coordinated between all business areas. There is considerable competition for talented employees in the industry, and to achieve our long-term targets it is essential to successfully recruit, as well as retain and develop employees.

Professional development

Professional development within the Group takes place continually, keeping pace with skills requirements in the assignments carried out for our clients. Based on individual development plans for all employees, PE offers employees continual opportunities for professional development via the company's training and development platform, PE School.

Several external activities were carried out during the year at universities and colleges. PE is involved in training at a number of colleges and further education companies in Sweden, both as teachers and in assignments for clients' management teams. The drivers are workforce planning, renewal, further development of the sectors in which we operate, and individual learning and development.

Sustainability work

Sustainability is a cornerstone of PE's Group strategy. Our President and CEO has ultimate responsibility, and overall work is managed and coordinated with the help of the Sustainability Council. Each head of division produces a plan of action to achieve established sustainability targets together with employees. PE's overall goal is to generate long-term value for our stakeholders. Effective corporate governance is a prerequisite for this, and it is characterised by an efficient organisational structure, internal control and risk management systems and transparency.

PE's policies are guided by the procedure set out in our Policy Hierarchy. The policies are updated at least annually in conjunction with the constitutive Board meeting or as required.

The business and its processes are described in the business system, in which governing documents and guidance are linked to each subprocess to make it easier for employees to access the relevant information. In the annual business planning and budget process, targets and plans are established which are then adopted by PE's Board of Directors.

We continually measure the outcome of our sustainability work in order to assess and adjust the management approach. For each sustainability topic there are indicators and targets that we continually monitor (quantitative measurement). Stakeholder engagement is an important additional tool that provides us with a more qualitative picture. The role of the Sustainability Council is to take overall strategic responsibility for all aspects of sustainability and to coordinate efforts. Ultimate responsibility rests with the President and CEO. The Sustainability Council has now existed for over a year, and in that time it has transformed the way in which sustainability is managed within the Group. We believe the creation of the Sustainability Council was a positive move, and that sustainability has become a more integral aspect of our business strategy, corporate governance, operations and our customer offering.

In 2019 we took further steps towards integrating sustainability management into key processes and corporate governance. We have devoted much effort to digitalising and harmonising our business system, which facilitates compliance, keeps content relevant and encourages usage. In the framework of business planning work, action plans linked to quality, environment and sustainability have been drawn up based on the Group's shared and prioritised sustainability targets.

Our business is guided by a number of stakeholder requirements that we are obliged to satisfy. These may be legal requirements, but also aspects that we must ensure are in place to continue operating our business. We have a firm basis from which to meet these requirements in a purposeful way via our business system, entirely consistent with ISO 9001:2015 and 14001:2015. Every year we undergo an external audit. We view this as a good way of verifying our work in this field. Binding environmental requirements are handled within the environmental management process, under which we commit to undertake an energy audit, legislation compliance review for waste management, and a supplier assessment of our critical suppliers. Binding requirements related to social factors and employees concern gender equality, employee work environment including health and safety, and training opportunities, which are subject to work environment legislation. As an employer we also have a responsibility regarding work adaptation and rehabilitation issues. These requirements are managed within the framework of the employee process. Our code of conduct requires us to comply with the code of ethics established by FIDIC* to respect basic human rights and operate in line with the UN Declaration of Human Rights, ILO's** core conventions and the UN Convention on the Rights of the Child. Efforts to combat corruption and irregularities are regulated in our code of conduct.

PE has prepared a sustainability report. The report is published on the company's website, www.pe.se.

Parent Company

The Parent Company's net revenue for the 1 January–31 December period totalled SEK 125 million (249.2), with operating income (EBIT) corresponding to SEK 14.2 million (–10.0). Net revenue for the Parent Company mainly relates to intra-group cost allocations. In 2019, administrative activities and client contracts were transferred to the subsidiary PE Teknik & Arkitektur AB, leading to lower revenue for the Parent Company.

Board's proposal regarding a decision on guidelines for remuneration of senior executives

The Annual General Meeting resolves on guidelines for determining remuneration of the CEO and other senior executives. The Board's proposal to the 2020 AGM regarding such guidelines is stated here. Other senior executives currently refers to the seven individuals who together with the CEO make up Group management, and who are presented on the company's website and on page 83 of the 2019 Annual Report.

The Board of Directors of Projektengagemang proposes that the 2020 AGM resolve to adopt the following guidelines for remuneration of senior executives, to apply until further notice, however for a maximum period until the 2024 AGM.

The proposal to the 2020 AGM is essentially consistent with the guidelines adopted by the 2019 AGM. The shareholders have not forwarded any comments on the guidelines.

The guidelines cover the Chief Executive Officer (CEO), Deputy Chief Executive Officer and other members of Group management, as well as individual Board members of the company, to the extent that employment or consultancy contracts have been entered into with them. Only remuneration according to contracts that have been entered into or amended since the guidelines were approved by the AGM are covered.

The guidelines' promotion of the company's business strategy, long-term interests and sustainability

PE is driven by committed employees who create value via advanced consulting services and solutions, not just for the company's clients but also for society as a whole, providing social benefit in people's everyday lives. PE's vision of renewing society through innovative and sustainable solutions in a world that is constantly changing gives the company a responsibility to make a difference, and fuels its desire to renew and improve.

* International Federation of Consulting Engineers

** International Labour Organisation

This develops the company, its employees and management's knowledge and expertise, which in the longer term creates value for the company's clients and society as a whole. A firm belief in entrepreneurship and the personal motivation of each employee have formed the foundation of our corporate culture, along with the desire to renew and improve via a genuine commitment to the task, the client, the end user and society in general. Visit the company's website www.pe.se for further details about PE's strategy, vision and targets.

Successful implementation of PE's business strategy, long-term interests and sustainability based on the desire to renew and improve requires Projektengagemang to recruit and retain qualified, motivated and committed employees with the right skills. To achieve this, Projektengagemang needs to be able to offer competitive total remuneration, and it is the opinion of the Board that these remuneration guidelines fulfil this requirement.

Forms of remuneration

Remuneration for the CEO, Deputy CEO and Group management may include a fixed salary, variable remuneration, long-term incentive programmes, pension and other benefits. Total remuneration should be competitive and reflect market levels, and allow the company the opportunity to recruit and retain the senior executives that the company needs in order to achieve its long- and short-term goals, and should support the business strategy and contribute to sustainability.

Fixed salary

Fixed salaries for the CEO, Deputy CEO and other senior executives shall reflect the demands and responsibilities of the job, along with the individual performance of the senior executive. Fixed salaries for the CEO, Deputy CEO and other senior executives are evaluated annually. Senior executives do not receive fees for their Board membership in the company's subsidiaries.

Following a decision by the Board, it should be possible to pay consultancy fees and/or other remuneration for any work that Board members carry out on behalf of the company or another Group company in addition to Board work.

Variable remuneration

Variable remuneration may also be paid in addition to fixed salary. Variable remuneration shall be dependent upon the fulfilment of defined and measurable criteria that are established annually by the Remuneration Committee and Board, for a monitoring period of one year, and be limited to a maximum of 75 percent of the annual fixed salary for the CEO, Deputy CEO and CFO, and a maximum of 50 percent of the annual fixed salary for other members of Group management. The purpose of specified criteria is to promote the fulfilment of the company/Group's short- and long-term targets, strategy, long-term development, value creation, sustainability and financial growth, as well as individual targets for the financial year, and should be defined and measurable and designed so as to discourage excessive risk-taking.

Fulfilment of these criteria for payment of variable cash remuneration is evaluated annually by the Remuneration Committee and decided on by the Board of Directors, at which point the terms for variable remuneration are designed in such a way as to allow the Board to restrict or prevent payment of variable remuneration in the event of exceptional economic circumstances and if such a measure is deemed reasonable. Annual fixed salary here means fixed, cash pay earned during the year excluding pension, supplements, benefits and suchlike. Variable remuneration is not pensionable income.

Long-term incentive programmes

The CEO, Deputy CEO and other senior executives and key personnel may be offered long-term incentive programmes, which should be primarily share-based. The aim of long-term incentive programmes should be to create long-term commitment in the company, to attract and retain qualified senior executives and other key personnel, and to boost common interests between the participants and the shareholders.

Long-term share-based incentive programmes are resolved on by the AGM and the detailed conditions for such programmes are therefore proposed by the Board of Directors ahead of each such AGM decision.

To the extent that long-term incentive programmes are proposed to the AGM, they shall complement fixed salary and variable remuneration for those senior executives who through their expertise and performance have in particular contributed to the company/Group's earnings-related target fulfilment, business strategy, long-term interests and sustainability. Any share or share-price related incentive programmes must have a minimum qualifying period of three years.

Pensions

The standard pension age is 65 years. For senior executives covered by collective agreements who remain in post beyond the age of 65, no further occupational pension premiums are paid. Pension benefits are defined contribution benefits and amount to 4.5 percent of the pensionable salary up to 7.5 income base amounts, and 30 percent of the portion exceeding this. Pension benefits are secured by occupational pension insurance. In addition to the occupational pension premium, the CEO and senior executives are guaranteed sick pay corresponding to the applicable collective agreement for the company's office-based staff, as well as total health insurance cover including payments from Försäkringskassan and any other company insurance policies after 90 days' absence due to sickness of 90 percent of the fixed salary up to 20 income base amounts, 70 percent between 20–30 income base amounts and 50 percent between 30–50 income base amounts. Pensionable salary for the CEO refers to the current fixed salary. For other senior executives covered by collective agreements, pensionable salary is determined according to ITP 1.

Pension benefits for senior executives outside Sweden may vary as a result of legislation or local market practice.

Other benefits and remuneration
Other remuneration may comprise other customary, market-based benefits such as health insurance, which should not constitute a significant proportion of the total remuneration.

Furthermore, additional remuneration in extraordinary circumstances on a case by case basis and following a decision by the Board may be agreed at an individual level to promote recruitment or help retain senior executives. Such extraordinary arrangements may not exceed an amount corresponding to the fixed annual salary for the individual in question, and may, for example, include a one-off cash payment.

Notice periods and severance pay
Fixed salary during a notice period and severance pay, including remuneration for any non-competition clause, shall not in total exceed an amount corresponding to the fixed salary for two years for the CEO and twelve months for the Deputy CEO and other members of Group management.

Salary and employment terms for employees
In preparing the Board's proposal for these remuneration guidelines, salaries and employment terms for the company's employees are taken into consideration.
Employee's total remuneration, remuneration components and salary increases and the pace of such increases over time shall be considered in the Remuneration Committee and Board's decision making. This is in order to assess the reasonableness of the guidelines and the limitations resulting from the guidelines.

Deviation from guidelines
The Board shall be entitled to temporarily deviate, wholly or in part, from the guidelines adopted by the AGM if in individual cases there are special reasons for so doing, and such deviation is necessary in order to fulfil the company's long-term interests and sustainability, or to guarantee the company's financial viability. Such deviations may occur following a decision by the Board in the individual case, for example for the appointment of a new CEO or other senior executive, or to retain the current CEO or other senior executive regarding fixed salary, variable remuneration and pension terms, although in such cases remuneration shall be competitive and market based. If such deviations are made, this must be reported in the remuneration report provided ahead of the next AGM.

Decision process to establish, review and implement the guidelines
The Board of Directors has established a remuneration committee. The committee is primarily tasked with preparing the Board's decisions on matters such as remuneration principles, remuneration and other employment terms and conditions for company management and other senior executives. Furthermore, the Remuneration Committee shall monitor and evaluate variable remuneration programmes for company management that are ongoing or that have been concluded during the year; monitor and evaluate the application of the guidelines for remuneration of senior executives that the AGM is required to resolve on at least every four years by law and regarding remuneration structures and remuneration levels in the Group. Remuneration of the CEO and Deputy CEO and remuneration principles for company management are decided on by the Board of Directors. Remuneration of other senior executives is decided on by the Remuneration Committee within the framework established by the Board and AGM. The members of the Remuneration Committee are independent of the company and company management. The CEO, Deputy CEO and other members of company management to the extent that they are affected by the matters being discussed do not attend meetings of the Remuneration Committee and Board to address remuneration issues.

Other
For further information regarding remuneration, see Note 7 of the Annual Report.

Laws and other requirements

Insurance
PE has taken out standard insurance policies at amounts that the company deems sufficient. However, there are no guarantees that the company's insurance cover can be maintained on terms that are acceptable to the Group, and that the insurance cover protects against the entire Group's losses or covers all requirements in the event of any future damage.

Environment
PE's operations are not subject to permits or notifiable according to current environmental legislation. However, PE offers consulting services and solutions that shall contribute to long-term, sustainable development and reduce environmental impact and promote effective resource management.

Disputes
All business operations involve a risk of disputes. The contract format used by PE is mostly ABK09, in which management of any disputes is a controlled process. PE's insurance cover is linked to all relevant service contracts.

Significant disputes

The Group does not currently have any significant disputes. Any disputes that do arise are related to the business and mainly concern creditor claims for completed work. The disputes are not unusual in their nature and extent, given the nature and scope of the business.

Changes to Group management and the Board of Directors

Helena Liljegren took up her position in the first quarter as the new Head of the Architecture & Management division. Kjell-Åke Johansson took on the role of Head of the Systems division in the first quarter. Nicke Rydgren took up the position of Chief Commercial Officer in the first quarter, a role that combines marketing and acquisitions with strategy and business development. In the third quarter, Nicke Rydgren took on the role of interim Head of Division for Architecture & Management, as Helena Liljegren decided to leave the company. On 17 September, it was announced that Per Hedebäck was resigning and taking on a new position. PE's Chairman Per-Arne Gustavsson was appointed by the Board of Directors as Interim President and CEO effective as of the same date. As a result, on 17 September Board member Per Göransson was appointed as Interim Chairman pending the appointment of a new President and CEO. Krister Lindgren stepped down as Investor Relations Officer in the third quarter. Tord Larsson-Steen resigned from his role as Head of the Industry & Energy division to coincide with the division becoming a business area under Systems.

Group management consists of:

Per-Arne Gustavsson, Interim President and CEO

Peter Sandberg, CFO

Åsa Holmgren, HR Director

Kjell-Åke Johansson, Head of Systems Division

Mathias Thorsson, Head of Civil Engineering & Infrastructure Division

Nicke Rydgren, Head of Architecture & Management Division and CCO

Linda Lönneberg, Business Area Director Infrastructure

Market and outlook

The market and demand for PE's range of services is largely based on economic trends in the markets in which PE operates. The market was stable in 2019, although operating at slightly lower levels than previously. PE does not publish forecasts.

Events after the end of the financial year

Bank agreements

PE has renegotiated the credit agreement with SEB regarding acquisition credit. The facility has not been used and amounted to SEK 100 million. This facility has been removed from the credit agreement. The agreement now comprises an overdraft facility, a term loan and a revolving credit facility. The credit agreement is subject to the usual terms relating to financial position.

Uncertainty surrounding the impact of COVID-19

The spread of COVID-19 may have a significant impact on a business like ours. Clients, employees and projects can all be affected to a considerable extent, which can also impact PE's performance, plans and financial earnings. The risks that we believe could primarily have an impact are operating risks such as demand, skills shortage, efficiency, IT and financial, such as financing and liquidity risk. It is not yet possible to predict the impact of COVID-19. One advantage we have is that our work is largely digitalised, which makes us less reliant on travel and face-to-face meetings. There is a great deal of uncertainty regarding the extent, ways and length of time that COVID-19 may affect PE. Details of how PE is managing various risks are provided on pages 45–47.

Dividend

The Board proposes that no dividend be paid for the 2019 financial year. This decision comes in light of the Group's financial position and level of earnings.

With regard to the Group's earnings and position in general, please refer to the following statements of comprehensive income, income statements, cash flow statements and statements of changes in equity, along with balance sheets with accompanying notes. All amounts are presented in SEK thousand unless otherwise indicated.

Proposed appropriation of profits

Funds at the disposal of the Annual General Meeting, SEK:	
Retained earnings	478,679,062
Profit/loss for the year	9,477,095
	488,156,157
The Board proposes that retained earnings be appropriated as follows	
To be carried forward	488,156,157
	488,156,157

Corporate Governance Report

Projektengagemang Sweden AB (Publ) (PE), is a Swedish public limited company with registered offices in Stockholm, Sweden, whose B shares are listed in the Small Cap segment on the Nasdaq Stockholm stock exchange. Corporate governance as exercised by PE is based on the Swedish Companies Act, the Swedish Annual Accounts Act, stock market regulations and the Swedish Corporate Governance Code (the Code). This Corporate Governance Report relates to both the Parent Company Projektengagemang Sweden AB and the Group.

Corporate governance principles

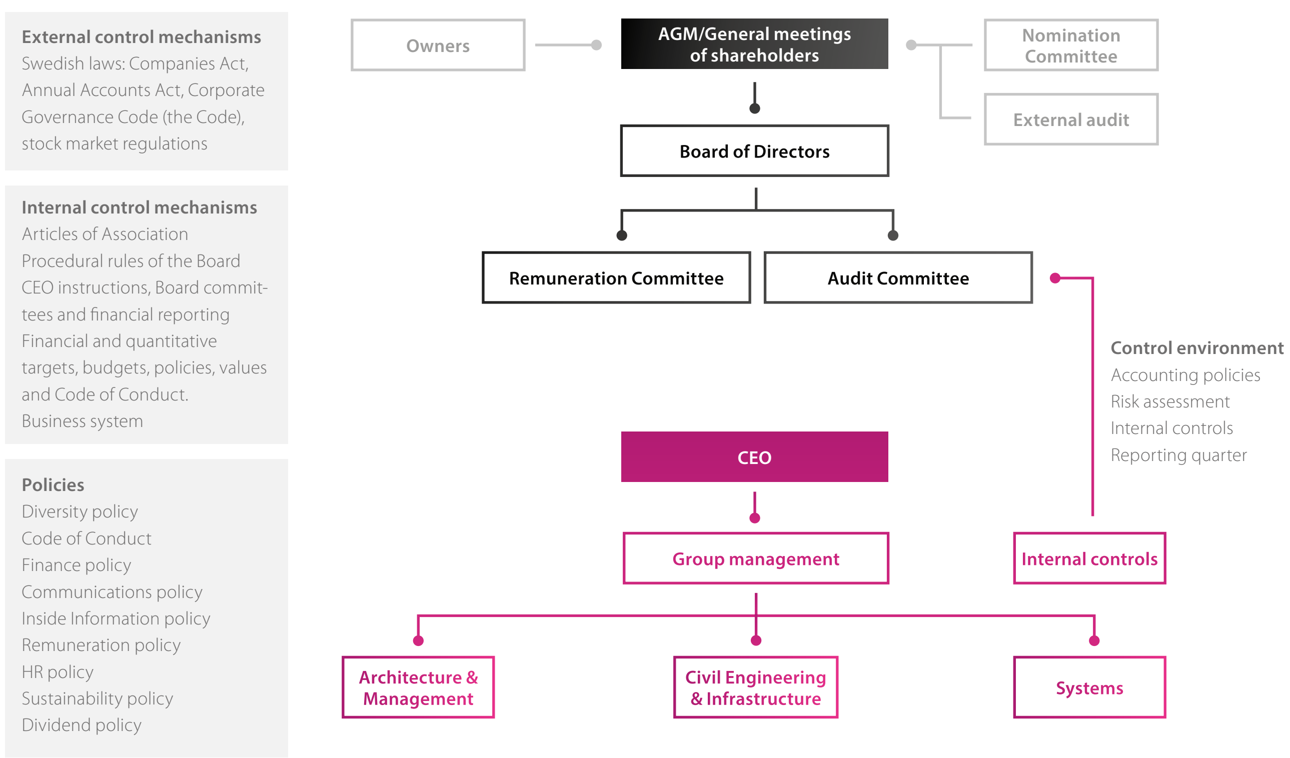
PE applies the regulations pursuant to legislation or other statutes, and the Code.

In 2019, PE applied the Code without deviations, with the exception of details relating to the composition of the Nomination Committee (see under Nomination Committee, page 40). There have been no breaches of the stock market's issuer rules or good practice on the equity market.

Business model and management of assignments

PE's vision is that we shall renew our society through innovative and sustainable solutions. This shall be achieved by generating added value for clients by supplying advanced consulting services and solutions within architecture, building, infrastructure, industry and project management via collaboration between the company's different disciplines. The work is conducted using a holistic approach and in close cooperation with clients.

PE's corporate governance structure



The Group's decentralised organisation is underpinned by our individual employees, requiring a strong company-wide culture. PE's core values of Commitment, Entrepreneurship and Responsibility reflect our corporate culture and aim to promote good conduct and the motivation to guide the entire organisation towards a shared goal.

PE's work is largely carried out in the form of assignments. Each assignment is managed by a responsible project manager, who makes use of the group-wide management system in their day-to-day work.

PE is certified in accordance with SS-EN ISO 9001:2015 and SS-EN ISO 14001:2015. These management standards help the Group to comply with legislation, improve environmental aspects in assignments and identify potential risks.

The management system and its use are examined annually by independent quality auditors. The system is also subject to regular internal monitoring with reporting back to the Audit Committee.

The Group's management system includes guidelines, policies and procedures that focus on assignment outcomes, and the system is always available to the consultants. PE works with continual measures to improve the Group's working methods, promote sustainability and support its employees.

Our employees' professional development requirements are satisfied via continual training. The know-how and experience that employees gain via assignments is harnessed and developed for future use.

Control mechanisms

The external control mechanisms that comprise the framework of corporate governance within the Group include the Swedish Companies Act, Annual Accounts Act, stock market regulations, the Code and other relevant laws. Foreign subsidiaries apply the laws and regulations of the country in question, but also ensure compliance with the Group's governance and control guidelines.

The Board of Directors is ultimately responsible for the organisation and management of the Group's affairs.

Supervision is exercised by authorities and by organisations appointed by such authorities where appropriate for the Group's operations.

Internal control mechanisms include the Articles of Association, which are adopted by the AGM, the Board's procedural rules and CEO instruction, the Board's committees and financial reporting. In addition there are financial and quantitative targets, budgets, reports, policies, valuations and the Code of Conduct.

The Group's policies, for example the Code of Conduct, finance policy, communication policy, inside information policy, remuneration policy, sustainability and environmental policy, HR policy and dividend policy, shall be submitted to the Board annually for approval. The CEO makes decisions regarding the customer credit policy, health and safety policy, whistleblowing policy, security policy and quality policy. In addition there are several other significant policy documents that are decided on by the CEO or a person appointed by the CEO.

Corporate governance structure

PE's shareholders are ultimately responsible for making decisions about the Group's corporate governance by, at the AGM, appointing the company's Board, which in turn is responsible for ensuring that ongoing corporate governance throughout the year complies with legislation and other external and internal control mechanisms.

Annual General Meeting

PE's shareholders exercise their right to make decisions regarding the Group's affairs at the Annual General Meeting, or where applicable at extraordinary general meetings, constituting PE's highest decision-making body. The AGM makes decisions regarding the Articles of Association, elects the members of the Board and the Chairman, appoints auditors, adopts the income statement and balance sheet and decides on the appropriation of profits, discharge from liability and principles for appointing the Nomination Committee, etc.

At the AGM, every shareholder who is registered in the shareholder register at the record date and who has registered their right of participation is entitled to participate, either personally or via a representative with power of attorney, and to vote according to their holding without restriction in the right to vote.

Shareholders are entitled to have a matter addressed at the AGM after submitting a written request to the Board well in advance of the notice convening the AGM being issued.

All AGM documents, convening notices and other information ahead of the AGM and minutes are published in Swedish and English on PE's website, www.pe.se.

Shareholders

According to the shareholder register maintained by Euroclear Sweden, PE had 1,675 shareholders at 31 December 2019. Share capital amounted to SEK 2,728,409, with a total of 24,555,677 shares allocated among 5,398,524 A shares corresponding to 21.98 percent of the shares and 73.81 percent of the votes, and 19,157,153 B shares corresponding to 78.02 percent of the shares and 21.19 percent of the votes. A shares carry ten votes each and B shares carry one vote. All shares have the same proportion of the Group's profit and capital. Only B shares are listed on the stock market.

At 31 December 2019, Projektengagemang Holding AB had an ownership interest amounting to 21.48 percent of the total number of shares and 60.52 percent of the votes. In other respects, no shareholder has a direct or indirect shareholding that represents at least one tenth of the number of votes for all shares in PE.

Pages 87–88 include further details about the company's shares and shareholders. The information is also available on the company's website, www.pe.se.

2019 Annual General Meeting

PE's 2019 AGM took place on 21 May 2019 at Helio Kungsholmen (Guldspaden meeting room), Rålambsvägen 17, Stockholm. Shareholders representing 79 percent of the votes and 57 percent of the capital took part in the AGM. All the Board members including the CEO, representatives of the Nomination Committee and the principal auditor attended. The minutes from and information about the 2019 AGM are available on PE's website in Swedish and English.

The AGM made decisions on the following matters:

- Discharged the Board members and the CEO from liability for the financial year ended 31 December 2019.
- Dividend of SEK 1.00 per share, totalling approximately SEK 24.5 million, and that the remaining portion of approx. SEK 478.6 million be carried forward.
- Re-election of Board members Lars Erik Blom, Britta Dalunde, Öystein Engebretsen, Per Göransson, Carina Malmgren Heander and Per-Arne Gustavsson. Appointment of Per-Arne Gustavsson as Chairman of the Board.
- Fees of SEK 350,000 be paid to the Chairman of the Board, and SEK 175,000 to each Board member, and fees for committee work and remuneration of the auditor.
- Re-appointment of auditing firm PricewaterhouseCoopers AB, with Camilla Samuelsson as principal auditor.
- Adoption of guidelines for remuneration of senior executives in accordance with Board's proposal.
- Adoption of guidelines for remuneration of senior executives in accordance with Board's proposal.
- Offer to CEO and other key personnel at PE to participate in 2019 Share Purchase Programme.
- The Board was authorised to resolve on the acquisition of a maximum of 331,180 B shares to make provision for the company's obligations in the 2019 Share Purchase Programme, and transfer a maximum of 79,180 B shares to enable cost hedging.
- Transfer of a maximum of 252,000 B shares to participants in the 2019 Share Purchase Programme.
- The Board of Directors was authorised to resolve on the new issue of B shares corresponding to max. 10 percent of the total number of B shares in connection with company acquisitions.

Nomination Committee

The 2018 AGM of PE resolved on instructions for the composition of the Nomination Committee and its duties, to apply until further notice until decided otherwise by the AGM. The Nomination Committee's instructions are available on PE's website (www.pe.se).

The Nomination Committee shall consist of four members. The members of the Nomination Committee must include one representative of each of the three largest shareholders in terms of votes who wish to elect such representative. One of the members shall be the Chairman of the Board, who also convenes the first meeting. If any of the three largest shareholders in terms of votes refrain from their right to elect a member of the Nomination Committee, the next largest shareholder will be given the opportunity to elect a member. The mandate period of the Nomination Committee extends up until the date that a new Nomination Committee is appointed. Unless the members agree otherwise, the chair of the Nomination Committee must be the member that has been elected by the largest shareholder in terms of votes. If a member of the Nomination Committee leaves the committee before their work has been completed, the shareholder that elected such member is entitled to elect a new member of the committee. If the member leaving the Nomination Committee is the Chairman of the Board, a new member will not be elected.

The Nomination Committee will be constituted on the basis of shareholder statistics from Euroclear Sweden AB at 30 June every year. The names of the elected members of the Nomination Committee and the shareholders they represent will be published on the Group's website as soon as they have been elected, however no later than six months before the AGM.

If during the mandate period of the Nomination Committee one or more of the shareholders who elected members of the Nomination Committee are no longer among the three largest shareholders in terms of votes, members elected by such shareholders must make their positions on the committee available and the shareholder(s) who has/have joined the three largest shareholders in terms of votes will be entitled to elect their representatives. Unless there are specific reasons, no changes should be made to the composition of the Nomination Committee if only marginal changes have occurred to the number of votes, or if the change occurs less than three months prior to the AGM. However, shareholders who have joined the three largest shareholders as a result of more significant changes to the number of votes less than three months prior to the AGM will be entitled to elect a representative, who will be co-opted to the Nomination Committee. Shareholders who have elected a member of the Nomination Committee are entitled to dismiss said member and elect a new member to the Nomination Committee. Changes to the composition of the Nomination Committee must be disclosed as soon as they have occurred.

Ahead of the AGM, the Nomination Committee is tasked with presenting proposals regarding the AGM chairman, the number of Board members, election of Board members, election of a Chairman of the Board, Board fees including allocation between the Chairman and other members of the Board, and remuneration for committee work, audit fees, election of auditors and criteria for how a new Nomination Committee is to be elected. The Nomination Committee shall observe the requirements imposed on the Nomination Committee and appointments to the Board as detailed in the Code.

The Nomination Committee is entitled to receive reasonable remuneration for expenses incurred regarding evaluation and recruitment. Other than that, the members of the Nomination Committee do not receive any remuneration from PE for their work.

Composition of the Nomination Committee

The members of the Nomination Committee ahead of the AGM in May 2020 were announced on PE's website and published in a press release dated 19 November 2019, and are: Per Göransson, Interim Chairman of the Board of PE, Projektengagemang Holding AB (chair of the Nomination Committee), Tim Floderus, Investment AB Öresund, Peter Larsson, K-Konsult Management AB, and Per Granath, Zirkona AB/Fagra Finans AB. Together the Nomination Committee represents approximately 69.5 percent of the votes for all shares in PE.

Deviation from the Code

The composition of the Nomination Committee deviates from rule 2.4, paragraph 1, second sentence of the Code in that Per Göransson, who chairs the Nomination Committee, is also a Board member and currently also Interim Chairman of the Board. The reason for the deviation is that it is logical in light of the ownership structure of Projektengagemang, in which Per Göransson is one of the two founders of the company and a partner of the largest shareholder in terms of votes, and that according to the adopted Nomination Committee instructions the chair of the committee shall be the person who is appointed by the largest shareholder.

Nomination Committee's remit and work ahead of the 2020 AGM

Prior to the 2020 AGM, the Nomination Committee is tasked with presenting proposals regarding the AGM chairman, the number of Board members, election of Board members, election of a Chairman of the Board, Board fees including allocation between the Chairman and other members of the Board, and remuneration for committee work, audit fees, election of auditors and where applicable changes to the criteria for how a new Nomination Committee is to be elected.

The Nomination Committee has held four minuted meetings prior to the 2020 AGM and in addition has maintained regular contact. The Nomination Committee's proposal is presented in connection with the convening notice for the AGM and on PE's website (www.pe.se). To coincide with this, the Nomination Committee also publishes a report of its work and a supporting statement regarding its proposal to the Board, along with details of the Board members being proposed for re-election and as new members.

Diversity policy

The Nomination Committee applies rule 4.1 of the Code as its diversity policy when assessing the appropriate composition of the Board, taking account of the Group's operations, stage of development and conditions in general, which means that the assessment must be characterised by versatility and breadth with regard to skills, experience and background, endeavouring to achieve an even gender balance.

The Nomination Committee has discussed the requirements under rule 4.1 of the Code, and considers that, with respect to PE's current circumstances, the Board will have an appropriate composition as a result of the Nomination Committee's proposal ahead of the 2020 AGM, and has endeavoured to achieve both a diverse composition and an even gender balance.

Auditors

PE's auditors are elected at the AGM. The 2019 AGM elected PricewaterhouseCoopers AB, with authorised public accountant Camilla Samuelsson as principal auditor for the period up until the 2020 AGM.

Audit work

The auditors examine the annual financial statements and accounting of the Parent Company and Group, and the Board and CEO's management.

In order to provide for the Board's information requirements, in addition to reporting to the Audit Committee, the Group's auditors also report observations from their auditing of the consolidated financial statements to the Board every year, as well as their observations from examining the Group's internal controls. At least once a year, the auditor conducts a dialogue with the Board of Directors without the presence of the CEO or any other representative of Group management.

PE's auditors examine the financial information for at least one interim report and the year-end report. In addition, every year the auditors examine a selection of controls and processes and report any areas requiring improvement to Group management and the Audit Committee. In 2019, the auditors conducted a limited assurance review of the Group's interim report for the third quarter. In connection with the review of the Q3 report, the company's internal controls were also reviewed.

The auditors have attended four of the Audit Committee's six meetings and the 2019 AGM. The auditor takes part in the AGM in order to present the auditor's report.

Audit fees for 2019, (including the fee for consulting services) are detailed under Note 6, page 64 of the 2019 Annual Report.

Board of Directors

Composition of the Board and fees

PE's Board comprises six members elected by the AGM, and no deputies. The Chief Executive Officer is not usually a member of the Board, but is co-opted to all Board meetings. As of 17 September 2019, Board member Per-Arne Gustavsson is Interim Chief Executive Officer pending the appointment of a new President and CEO. Other employees of the Group participate as required to give presentations. The Group's Chief Financial Officer is secretary to the Board. Details of the composition of the Board in 2019 and remuneration of Board members for the full years 2019 and 2018 are provided under Note 7 on page 65. Further information about the Board members can be found on page 82.

Evaluation of the work of the Board of Directors

Once a year, the Board of Directors carries out an evaluation in which members are given the opportunity to offer their views on working methods, Board material, their own and other members' contributions to the work of the Board, with the aim of developing Board work and providing the Nomination Committee with a relevant basis for decisions ahead of the AGM. An internal evaluation was conducted in 2019 through an anonymous questionnaire to Board members, and the results of the evaluation have been reported by the Chairman of the Board, with subsequent discussion within the Board. The result of the evaluation has been reported to the Nomination Committee.

Independence

According to the Code, a majority of the Board members elected by the AGM must be independent in relation to the company and company management, and at least two of these members must also be independent in relation to the company's major shareholders.

PE's Board is deemed to satisfy the Code's requirements as regards independence, as four of the Board members elected by the AGM are deemed to be independent in relation to the company and company management as well as in relation to the company's major shareholders. All members elected by the AGM apart from Per Göransson and Per-Arne Gustavsson have been independent in relation to both the company and company management and in relation to the company's major shareholders in 2019.

Work and responsibilities of the Board of Directors

The Board of Directors monitors the work of the CEO and is responsible for ensuring that organisation, management and guidelines for the Group's funds are fit for purpose. The Board is also responsible for ensuring that the Group is organised in a way that allows for appropriate internal auditing, and that suitable systems are in place for following up operations and associated risks, and for compliance with laws, rules and internal guidelines. Furthermore, the Board is responsible for developing and following up the Group's strategies, plans and targets, decisions about acquisitions and divestment of businesses, major investments, additions to and replacement of members of the management team and ongoing monitoring of performance throughout the year. The Board adopts the budget and end-of-year accounts.

The work of the Board follows the specific procedural rules that have been established relating to the division of tasks between the Board and CEO, between the Board's various committees and within the Board, and instructions regarding financial reporting. These procedures include a special set of instructions for the CEO. The Board's procedural rules also stipulate that the company's auditor shall take part in one Board meeting.

The constitutive Board meeting is held immediately following the AGM, or immediately following an extraordinary general meeting at which a new Board is elected. PE held its constitutive Board meeting on 19 May 2019, at which members of the Board committees were elected and the above-mentioned procedural rules were adopted.

In addition to the constitutive Board meeting, the Board meets on four ordinary occasions a year and whenever the Chairman deems appropriate, or after one of the Board members or CEO has made a request thereof. [Seventeen] Board meetings were held in 2019. The work of the Board follows a pre-established plan featuring certain regular decision points during the financial year.

Every month, the Board receives a report on the Group's earnings and liquidity performance. Treatment of other matters is determined by the nature of each individual issue.
During the year, the Board's work has mainly comprised management and operations in the Group, and decisions relating to acquisitions and financing.

Finance policy issues

The Board has ultimate responsibility for the Group's financial activities. The Board is responsible for approving the Group's finance policy, which is updated annually. The Board makes decisions regarding overall mandates and limits for restricting the Group's financial risk assumption, in accordance with the finance policy, and on all long-term financing. The Board has delegated operational responsibility in line with the division of responsibilities stated in the adopted finance policy.

Board's checks on financial reporting

The Board of Directors monitors the quality of financial reporting via monitoring instructions and the CEO instruction. Together with the CFO, the CEO is tasked with examining and quality assuring all external financial reporting, including year-end reports, interim reports, annual reports, press releases with financial content and presentation material for interaction with the media, shareholders and financial institutions.

The composition of the Board of Directors

Elected by the AGM[1]	Elected, year	Born	Independence of shareholders	Independent in relation to the company and management	Attendance at Board meetings	Attendance Audit Committee	Attendance Remuneration Committee
Chairman							
Gunnar Grönkvist Jan–May	2015	1943	Yes	Yes	5/6	3/3	4/4
Per-Arne Gustavsson May–Sep	2018	1952	No	No	15/15	1/1	1/1
Per Göransson Sep–Dec	2006	1953	No	No	15/15	2/2	1/1
Members of the Board							
Carina Malmgren Heander	2017	1959	Yes	Yes	15/15		6/6
Britta Dalunde	2016	1958	Yes	Yes	15/15	6/6	
Lars Erik Blom	2016	1960	Yes	Yes	15/15	6/6	
Öystein Engeretsen	2016	1980	No	Yes	15/15		6/6

1 Details of the education, other roles and shareholdings in the company etc. of current Board members can be found on page 82 of the Annual Report. Remuneration of Board members is detailed under Note 7.

The Board's Audit Committee assists in making sure that financial reporting is of high quality, that it is approved by the Board and communicated. The Board receives monthly financial reports and the company and Group's financial situation is addressed at each Board meeting. The Board also discusses interim reports and annual reports.

In order to provide for the Board's information requirements, in addition to reporting to the Audit Committee, the Group's auditors also report observations from their audit and their assessment of the Group's internal controls to the Board every year.

The Board committees

The Board has full insight into, and responsibility for all issues on which the Board is tasked with making decisions. However, during the year work has been conducted via two of the Board's appointed committees: the Audit Committee and the Remuneration Committee.

Audit Committee

The committee is made up of three representatives of the Board and is tasked with:

- prior to Board decisions, preparing the Board's work by providing quality assurance of the consolidated financial statements
- monitoring and submitting recommendations and proposals to ensure the reliability of reporting with regard to effectiveness of the Group's internal controls and risk management
- assessing the independence of the auditor
- checking other assignments for the audit firm (NAS, Non Audit Services)
- assisting the Nomination Committee during the tender process for the audit and preparing for election of, and fees for auditors
- keeping informed about the extent and focus of the audit assignment
- preparing questions about the audit
- evaluating the audit process
- establishing guidelines for the procurement of permitted services to be carried out by the Group's auditors in addition to the audit
- if appropriate, approving such services according to the guidelines
- monitoring and considering the application of current accounting policies and the introduction of new accounting policies and of other legal accounting requirements, generally accepted accounting principles or otherwise.

The Group's principal auditor and representatives of the audit firm are co-opted to the majority of the meetings. Senior executives are co-opted where applicable. Since the 2019 AGM, the committee has been made up of members Britta Dalunde, Lars-Erik Blom and Per-Arne Gustavsson up until 17/09/2019, and Per Göransson as of 17/09/2019. The committee is chaired by Britta Dalunde. The majority of the committee's members are independent in relation to both the company and company management, as well as in relation to the company's major shareholders. Only Per-Arne Gustavsson and Per Göransson are not independent in relation to both the company and company management, as well as major shareholders.

The Audit Committee held six meetings in 2019 and the Board of Directors regularly receives copies of the minutes. During the year, the committee's work has mainly covered valuation issues, risk management, impairment testing requirements, monitoring of consolidation, reorganisation of the Finance function, internal follow-up of earnings and key performance indicators and follow-up and checks on the Group's financial reporting. An account of the various matters dealt with by the committee is submitted to the next Board meeting.

The auditors have attended four of the Audit Committee's six meetings.

Remuneration Committee

The committee consists of three representatives from the Board of Directors. The committee is primarily tasked with preparing the Board's decisions on matters such as remuneration principles, remuneration and other employment terms and conditions for company management and other senior executives. Furthermore, the Remuneration Committee shall monitor and evaluate variable remuneration programmes for company management that are ongoing or that have been concluded during the year; monitor and evaluate the application of the guidelines for remuneration of senior executives that the AGM is required to resolve on by law and regarding remuneration structures and remuneration levels in the Group.

Remuneration of the CEO and remuneration principles for company management are decided on by the Board of Directors. Remuneration of other senior executives is decided on by the Remuneration Committee within the framework established by the Board and AGM.

In 2019, the Remuneration Committee has consisted of Carina Malmgren Heander (chair), Per-Arne Gustavsson up until 17/09/2019 and Per Göransson as of 17/09/2019, and Öystein Engebretsen. The committee held three meetings in 2019.

CEO/President

According to the rules stated in the Swedish Companies Act and other legislation, the CEO is responsible for day-to-day management in compliance with the Board's guidelines and instructions, and for taking the necessary action to ensure the Group's accounting is managed in a satisfactory manner. Furthermore, the CEO must ensure that the Board of Directors receives the information required in order to adequately monitor the Group's financial situation, position and performance and in general fulfil its reporting obligation with respect to economic conditions.

The Group's CEO leads operations within the framework established by the Board in the special CEO instruction. The instruction covers matters such as the CEO's responsibility for day-to-day operations and issues that always require a decision by the Board or that require the Board to be informed, as well as the CEO's responsibility for financial reporting to the Board.

In consultation with the Chairman, the CEO prepares the requisite information and decision-making documentation ahead of Board meetings, presents items and provides explanations for proposals for decisions.

The Board continually evaluates the work of the CEO.

It was announced on 17 September that CEO Per Hedebäck had submitted his resignation and informed the Board of his intention to leave the company to take on another assignment. PE's Chairman Per-Arne Gustavsson was appointed by the Board of Directors as Interim President and CEO effective as of the same date. As a result, on 17 September Board member Per Göransson was appointed as Interim Chairman pending the appointment of a new President and CEO.

Group management

The CEO directs the work of Group management and reaches decisions in consultation with the other members of management. In 2019, Group management comprised the CEO and six other individuals: Deputy CEO/CFO, the Head of Strategy and three heads of division, the HR Director and Business Area Director for Infrastructure. Information about the CEO and Group management can be found on page 83 of the 2019 Annual Report. Group management conducts regular operational reviews under the leadership of the CEO.

Internal controls, risk management, internal audit and follow-up

According to the Companies Act and the Code, the Board is responsible for internal controls. The Annual Accounts Act states that a company's corporate governance report must contain details of the most important elements of the company's internal control and risk management systems relating to its financial reporting.

The Board has designed clear decision and procedural rules and instructions for its own, the Remuneration Committee, Audit Committee and the CEO's work, in order to achieve effective management of operating risks and internal controls.

Responsibility for maintaining an effective control environment and ongoing work with internal controls and risk management rests with the CEO and Group management, who report to the Board according to established procedures. Managers at various levels of the company also have this responsibility within their respective business areas, and report in turn to Group management.

Risk assessment

The aim of PE's risk management is to safeguard the Group's long-term earnings performance and for the Group to achieve its targets. Ultimate responsibility for risk management rests with the company's Board and senior management.

PE continually updates the risk analysis regarding the assessment of risks that may lead to financial reporting errors. During risk reviews, PE identifies areas where there is an enhanced risk of error.

The results of the general risk analysis have been compiled in a risk summary, which details the Group's exposure to risks. A review of risk management and internal controls within the Group is addressed on a quarterly basis by the Audit Committee.

Control activities

Monthly reports for all companies within the Group are prepared, together with consolidated monthly reports. Based on these reports, the CEO, CFO and financial controllers hold monthly follow-up meetings with operational managers and key individuals in the operational business. Special analysis is carried out on order levels, utilisation rates, cost monitoring, risk lists and cash flow.

The Board also monitors, via the Audit Committee, the reliability of financial reporting and evaluates recommendations for improvements, and addresses issues regarding the risks that have been identified. The Audit Committee submits regular verbal reports to the Board, as well as proposals on issues requiring a decision from the Board. The control environment is created through shared values, corporate culture, rules and policies, communication and follow-up, as well as by the way in which the business is organised. The main task of staff functions and their employees is to implement, improve and maintain the Group's control procedures, and to carry out internal checks focusing on business critical issues.

The Group's business system forms the foundation for everything that the company does. The aim of the business system is to streamline and systematise daily operations in order to carry out assignments in the most efficient way possible. Each process has a process owner who is responsible for managing the process based on the policies that have been created and approved according to the hierarchy adopted by the Board of Directors.

Ongoing follow-up of risks and compliance with internal procedures is carried out on a monthly and quarterly basis. Observations are reported back to the Audit Committee every quarter.

In 2019, all process owners in the organisation conducted a thorough review of processes and risk mapping. In order to ensure effective internal control, follow-up of identified risks and compliance with internal procedures, regular monthly and quarterly follow-up is carried out and reported back to Group management. A quarterly report is also submitted to the Audit Committee.

Internal audit

PE has not yet found it necessary to arrange an internal audit.

The Board is of the opinion that owing to the size of the Group and the fact that the company has a simple and similar operational structure, there is no need for such a function in the business.

Financial controllers at Group and business area level continually follow up compliance with the governance and internal control systems created by the company.

Additional information at www.pe.se

- Articles of Association
- Information from previous AGMs (convening notices, minutes and resolutions)
- Information about the Nomination Committee
- Corporate governance reports for the 2015–2017 period are included in the annual report for the respective year
- The corporate governance reports for 2018–2019 are published as separate documents on the company's website

Material risks and risk management

Management of the operating risks is a continual ongoing process due to the large number of ongoing projects. The Group's financial risks are managed centrally in order to minimise and monitor risk exposure.

Risk management is an ongoing aspect of the company's management system and is carried out via self-monitoring and regular reporting by the company's managers on a monthly basis. The Audit Committee is given a debriefing about developments at least four times a year in connection with the publication of period-end reports.

Sensitivity analysis

Risk	Change +/–	Impact revenue +/–
Average fee	1%	SEK 14 million
Average hourly fee	SEK 10	SEK 15 million
Utilisation rate	1 percentage point	SEK 16 million
Attendance rate	1%	SEK 17 million
Personnel costs	1%	SEK 9 million
Calendar effect	1 day	SEK 6 million

Risk analysis

Operating risks

- A Demand
- B Competition
- C Price
- D Skills shortage, sickness absence and high staff turnover
- E Efficiency
- F Delivery risk
- G Acquisition risk
- H IT
- I Brand/reputation/rumour risk

Financial risks

- J Financing and liquidity risk
- K Management of capital
- L Interest rate risk
- M Liquidity risk
- N Credit risk

Operating risks

	Description	Risk management process
A Demand	PE is reliant upon underlying market growth and demand for technical consulting services in Sweden. Demand is affected by economic trends and growth in Swedish GDP. In a longer-term perspective, the market is driven by demographic factors such as population growth and urbanisation, as well as investment in infrastructure, industry, technical development and a heightened focus on sustainability.	Demand risk is managed by offering and supplying cutting-edge expertise spanning several different sectors. With a large number of local branches, assignments from both private and public sector companies and over 3,000 clients, PE has good risk diversification given the fact that the Swedish economy is continuing to grow.
B Competition	Projektengagemang encounters competition in all its areas of operation. Competition is stronger for smaller assignments, as the entry barriers are low. Larger assignments require skill and a nationwide reach. PE also encounters competition from consulting brokers.	PE has opted to position itself based on client need, rather than size or price. PE is a technical consulting partner with the capacity to work on both small and large assignments in which the offering is adapted to the client's needs via customised teams.
C Price	Projektengagemang's pricing is affected by macroeconomic conditions and competition on the market. The market situation in which the Group operates affects opportunities to manage PE's pricing and calculations in an organised way.	PE has an effective business model in place and a clear assignment process that governs how calculations are made, which gives us good control over our earning capacity and pricing. However, it is difficult for PE to deviate substantially from prevailing market prices, particularly in larger projects. The Group's price trend is continually monitored.
D Skills shortage, sickness absence and high staff turnover	The ability to recruit, further develop and retain employees with the relevant skills is a critical success factor for every consulting company. Technical consultants are highly sought-after on the labour market, and competition is tough, which is reflected in a high staff turnover. High workloads, poor leadership and lack of clear guidance can lead to sickness absence and employees seeking employment elsewhere.	PE places great emphasis on creating the best workplace from an employee perspective. This work is based on an HR policy that details how we can best harness and develop the needs and expectations that employees and PE have of each other. An important element of this work is making sure that consultants are able to develop their skills during the assignments they are working on. Strong leadership is the key to developing employees and encouraging their commitment. PE therefore runs its own leadership programme, with the aim of fostering leadership that actively contributes towards creating the best workplace. Employee surveys are regularly conducted to find out about employee commitment and satisfaction with PE as an employer. Workforce planning is managed via acquisitions and recruitment. Irrespective of how an employee has joined us, induction activities are central in order to lay the foundation for commitment and a lasting employment relationship. Finally, we carry out extensive initiatives to raise awareness among university students in Sweden.
E Efficiency	Failing to utilise production capacity in the optimum manner entails the risk that we will not achieve our targets, given the resources we have available.	Well-planned use of the Group's resources has a material impact on earnings. PE has solid support systems in place to enable effective planning and continual capacity forecasts to allow us to utilise and maintain the desired level of efficiency. The development of the Group's utilisation rate is continually monitored.
F Delivery risk	Projektengagemang's assignments involve taking responsibility for a specific delivery, and this means that in the event of deficiencies in deliveries the company may be obliged to rectify such deficiencies or pay compensation. It may also be the case that PE, for example during a period of high activity, does not have the capacity to provide the right expertise according to agreement, and that in such cases the company has to take on additional resources.	PE has an established management system that ensures the company has effective follow-up and control procedures to safeguard a high level of quality assurance in our projects. The company is also certified according to ISO SSEN ISO9001:2015 and SSEN ISO 14001:2015. PE has effective support systems for planning of internal resources. In addition, PE has close cooperation agreements with a number of sub-consultants, who can supplement PE's delivery in terms of resources or skills.
G Acquisition risk	Acquisitions are an important factor in PE's growth strategy. Risks related to acquisitions include: Price too high. During an acquisition, a purchase price is paid that is determined based on forecasts regarding future earnings. Integration. PE integrates some companies into PE's operations, while other companies continue operating under their own brand. Poorly managed integration of an acquired business can lead to lower productivity and employees leaving the company.	PE has completed a large number of acquisitions since the company was established in 2006, and therefore has a well-managed acquisition and evaluation process, along with a sound integration strategy. PE carefully monitors developments to ensure that acquisitions follow planned processes, and that integration work is well prepared and has solid endorsement. Continual evaluation is carried out to identify any problems early on, since the value of acquired companies is largely in its employees.

Operating risks, cont.	Description	Risk management process
H **IT**	PE's operations are built on relatively extensive IT support, to ensure PE is able to carry out its work. Unplanned disruptions in functionality constitute a risk partly to our ability to deliver in assignments and information, and also in terms of causing a drop in revenue for the business.	The Group's IT structure is assured via the IT policy and procedures that the company uses, as well as through the fact that function-critical suppliers have been contracted at the service levels required by PE's IT structure.
I **Brand/reputation/ rumour risk**	PE's operations are reliant on a good reputation, a positive profile and a strong brand in the industry. The spread of rumours or actions/deliveries that cause damage to our reputation would create difficulties in terms of recruitment, sales, customer satisfaction and employee identity.	PE's entire business is built on our core values of Entrepreneurship, Commitment and Responsibility and strong business ethics. We work continually in various contexts to ensure that everything we do and everyone working for the company adheres to our ethical guidelines and core values.

Financial risks

	Description	Risk management process
J **Financing and liquidity risk**	The Group is exposed to various types of financial risk through its daily operating activities. Financial risk refers to fluctuations in the Group's earnings and cash flows resulting from variations in exchange rates, interest levels, financing and credit risks. The objective is to provide cost effective financing and to minimise the negative effects of market fluctuations on the Group's earnings.	The Group's financial management is conducted centrally by the Group's finance department and governed in accordance with the applicable finance policy, which is established by PE's Board of Directors and provides a framework of guidelines and regulations in the form of risk mandates and limits for financing activities. The overarching objective of the Finance function is to ensure and provide cost effective financing and to minimise negative effects on the Group's earnings deriving from financial risks.
K **Management of capital**	The Group aims to have a capital structure that is optimal in order to keep capital costs down while safeguarding its ability to continue operating, and to maintain a balance between deposited and borrowed capital.	To maintain or adjust the capital structure, the Group can raise new loans, adjust the dividend to shareholders, repay capital to shareholders, issue new shares or sell assets to reduce debt. The Group assesses capital on the basis of its debt/equity ratio. This key performance indicator is calculated as net debt/cash funds as a percentage of shareholders' equity. The debt/equity ratio at 31 December 2019 and 2018 was 5.0 and 2.3 respectively.
L **Interest rate risk**	Interest rate risk relates to the risk of PE's cash flow or the value of financial instruments varying due to changes in market rates. Interest rate risk can lead to changes in actual values and changes in cash flows.	PE's interest rate exposure is mainly derived from outstanding external loans. PE currently has a short fixed-rate period for outstanding credits. Since most of the company's financial liabilities carry a short fixed-rate period, most of the interest rate risk can be regarded as cash flow risk. A change in the market rates of 1 percentage point affects the Group's interest expense in the amount of SEK 2.5 million.
M **Liquidity risk**	Liquidity risk is the risk that the Group may have difficulty fulfilling its obligations associated with financial liabilities.	The Group has ongoing liquidity planning covering all the Group's units. This liquidity planning is used to manage liquidity risk and the Group's financing costs. The objective is for the Group to be able to manage its financial commitments during economic upswings and downturns without incurring significant unforeseen costs. Liquidity risks are managed by the central finance department for the entire Group. The Group has an agreement with SEB regarding credit facilities, further details of which are provided under Note 25.
N **Credit risk**	Credit risk relates to the risk of financial loss due to the counterparty failing to fulfil their commitments.	Credit risk in financing operations is minimal, as Projektengagemang only deals with counterparties with a high credit rating. It is primarily counterparty risks associated with receivables from clients, banks and other counterparties. The finance policy includes a special counterparty regulation detailing the maximum permitted credit exposure for different counterparties.

Income statement and consolidated statement of comprehensive income

SEK 000s	Note	2019	2018
Net revenue	2	1,348,389	1,223,796
Other external expenses	5, 6	–322,911	–347,906
Personnel costs	5, 7, 8	–945,521	–786,336
Profit/loss before depreciation/amortisation, EBITDA		**79,957**	**89,554**
Depreciation, amortisation and impairment losses	9, 13, 14, 15	–96,008	–18,750
EBITA		**–16,051**	**70,803**
Acquisition-related items*	4, 9	–8,681	3,358
Operating profit/loss, EBIT		**–24,732**	**74,161**
Finance income		190	376
Finance costs		–12,319	–6,156
Net financial items	10	**–12,129**	**–5,780**
Profit/loss after financial items		**–36,861**	**68,381**
Tax	26	–3,342	–11,261
Profit/loss for the period		**–40,202**	**57,121**
Attributable to:			
Parent Company shareholders		–39,699	56,831
Non-controlling interests		–503.7	289.3
Basic and diluted earnings per share for the period, SEK		–1.62	2.63

* Acquisition-related items are defined as amortisation and impairment of goodwill and acquisition-related intangible assets, revaluation of contingent considerations and gains and losses from divestments of companies, operations, land and buildings.

Consolidated statement of comprehensive income

SEK 000s	Note	2019	2018
Profit/loss for the year		**–40,202**	**57,121**
Comprehensive income for the year		**–40,202**	**57,121**

No deviations between the profit or loss for the period and comprehensive income for the period.

Consolidated balance sheet

SEK 000s	Note	2019	2018
ASSETS			
Non-current assets			
Goodwill	13	597,436	573,028
Other non-current intangible assets	13	42,944	50,563
Property, plant and equipment	14	16,456	62,377
Right-of-use assets	15	170,996	–
Financial investments	17	3,260	3,260
Deferred tax assets	26	–	1,027
Non-current receivables	19	119	647
TOTAL NON-CURRENT ASSETS		**831,211**	**690,902**
Current assets			
Trade receivables	20, 30	206,279	224,290
Accrued but not invoiced revenue	21	120,978	120,002
Current tax assets	26	–	8,195
Other receivables	19	10,918	12,107
Prepaid expenses	22	21,108	29,727
Short-term investments		571	474
Cash and cash equivalents	23, 31	28,779	108,995
TOTAL CURRENT ASSETS		**388,633**	**503,790**
TOTAL ASSETS		**1,219,844**	**1,194,692**
EQUITY AND LIABILITIES			
Equity	24		
Equity attributable to Parent Company shareholders		521,871	586,143
Non-controlling interests		509	1,040
TOTAL EQUITY		**522,380**	**587,183**
Liabilities			
Provisions for pensions and similar obligations		385	60
Non-current, interest-bearing liabilities	25	177,768	264,702
Lease liability	15, 25	106,017	–
Other liabilities	27	11,535	–
Deferred tax liabilities	26	21,109	32,006
TOTAL NON-CURRENT LIABILITIES		**316,814**	**296,768**
Current, interest-bearing liabilities	25	76,109	66,712
Liabilities to customers and suppliers	30	77,265	59,062
Lease liability	15, 25	69,752	–
Other liabilities	27	63,694	104,708
Accrued expenses and prepaid income	28	93,830	80,259
TOTAL CURRENT LIABILITIES		**380,650**	**310,741**
TOTAL LIABILITIES		**697,464**	**607,509**
TOTAL EQUITY AND LIABILITIES		**1,219,844**	**1,194,692**

Consolidated statement of changes in equity

	Attributable to Parent Company shareholders						
SEK 000s	**Share capital**	**Other contributed capital**	**Reserves**	**Retained earnings incl. profit/loss for the year**	**Total**	**Non-con-trolling interests**	**Total equity**
Opening balance at 1 January 2018 according to adopted balance sheet	1,950	123,306	20	102,425	227,701	753	228,454
Profit/loss for the year				56,831	56,831	289	57,121
Dividends paid				–11,703	–11,703	–	–11,703
New share issue	778			328,288	329,066	–	329,066
Transaction expenses				–19,848	–19,848	–	–19,848
Tax, transaction expenses				4,143	4,143	–	4,143
Other comprehensive income for the year				–	–	–	–
Total comprehensive income	**778**	**–**	**–**	**357,712**	**358,489**	**289**	**358,778**
Exchange rate differences				–47	–47	–2	–49
Closing balance at 31 December 2018 according to adopted balance sheet	**2,728**	**123,306**	**20**	**460,090**	**586,143**	**1,040**	**587,183**
Profit/loss for the year				–39,699	–39,699	–504	–40,202
Dividends paid				–24,555	–24,555		–24,555
Total comprehensive income	**–**	**–**	**–**	**–64,253**	**–64,253**	**–504**	**–64,757**
Transactions with shareholders in their capacity as owners:							
Exchange rate differences				–19	–19	–28	–47
Closing balance, 31 December 2019	**2,728**	**123,306**	**20**	**395,818**	**521,872**	**509**	**522,380**

Consolidated cash flow statement

SEK 000s	Note	2019	2018
OPERATING ACTIVITIES			
Profit/loss after financial items		–36,861	68,381
Of which net interest paid	10, 25	–11,802	–4,510
Adjustments for non-cash items	32	113,486	17,878
Tax paid		–6,247	–5,739
CASH FLOW BEFORE CHANGES IN WORKING CAPITAL		**70,378**	**80,520**
CASH FLOW FROM OPERATING ACTIVITIES			
Changes in operating receivables		22,037	–814
Change in operating liability		–14,883	–41,869
CASH FLOW FROM OPERATING ACTIVITIES		**77,532**	**37,837**
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		–2,998	–2,958
Purchase of non-current intangible assets		–7,062	–617
Sale of property, plant and equipment		326	21
Sale of subsidiaries		–635	–
Acquisition of subsidiaries incl. acquired cash funds	4	–24,971	–271,593
Change in financial assets		–288	75
CASH FLOW FROM INVESTING ACTIVITIES		**–35,627**	**–275,071**
CASH FLOW BEFORE FINANCING		**41,904**	**–237,234**
FINANCING ACTIVITIES			
Dividend paid		–24,556	–11,703
New share issue		–	329,066
Transaction expenses, new share issue		–	–19,848
Borrowings		–	281,000
Amortisation of loans		–49,597	–198,315
Repayment of lease liability		–74,902	–15,286
Change in overdraft		26,934	–22,156
CASH FLOW FROM FINANCING ACTIVITIES		**–122,120**	**342,758**
CASH FLOW FOR THE YEAR		**–80,216**	**105,524**
CASH AND CASH EQUIVALENTS AT START OF YEAR		**108,995**	**3,477**
Exchange rate difference in cash and cash equivalents		–	–5
CASH AND CASH EQUIVALENTS AT YEAR-END		**28,779**	**108,995**

Parent Company income statement and statement of comprehensive income

SEK 000s	Note	2019	2018
Net revenue	2	125,034	249,159
Other external expenses	5, 6	–60,752	–201,457
Personnel costs	5, 7, 8	–23,203	–53,234
Profit/loss before depreciation/amortisation, EBITDA		**41,079**	**–5,532**
Depreciation, amortisation and impairment of non-current intangible assets and property, plant and equipment	9, 13, 14	–26,902	–4,503
Operating profit/loss, EBIT		**14,177**	**–10,035**
Earnings attributable to investments in Group companies		–	–15,865
Finance income		109	1,396
Finance costs		–8,510	–5,413
Net financial items	10	**–8,401**	**–19,882**
Profit/loss after financial items		**5,776**	**–29,916**
Appropriations	11	11,785	36,472
Profit/loss before tax		**17,562**	**6,555**
Tax	26	–8,085	–331
Profit/loss for the period		**9,477**	**6,224**
PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME			
Profit/loss for the year		9,477	6,224
Comprehensive income for the year		**9,477**	**6,224**

Parent Company balance sheet

SEK 000s	Note	2019	2018
ASSETS			
NON-CURRENT ASSETS			
Non-current intangible assets		140	1,344
Property, plant and equipment	14	35,517	8,991
Investments in Group companies	16, 18	773,072	742,097
Deferred tax assets	26	2,788	6,734
Other long-term securities holdings	18	3,200	3,200
Non-current receivables		–	318
TOTAL NON-CURRENT ASSETS		**814,717**	**762,684**
CURRENT ASSETS			
CURRENT RECEIVABLES			
Trade receivables	20, 30	1,169	23,610
Accrued but not invoiced revenue		–15	8,015
Receivables from Group companies		47,514	59,705
Current tax assets	26	–	2,999
Other receivables		1,490	2,709
Prepaid expenses		–	11,012
TOTAL CURRENT RECEIVABLES		**50,158**	**108,050**
Cash and bank balances	23	1,224	62,473
TOTAL CURRENT ASSETS		**51,382**	**170,523**
TOTAL ASSETS		**866,099**	**933,208**
EQUITY AND LIABILITIES			
EQUITY	24		
Share capital		2,728	2,728
Statutory reserve		20	20
TOTAL RESTRICTED EQUITY		**2,748**	**2,748**
Retained earnings		478,680	496,986
Profit/loss for the year		9,477	6,224
TOTAL EQUITY		**490,905**	**505,958**
LIABILITIES			
NON-CURRENT LIABILITIES			
Provisions for pensions and similar obligations		69	–
Non-current, interest-bearing liabilities	25	207,285	237,127
Other liabilities	27	8,009	–
TOTAL NON-CURRENT LIABILITIES		**215,363**	**237,127**
CURRENT LIABILITIES			
Liabilities to customers and suppliers	30	2,513	10,455
Current, interest-bearing liabilities	25	91,250	54,311
Liabilities to Group companies		56,501	104,847
Other liabilities	27	6,703	16,942
Accrued expenses and prepaid income	28	2,865	3,568
TOTAL CURRENT LIABILITIES		**159,832**	**190,124**
TOTAL LIABILITIES		**375,194**	**427,251**
TOTAL EQUITY AND LIABILITIES		**866,099**	**933,208**

Parent Company statement of changes in equity

SEK 000s	Share capital	Reserves	Retained earnings incl. profit/loss for the year	Total
Opening balance at 1 January 2018 according to adopted balance sheet	1,950	20	196,104	198,075
Profit/loss for the year	–	–	6,224	6,224
Other comprehensive income for the year	–	–	–	–
Total comprehensive income	**–**	**–**	**6,224**	**6,224**
New share issue	778		328,288	329,066
Transaction expenses			–19,848	–19,848
Deferred tax on transaction expenses			4,143	4,143
Transactions with shareholders in their capacity as owners:				
Dividends paid			–11,703	–11,703
Closing balance at 31 December 2018 according to adopted balance sheet	**2,728**	**20**	**503,209**	**505,958**
Profit/loss for the year			9,477	9,477
Other comprehensive income for the year			–	–
Total comprehensive income	**–**	**–**	**9,477**	**9,477**
Transactions with shareholders in their capacity as owners:				
Dividends paid			–24,556	–24,556
Other			25	25
Closing balance, 31 December 2019	**2,728**	**20**	**488,156**	**490,905**

Parent Company cash flow statement

SEK 000s	Note	2019	2018
OPERATING ACTIVITIES			
Profit/loss after financial items		5,776	–29,916
Of which net interest paid		–8,237	–3,447
Adjustments for non-cash items	32	26,816	24,807
CASH FLOW BEFORE CHANGES IN WORKING CAPITAL		**32,593**	**–5,109**
CASH FLOW FROM OPERATING ACTIVITIES			
Changes in operating receivables		75,841	15,626
Change in operating liability		–89,361	37,871
CASH FLOW FROM OPERATING ACTIVITIES		**19,072**	**48,388**
INVESTING ACTIVITIES			
Purchase of property, plant and equipment and non-current intangible assets		1,417	–746
Acquisition of subsidiaries	4, 16	–30,975	–358,573
Change in financial assets		318	–16,424
CASH FLOW FROM INVESTING ACTIVITIES		**–29,240**	**–375,743**
CASH FLOW BEFORE FINANCING		**–10,168**	**–327,355**
Financing activities			
Dividend		–24,556	–11,703
New share issue		–	329,066
Transaction expenses, new share issue		–	–19,848
Borrowings		–	281,000
Amortisation of loans		–65,244	–203,005
Change in overdraft		26,934	–22,156
Group contributions		11,785	36,472
CASH FLOW FROM FINANCING ACTIVITIES		**–51,081**	**389,826**
CASH FLOW FOR THE YEAR		**–61,248**	**62,471**
CASH AND CASH EQUIVALENTS AT START OF YEAR		**62,473**	**0**
CASH AND CASH EQUIVALENTS AT YEAR-END		**1,224**	**62,473**

Notes

NOTE 1 Significant accounting policies, general accounting policies

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretative statements from the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU, and the Swedish Annual Accounts Act and RFR 1 Supplementary Rules for Consolidated Financial Statements have been applied.

The Parent Company applies the Annual Accounts Act and RFR 2 Accounting for Legal Entities. In cases where the Parent Company applies accounting policies that differ from those of the Group, this is specified in the section 'Parent Company's accounting policies'. The differences between the policies applied by the Parent Company and those applied by the Group are due to restrictions in the Parent Company's ability to apply IFRS as a consequence of the regulations in the Swedish Annual Accounts Act, and in some cases due to tax reasons.

Valuation principles in preparing the financial statements of the Parent Company and Group

The functional currency of the Parent Company is Swedish kronor, which is also the reporting currency for the Parent Company and all the Group's subsidiaries except the Indian and Norwegian subsidiaries, which report in their local currencies. Assets and liabilities are reported at their historical acquisition cost, except for certain financial assets and liabilities, which are measured at fair value.

Preparing the financial statements in accordance with IFRS requires company management to make estimates and judgements, and to make assumptions that affect the application of the accounting policies and the recognised amounts for assets, liabilities, revenue and costs. Estimates and assumptions are based on historical experience and a number of other factors which are considered reasonable in current circumstances. The results of these estimates and assumptions are then used to assess the carrying amounts of those assets and liabilities that are not otherwise clearly evident from other sources. Actual results may differ from these estimates and judgements.

Estimates and assumptions are reviewed on a periodic basis. Changes in estimates are recognised in the accounts for the period in which the change is made if the change only affects that period, or in the period the change is made and in later periods if the change affects current and future periods.

Assumptions made by company management in the application of IFRS that have a significant impact on the financial statements, and estimates made that may entail significant adjustments to the financial statements for the following year are described in more detail in the notes.

The accounting policies for the Group presented below have been applied consistently to all periods included in the Group's financial statements except where otherwise stated below. The Group's accounting policies have been consistently applied to these financial statements and when consolidating the Parent Company and subsidiaries in the consolidated accounts.

Amended accounting policies and disclosure requirements

Introduction of new and revised IAS/IFRS

Amended accounting policies 2019

IFRS 16 is a new leasing standard that has replaced IAS 17 Leases and associated interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires assets and liabilities attributable to all leases, with a few exceptions, to be recognised in the balance sheet. This accounting is based on the approach that the lessee has a right to use an asset for a specific period of time, and at the same time an obligation to pay for such right.

Upon using the standard for the first time, the Group used the following practical relief rules that are permitted:

- the same discount rate has been used for lease portfolios with similar characteristics;
- a lessee may rely on its assessment of whether a lease entails a loss as an alternative to performing an impairment review;
- operating leases with a remaining term of less than 12 months at 1 January 2019 have been recognised as short-term leases;
- direct costs for right-of-use assets have been excluded on transfer, and
- assessments in hindsight have been used to determine the lease term in cases where the contract contains options to extend or terminate the lease.

The Group applies IFRS 16 Leases retrospectively as of 1 January 2019. According to the transition rules in the standard, comparative figures for 2018 have not been recalculated. Reclassifications and adjustments that have arisen as a result of the new lease regulations are therefore recognised in the opening balance at 1 January 2019.

Lease activities and their recognition

The Group leases office premises, computers, machinery and vehicles. Leases are usually amortised for fixed periods of between two and five years. There are opportunities to extend the leases; these are described below.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to lease and non-lease components based on their relative independent prices. For lease payments of properties for which the Group is a tenant, however, the Group has chosen not to separate lease and non-lease components and instead recognises them as a single lease component.

Terms are negotiated separately for each contract and contain a large number of different contract terms. Leases do not contain any special terms or restrictions besides the fact that the lessor retains the rights to pledged leased assets. The leased assets may not be used as collateral for loans.

Up until the end of the 2018 financial year, leased property, plant and equipment were classified as either finance or operating leases. As of 1 January 2019, leases are recognised as right-of-use assets with a corresponding liability from the date the leased asset is made available to the Group.

Assets and liabilities arising from leases are initially recognised at net present value. Lease liabilities include the net present value of the following lease payments:

- fixed payments
- variable payments that depend on an index or a rate, initially valued using an index or rate on the start date
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

Once the lease term has been established, the company takes account of all available information offering a financial incentive to exercise an option to extend, or not to exercise an option to terminate a contract. Opportunities to extend a lease are only included in the lease term if it is reasonably certain that the lease will be extended.

The lease payments are discounted at the lease's implicit rate. If this interest rate cannot be simply established, which is often the case for the Group's leases, the margin loan interest should be used, which is the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms and security.

The Group determines the margin loan interest through comparison with financing that has recently been obtained by a third party. A benchmark rate is thus obtained, which is then adjusted to reflect potential changes in financing conditions. In 2019, 1.85 percent was used.

The Group is exposed to possible future increases in variable lease payments based on an index or a rate, which are not included in the lease liability until they enter into force. When adjustments to lease payments based on an index or a rate enter into force, the lease liability is revalued and adjusted against the right-of-use asset.

Lease payments are allocated between amortisation of the liability and rate. The rate is recognised in the income statement over the term of the lease in a manner that entails a fixed interest rate for the recognised lease liability for the respective period.

Right-of-use assets are measured at cost and include the following:

- the amount at which the lease liability was originally measured
- lease payments that were paid at or before the start date, less any benefits received in connection with the signing of the lease
- initial direct payments
- costs incurred to restore the asset to the condition stipulated in the terms of the lease.

Right-of-use assets are depreciated on a straight-line basis over their useful life or the term of the lease, whichever is shorter. If the Group is reasonably certain that a purchase option will be exercised, the right-of-use asset is depreciated over the useful life of the underlying asset.

Payments for short-term contracts relating to leases of lesser value are expensed on a straight-line basis in the income statement. Short-term contracts are contracts with a lease term of 12 months or less.

Options to extend and terminate contracts

Options to extend and terminate contracts are included in a number of the Group's leases relating to buildings and equipment. The terms are used to maximise flexibility in the management of assets used in the Group's operations. The majority of the options allowing opportunities to extend and terminate contracts can only be exercised by the Group and not by the lessors.

The effect on the opening lease liability for the financial year is detailed below:

Operating lease commitments at 31 Dec 2018	**203.3**
Commitments for contracts starting after 1 January 2019	–53.1
Discount of margin loan interest	–11.7
Plus: liabilities for finance leases at 31 Dec 2018	43.3
(Less): short-term leases expensed on a straight-line basis	–4.1
(Less): leases with underlying low value	–0.7
Lease liability at 1 Jan 2019	**177.0**
Of which:	
Short-term lease liabilities	70.9
Non-current liabilities	106.1

Amended accounting policies from 2020 onwards

A number of new or revised standards and interpretative statements come into effect from 2020 onwards and have not been applied in advance when preparing these financial statements. There is no plan to apply new or amended standards effective as of the 2021 financial year onwards in advance. For anticipated effects on the financial statements of the application of new or amended standards and interpretative statements not detailed below, the Group has concluded that they will not have any material impact on the consolidated financial statements.

Other

To increase comparability with other companies on the market, as of 1 January 2018 PE has introduced the earnings concept EBITA, which is defined as operating profit excluding acquisition-related items. Operating profit is therefore adjusted for amortisation and impairment of acquisition-related intangible assets, including goodwill, and revaluation of contingent considerations and gains/losses from the divestment of companies and operations.

PE applies all EU-adopted IFRS standards and statements (IFRIC), to the extent possible within the framework of the Swedish Annual Accounts Act, and in some cases for tax reasons. This annual report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities.

Consolidated financial statements

Acquisition method

The Group applies IFRS 3 Business Combinations, and all acquisitions are recognised according to the acquisition method. This method entails acquisitions of subsidiaries being viewed as transactions through which the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. The group-related cost is established via an acquisition analysis in connection with the business combination. The fair value of acquired identifiable assets and liabilities assumed and any identified non-controlling interests at the acquisition date are determined in the acquisition analysis. For business combinations for which payment made, possible non-controlling interests and fair value of previously owned participations (in the event of gradual acquisitions) exceed the fair value of the acquired assets and assumed liabilities that are recognised separately, the difference is reported as goodwill. When the difference is negative, what is known as a bargain purchase, this is recognised directly in profit for the year.

Contingent considerations are recognised at fair value at the acquisition date. These are revalued on each reporting date and the change is recognised in profit/loss for the year. For acquisitions that happen in stages, goodwill is determined on the date that controlling influence arises. Former holdings are measured at fair value and the change in value recognised in profit/loss for the year. Acquired and divested companies are included in the consolidated income statement, balance sheet and cash flow statement for the period of ownership.

Subsidiaries

The Group has a controlling interest in a company when it is exposed to, or has the right to variable return from its holding in the company and is able to influence the return via its controlling interest in the company.

Subsidiaries' financial statements are consolidated from the acquisition date until the date that control ceases.

Non-controlling interests

Non-controlling interests are recognised as a separate item in Group equity and comprise the proportional share of the acquired business's net assets. The Group's earnings and other comprehensive income are attributable to the Parent Company's shareholders and to non-controlling interests. Losses attributable to non-controlling interests are recognised even if it means that the share is negative. The effects of all transactions with the minority are recognised in equity for as long as the controlling interest persists.

Associates

Associates are companies for which the Group has a significant but not controlling interest over operational and financial management, normally via an ownership interest of between 20 and 50 percent of the votes. Associates also include all companies where the Group has a significant influence, even if the holding is less than 20 percent of the votes. Investments in associates are recognised in the consolidated financial statements as of the date that the significant influence is obtained, according to the equity method. The equity method means that the carrying amount of the shares in the associates stated in the consolidated accounts corresponds to the Group's interest in the associates' equity and group-related goodwill and any other remaining values of group-related surplus and deficit values. The carrying amount of the shares in associates changes with the Group's interest in the companies' earnings arising after the acquisition, reduced by the dividend received.

As with the consolidation of subsidiaries, an acquisition analysis is prepared on acquisition in accordance with IFRS 3 Business Combinations. Non-current assets are measured at fair value and any surplus values are depreciated over their estimated useful life. Depreciation affects the carrying amount of the associate. Any goodwill is not written down but is instead tested for impairment as required, however at least once a year.

The Group's share of the net earnings of associates after tax and minority adjusted for any amortisation, impairment losses or reversal of acquired surplus and deficit values respectively, is stated in the consolidated income statement as 'Share of profits of associates'. When the Group's share of the recognised losses of an associate exceeds the carrying amount of the investments stated in the consolidated accounts, the value of the investments is written down to zero. Losses are also offset against unsecured long-term financial balances that, in financial terms, consist of part of the owning company's net investment in the associate. Any further losses are not recognised unless the Group has provided guarantees to cover losses incurred by the associate. The equity method is applied up until the date that the significant influence ceases.

In the Parent Company, associates are recognised at cost less any impairment losses. Dividends received are recognised as income.

Elimination of transactions within the Group

Intragroup receivables, liabilities, income and expenses and unrealised gains and losses arising from transactions between Group companies are eliminated in their entirety on preparation of the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled companies are eliminated to the extent that corresponds to the Group's ownership interest in the company. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no indication of a need for impairment.

Translation of foreign currencies

Transactions denominated in foreign currencies

The Swedish krona (SEK), which is the Parent Company's functional currency and reporting currency, is used in the consolidated accounts. Transactions in foreign currencies are translated into the functional currency at the exchange rates prevailing on the transaction dates. Foreign currency monetary assets and liabilities are translated into the functional currency at the respective exchange rate applicable at the reporting date. Exchange differences arising on translation are recognised as a separate component in other comprehensive income and accumulated in equity. Functional currency is the currency in the primary economic environments in which the companies in the Group conduct operations.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and other consolidated surplus and deficit values, are translated from the foreign operation's functional currency into the Group's reporting currency, SEK, at the prevailing exchange rate at the reporting date. The income and expenses of foreign operations are translated into SEK at an average rate that is an approximation of the exchange rates prevailing at the date of each transaction. Translation differences arising on translation of the currencies of foreign operations are recognised in the statement of comprehensive income and accumulated in a separate component in equity, reserves. On divestment of a foreign operation, the accumulated translation differences attributable to the divested foreign operation are reclassified from equity to profit/loss for the year as a reclassification adjustment on the date that the profit or loss from the sale is recognised.

Cash flow statement

The cash flow statement has been prepared according to the indirect method, in accordance with IAS 7, wherein adjustments are made for transactions that do not result in inward or outward payments.

Revenue

Contracts

An income item can only be recognised if there is a contract with the client. Certain criteria must be satisfied for a contract to be valid, for example payment terms and the services that are to be carried out.

Performance commitments

The extent of the work that has been agreed with the client according to the contract is divided up into 'performance commitments'. Performance commitments must be assessed and identified when the contract is entered into. PE's obligation to its clients is detailed in the contract, with most contracts only containing one performance commitment. For contracts that contain several commitments, they will in some cases be merged to form a single performance commitment based on how integrated the commitments are with one another. The standard allows several commitments to be combined into one to create a new, separable commitment once certain criteria have been met. A commitment is separable when the client is able to benefit from the service separately, or when the service is identifiable.

Transaction price

The transaction price is the price that is allocated to the performance commitments. The transaction price is the amount that the Group expects to receive in exchange for the transfer of goods or services. This may include fixed and/or variable amounts based on time worked.

Allocation

The transaction price is allocated to each performance commitment based on a relatively independent selling price. The independent selling price is established on entering the contract and is allocated based on the relative value of the service in relation to the total value of the performance commitment. The independent selling price is the price of the service when it is sold separately under similar circumstances to similar clients. If the service is not sold in a similar situation, PE will choose one of the following methods:

- An estimated market price
- Anticipated cost plus a margin method

Recognition of income

The income is recognised once the performance commitment has been fulfilled and control has been transferred, which happens over time or on a given date. Income can be recognised over time if the Group's services do not create an asset with an alternative value, while the Group is entitled to payment for services rendered thus far. This is applicable for the Group's consulting services. The assessment of whether an asset has an alternative value is done on entering the contract, and no new assessment is made after this point. The Group takes account of opportunities to utilise an asset that has not been completed for another client, in which case both contractual and practical restrictions are observed. A material contractual restriction that limits management's opportunity to utilise an asset is an indication that the asset does not have an alternative value. Practical restrictions, for example significant costs required to adapt an asset so that it can be sold to a new client, indicate that the asset does not have an alternative value. The requirement 'no alternative value' is satisfied in PE's client contracts in that most of the Group's services are unique and adapted to clients' particular specifications. The right to payment exists if PE is entitled to payment for services that have already been carried out and the client opts to cancel the contract for any other reason than that PE has not fulfilled its obligations. PE's assessment of entitlement to payment includes consideration of contract terms and legal precedent. The Group's right to payment must cover costs plus a reasonable profit margin and not only compensate for costs incurred. Since performance commitments are fulfilled over time, the Group must assess the degree of completion in order to establish the date of revenue recognition. The purpose of measuring the degree of completion of a performance commitment is to recognise revenue to an extent that corresponds to the transfer of control of the promised service to the client. Assessment of degree of completion must be carried out for each separate contract. The method used to measure the degree of completion in the Group is the input method – costs incurred in relation to total estimated costs. An anticipated loss in an assignment is recognised immediately as reduced revenue in profit or loss.

Contract modifications

A change to an existing contract constitutes a contract modification. A contract modification can change the scope of the contract, the price or both. A contract modification exists once the parties to the contract have approved the modification. An assessment will often be needed to determine whether changes to existing rights and commitments should be recognised as part of the original contract or as a separate contract. Contract modifications are recognised as a separate contract, prospectively or as a retrospective adjustment. The type of modification governs how it is recognised.

Contract costs

Costs can arise in a project before work begins on carrying out services. This can include incremental costs to obtain a contract, or costs to fulfil a contract. External costs arising before the service is carried out for the client include sales commission that must be paid out if the Group wins the contract and specific guarantee costs for extended projects. If a contract is expected to extend beyond 12 months, contract costs must be capitalised as an asset and depreciated over the contract term if the costs are expected to be incurred. The Group applies the exception that contract costs are not capitalised if the contract is shorter than 12 months.

Service agreements in the balance sheet

Ongoing service assignments are measured in the balance sheet at invoicing value less proven losses and anticipated risks. Service assignments where revenue generated exceeds partly invoiced amounts are recognised as accrued but not invoiced revenue relating to ongoing service assignments. Service assignments where partly invoiced amounts exceed revenue generated are recognised as liabilities relating to ongoing service assignments.

Finance income and costs

Finance income and costs comprise interest income on bank deposits and receivables, interest expenses on loans, loan costs, dividend income and exchange rate differences on loans.

Interest income on receivables and interest expenses on liabilities are calculated using the effective interest method. Effective interest is the rate at which the net present value of all future inward and outward payments during the period of fixed interest is equal to the carrying amount of the receivable or liability. The interest component in financial lease payments is recognised in the income statement via the application of the effective interest method.

Interest income includes allocated amounts of transaction expenses and potential discounts, premiums and other differences between the original value of the receivable and the amount received at maturity.

Loan costs affect profit/loss for the period to which they relate. Costs relating to raising loans are allocated across the period of the loan on the basis of the recognised liability.

Dividend income is recognised when the right to receive payment is established.

Income taxes

Income taxes comprise current tax and deferred tax. Income taxes are recognised in the income statement, except where the underlying transaction is recognised in other comprehensive income, in which case the related tax effect is recognised in other comprehensive income.

Current tax is tax to be paid or recoverable for the current year, using tax rates enacted or substantively enacted as of the reporting date, which also includes adjustments of current tax attributable to earlier periods.

Deferred tax is calculated using the balance sheet method based on temporary differences between the carrying amounts and taxable values of assets and liabilities. Deferred tax assets represent a reduction in future tax attributable to deductible temporary differences, tax loss carry-forwards and other unutilised tax deductions. Temporary differences are not taken into account when they have arisen in the reporting of goodwill, neither are they taken into account on initial recognition of assets and liabilities that affect neither recognised nor taxable earnings. Temporary differences attributable to investments in subsidiaries that are not expected to be reversed within the foreseeable future are not taken into account either. The measurement of deferred tax depends on how the carrying amounts of assets or liabilities are expected to be realised or settled. Deferred tax is calculated by applying the tax rates and tax regulations enacted or substantively enacted by the reporting date.

Deferred tax liabilities and tax assets are calculated based on the tax rate enacted for the subsequent year in each country. In the event of changes to tax rates, the change is recognised over profit/loss for the year in the Group. Deductible temporary differences and loss carry-forwards are only recognised to the extent that it is likely that these will result in lower tax payments in the future. The value of deferred tax assets is reduced when it is no longer considered likely that they can be utilised.

Earnings per share

The calculation of earnings per share (EPS) is based on the Group's profit for the year attributable to the Parent Company's owners and the weighted average number of shares outstanding during the year. The calculation of earnings per share is not affected by preference shares or convertible bonds, as these do not exist.

Intangible assets

Goodwill

Goodwill represents the difference between the cost of a business combination and the fair value of the Group's share of the acquired business's identifiable net assets at the acquisition date. Goodwill from the acquisition of a business is recognised as an intangible asset.

Goodwill is allocated to cash-generating units and groups of cash-generating units that are expected to benefit from the business combination that gave rise to the goodwill item. Goodwill is impairment-tested annually, and is recognised at cost less accumulated impairment losses. Goodwill impairment losses are not reversed. Gains or losses on divestment of a unit include the divested portion of the carrying amount of goodwill. Goodwill arising in connection with the acquisition of associates is included in the carrying amount of the participating interest in such companies.

In the event of business combinations where the cost falls short of the net value of acquired assets and assumed liabilities, the difference is recognised immediately in profit or loss.

Other intangible assets

Other intangible assets that the Group acquires are recognised at cost less accumulated amortisation and impairment losses.

Costs incurred for internally generated goodwill and internally generated brands are recognised in profit or loss once the cost arises.

Additional expenditure

Additional expenditure for capitalised intangible assets is recognised as an asset in the balance sheet only if it increases the future economic benefits of the specific asset to which it relates and the expenditure can be reliably calculated. All other expenditure is expensed when incurred.

Amortisation

Amortisation is based on original costs less any residual values. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of an intangible asset, unless this period is indeterminable. Goodwill and intangible assets with an indeterminable useful life are tested for impairment annually or as soon as there is an indication that the value of the asset in question has decreased. Intangible assets that can be amortised are amortised from the date that they are available for use.

The estimated useful lives of acquired intangible assets are between five and seven years.

Property, plant and equipment

Acquired assets

Property, plant and equipment is recognised as an asset in the balance sheet if it is likely that future economic benefits will accrue to the company and the cost of the asset can be reliably calculated. The Group recognises property, plant and equipment at cost less deductions for accumulated depreciation and any impairment losses. Cost comprises the purchase price and expenses directly attributable to bringing the asset to the location and condition for use pursuant to the purpose of the acquisition.

Additional expenditure is added to the asset's carrying amount or recognised as a separate asset only when it is likely that the future economic benefits associated with the asset will accrue to the Group, and the asset's cost can be reliably measured.

The carrying amount for property, plant and equipment is removed from the balance sheet upon scrapping or disposal or when no future economic benefit is expected from its use, scrapping or disposal. Any gain or loss arising from the disposal or scrapping of an asset is the difference between the selling price and the asset's carrying amount less deductions for direct selling expenses. Gains and losses are recognised in the accounts as other operating income/costs. Repairs and maintenance of property, plant and equipment are recognised as costs in profit or loss during the period in which they arise.

Depreciation of assets, to allocate their cost, down to the estimated residual value over the estimated period of use, is carried out on a straight-line basis as follows:

Depreciation principles for property, plant and equipment:

Useful life	
IT equipment	3 years
Office equipment	5 years
Office furniture	5 years
Cars	5 years

The residual value and useful life for assets are tested each reporting date and adjusted as required.

Non-current assets held for sale

The significance of a non-current asset being classified as held for sale is that its carrying amount will be recovered mainly by it being sold and not through use. No non-current assets or operations were identified as being covered by the above standard for the 2017 and 2018 financial years.

On initial classification as held for sale, non-current assets are recognised at the lower of carrying amount and fair value, less selling expenses.

Financial instruments

Financial instruments recognised in the balance sheet include securities holdings, loans and receivables and endowment insurance on the asset side.

Liabilities and equity include recognised purchase considerations, interest-bearing liabilities, as well as borrowings and finance leases.
A financial asset or financial liability is recognised in the balance sheet when the company becomes a party to the commercial terms and conditions of the instrument. Liabilities are recognised once the counterparty has performed under the agreement and there is a contractual obligation to pay, even if the invoice has not yet been received.

A financial asset is removed from the balance sheet when the rights inherent in the agreement are realised, expire, or if the company loses control over them. This also applies to a portion of a financial asset. A financial liability is derecognised when the contracted commitment is discharged, or otherwise expires. This also applies to a portion of a financial liability.

Acquisitions and divestments of financial assets are reported on the transaction date, which is the date the company undertakes to purchase or sell the asset. The fair value of listed financial assets corresponds to the asset's listed bid price at the reporting date. See Note 29 for further information.

Loans and receivables

This category includes financial assets with fixed or determinable payments that are not quoted in an active market. The receivables arise when money, goods or services are provided directly to another party without any intention to trade in the receivables. The assets in this category are measured at amortised cost less any provision for depreciation in value. The category includes trade receivables and cash and cash equivalents.

Trade receivables

Since the anticipated maturity of trade receivables is short, they are recognised at the amount that is expected to be paid based on an individual assessment of bad debts without discounting, according to the method for amortised cost. Any impairment loss on trade receivables affects operating profit.

Cash and cash equivalents

Cash and cash equivalents comprise cash funds with financial institutions with an original maturity of less than three months. Cash and cash equivalents are recognised at nominal amounts.

Financial liabilities measured at fair value through profit or loss

This category includes financial liabilities held for trading and recognised purchase considerations. Liabilities in this category are measured at fair value and changes in value are recognised in profit or loss.

Financial liabilities measured at amortised cost

This category includes financial liabilities that are not held for trading, such as loans and trade payables. These are initially recognised at fair value, net of transaction expenses, and subsequently at amortised cost, applying the effective interest method.

Classification and measurement

Initially, financial instruments that are not derivatives are recognised at cost corresponding to the fair value of the instrument plus transaction expenses for all financial instruments, except those in the category of financial assets recognised at fair value through profit or loss, which are reported at fair value excluding transaction expenses. A financial instrument is classified on initial recognition based on the purpose for which the instrument was acquired. Such classification determines how the financial instrument is measured following initial recognition as follows: financial assets measured at fair value through profit or loss, investments held to maturity, financial assets available for sale, financial liabilities measured at fair value through profit or loss and other financial liabilities.

Financial instruments measured at fair value through profit or loss

This group includes the Group's short-term investments. Changes in fair value are recognised in profit or loss in net financial items. All financial instruments included in this category are intended for trading. This group includes the Group's short-term investments and recognised purchase considerations.

Investments held to maturity

Investments that are to be held to maturity include interest-bearing securities with fixed or estimable payments and established maturities that have been acquired for the purpose and opportunity to be held to maturity. Investments that are to be held to maturity are measured at amortised cost. Assets with a remaining maturity exceeding 12 months after the reporting date are recognised as non-current assets. Other assets are recognised as current assets.

Available-for-sale financial assets

Available-for-sale financial assets are assets that cannot be classified in any other category or are classified in this category. Holdings of shares and participations that are not recognised as subsidiaries, associates or joint ventures are recognised here. The assets are measured at fair value. Impairment is carried out once testing reveals that a need for impairment exists. When the asset is disposed of, accumulated profit/loss – which was previously recognised in other comprehensive income – is recognised in profit or loss.

Depending on the purpose of the holding, financial investments either comprise non-current financial assets if the period of ownership exceeds one year, or short-term investments if they are shorter than one year.

Other financial liabilities

Loans and other financial liabilities are included in this category. The liabilities are measured at amortised cost.

Non-current liabilities have an expected maturity of more than one year, while current liabilities have a maturity of less than one year.

Financial instruments in the Parent Company

Financial instruments in the Parent Company are recognised at cost less any impairment losses, and taking account of accrued impact on earnings at the end of the accounting period. Since the Group applies group-wide risk management, qualitative and quantitative risk information is described above for the entire Group.

Impairment

The carrying amounts of the Group's assets, with the exception of assets for sale recognised according to IFRS 5 and deferred tax assets, are tested each reporting date to see whether there is any indication of an impairment requirement. If such an indication exists, the asset's recoverable amount is calculated. For assets exempt from the above, the valuation is reviewed according to the relevant standard.

Impairment testing for property, plant and equipment and intangible assets and investments in subsidiaries and participations in associates

The recoverable amount is the higher of fair value less selling expenses and value in use. When calculating value in use, future cash flows are discounted by a discount factor that considers risk-free interest and the risk associated with the specific asset. For an asset that does not generate cash flows that are substantially independent of other assets, the value in use is calculated for the cash-generating unit to which the asset belongs. An impairment is made in the amount at which the carrying amount of the asset exceeds its recoverable amount. Impairment of assets attributable to a cash-generating unit is primarily allocated to goodwill. After this, a proportional impairment of other assets included in the unit is implemented.

Impairment testing for financial assets

At each reporting date, the company evaluates whether there is objective evidence that a financial asset or group of financial assets is impaired. Objective proof consists partly of observable circumstances that have arisen and that have a negative impact on the possibility of recovering the acquisition cost, and partly of a significant or prolonged reduction in the fair value of a financial investment classified as an available-for-sale financial asset. Several assumptions and estimates are made regarding future conditions, which are taken into account when calculating the discounted cash flow that forms the basis of the estimated recoverable amount. Key assumptions include anticipated growth, margins and discount rate. If these assumptions change, it may affect the value of remaining goodwill. The recoverable value of assets in the loan receivables and trade receivables category that are reported at amortised cost is calculated as the present value of future cash flows discounted by the effective interest that was applied on the asset's initial recognition. Assets with a short maturity are not discounted. An impairment is charged to profit or loss.

Reversal of impairment

An impairment is reversed if there is an indication that there is no longer an impairment need and there has been a change in the assumptions which formed the basis for calculating the recoverable amount. However, goodwill impairment is never reversed. A reversal is only conducted to the extent that the asset's carrying amount after reversal does not exceed the carrying amount that would have been reported, with a deduction for the depreciation or amortisation where relevant, if no impairment was applied. Impairment losses for loan receivables and trade receivables recognised at amortised cost are reversed if a later increase in the recoverable amount can be objectively attributed to an event that occurred after the impairment loss was recognised.

Employee benefits

PE makes a distinction between defined contribution and defined benefit pension schemes. Defined contribution pension schemes are defined as schemes where the company pays fixed premiums to a separate legal entity and is not obliged to pay additional amounts, even if the legal entity does not have sufficient assets to pay the employee benefits attributable to work performed up until the reporting date. Other pension schemes are defined benefit schemes. The defined benefit pensions that exist within PE are those that are insured through the ITP occupational pension plan's defined benefit pension commitment for retirement and family pensions via a policy held with Alecta. Since the pension scheme is insured via a policy held with Alecta, it is recognised as a defined contribution scheme.

Defined contribution pension schemes

The Group's obligations to pay premiums to defined contribution pension schemes are recognised as a cost in the income statement as and when they are earned.

Termination benefits

A provision is recognised in connection with termination of employment only if the company is demonstrably obliged to terminate employment prematurely, or when remuneration is paid as an incentive to encourage voluntary resignation. In cases where the company makes employees redundant, a detailed plan is drawn up including, at the least, information about workplaces, positions and the approximate number of individuals affected, as well as compensation for each category of personnel or position and a schedule for the plan's implementation. If redundancy payments are due for a period extending beyond 12 months after the end of the financial year, these are discounted.

Provisions

Provisions differ from other liabilities in that there is uncertainty as to when the payment will take place or the size of the amount in terms of settling the provision. A provision is recognised in the balance sheet when the Group has an existing legal or constructive commitment as a result of a past event and it is probable that an outlay of financial resources will be required to settle the commitment, and a reliable estimate of the amount can be made.

Provisions are made at an amount that is the best estimate of the amount required to settle the existing commitment at the reporting date. When the effect of the timing of the payment is significant, provisions are calculated by discounting the expected future cash flow using an interest rate before tax that reflects current market estimates of the time value of money, and if applicable, the risks specific to the liability.

A provision to cover restructuring is recognised once the Group has established a detailed and formal restructuring plan and the restructuring process has either begun or been publicly announced. No provisions are made for future operating costs.

Pledged assets

Pledged assets are what PE has pledged as collateral for the company or Group's liabilities and/or contingent liabilities. These may be liabilities, provisions in the balance sheet or contingent liabilities that are not recognised in the balance sheet. Collateral may be linked to assets in the balance sheet or mortgages. Assets are recognised at their carrying amounts and mortgages at nominal value. Shares in Group companies are recognised at their value in the Group.

Contingent liabilities

A contingent liability is recognised whenever there is a possible obligation originating from past events and whose existence is confirmed only by one or more uncertain future events, or when there is an obligation not reported as a liability or provision because it is not probable that an outflow of resources will be required, or because the amount cannot be calculated with sufficient reliability.

Events after reporting date

PE takes account of events that confirm a state of affairs that existed at the reporting date. If events occur after the reporting date that are not of such a nature that they should be taken into account when the income statement and balance sheet are adopted, but that are of such significance that lack of information about them would impact opportunities for a reader to make accurate assessments and well-founded decisions, then PE will submit disclosures for each event in the notes and Directors' report.

Critical accounting estimates and judgements

Estimates and judgements that affect the Group's financial statements are detailed under Note 34.

Parent Company's accounting policies

The Parent Company's annual accounts have been prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. RFR 2 entails, in the annual accounts of the legal entity, the Parent Company applying all IFRS standards and opinions approved by the EU where possible within the scope of the Annual Accounts Act and taking account of the link between accounting and taxation. The recommendation specifies which exceptions and additions should be made compared with IFRS. The differences between the Group and Parent Company's accounting policies are shown below. The accounting policies stated have been applied consistently to all periods presented in the Parent Company's financial statements.

Amended accounting policies

Unless otherwise stated, the Parent Company's accounting policies for the 2019 financial year have been amended in accordance with the details given above for the Group. The Parent Company applies IFRS 16 for legal entities.

Subsidiaries and associates

Investments in subsidiaries and participations in associates are recognised in the Parent Company in accordance with the cost method. Only dividends received are recognised as income.

Financial guarantees

The Parent Company's financial guarantees mainly comprise guarantees on behalf of subsidiaries and associates. Financial guarantees are when the company is obliged to compensate the holder of a debt instrument for losses incurred by the holder due to a specific debtor failing to pay on maturity according to the terms of the agreement. For recognition of financial guarantee agreements, the Parent Company applies RFR 2, which involves a dispensation compared with the rules in IAS 39 when it comes to financial guarantee agreements issued on behalf of subsidiaries and associates.

The Parent Company recognises financial guarantee agreements as a provision in the balance sheet when the company has an obligation for which payment will likely be required to settle the obligation.

Untaxed reserves

In the Parent Company's accounts, untaxed reserves are recognised inclusive of deferred tax liability. However, in the consolidated accounts untaxed reserves are separated into deferred tax liability and equity.

Group contributions and shareholder contributions for legal entities

- Group contributions can be recognised according to the main rule or the alternative rule, according to guidance in RFR 2. Projektengagemang applies the alternative rule and consistently recognises Group contributions received and paid as appropriations.
- Shareholder contributions are transferred directly to equity with the recipient and capitalised in shares and participations with the donor, to the extent impairment is not required.

Presentation format for income statement and balance sheet

The Parent Company follows the presentation format for income statements and balance sheets stipulated in the Swedish Annual Accounts Act, which means a different format for shareholders' equity and that provisions are reported with a separate main heading in the balance sheet.

Group information

Of the Parent Company's total purchases and sales measured in SEK, 47 percent (60) of purchases and 27 percent (53) of sales concern other companies within the whole group to which the company belongs.

NOTE 2 Categories of revenue

Type of undertaking in the contract

PE is a multidisciplinary engineering and architectural consulting company with considerable expertise and project capability. The extensive know-how of PE's engineers, architects and experts is integrated and generates value for clients and society. PE supplies knowledge-intensive services throughout the client's project, such as feasibility studies, investigations and strategic planning. At the end of the 2019 financial year, the company had a workforce of 1,129. This makes PE one of Sweden's leading engineering and architectural consulting firms. Some 10,000 assignments were carried out during the year for 3,000 clients. The timing and significance of services delivered within all operating segments is detailed below:

Type of undertaking in the contract

For PE, in the majority of cases, a contract corresponds to an undertaking and mainly comprises service deliveries. Revenue from the service deliveries is generated via contracts with clients where consulting services are carried out in projects. Fixed-price and ongoing assignments are the two most common project types.

Fixed-price projects mean that the total remuneration is determined in advance and irrespective of the actual number of hours required in order to fulfil the respective project's undertakings. In ongoing projects, remuneration is based on an hourly rate multiplied by the number of hours worked.

PE's undertakings are almost exclusively ongoing, i.e. at a fixed, agreed hourly rate that is charged on an ongoing basis. Since the contractually agreed hourly rate is fixed, PE is fully aware of the amount that will be charged, which is carried out as the work is completed.

Discounts, deductions, etc. that could constitute variable remuneration and thus be subject to assessment are not applied.

For information about the fulfilment of obligations and how this is linked to revenue recognition, please refer to the 'Revenue' section under Note 1.

Contract assets and contract liabilities

Service contracts relating to ongoing service assignments are recognised in the balance sheet at the value of work completed, less confirmed and anticipated losses. Ongoing service assignments are the only contract assets that PE recognises in the balance sheet.

Contract liabilities are recognised in the balance sheet in the event of advance billing, that is when invoices have been sent to the client in advance. Service contracts are recognised in the balance sheet net, which means that if the value of ongoing works exceeds advance billing, the contract is recognised in current assets as 'Accrued but not invoiced revenue'. Service contracts where the value of advance billing exceeds the value of ongoing work are recognised in current liabilities as 'Liabilities relating to ongoing service assignments'. For further information, see Note 21.

Timing of fulfilment of performance commitments

Revenue is recognised when control is transferred to the client, which happens over the length of the project in connection with services being carried out. The degree of completion is assessed separately for each performance commitment and charged to the client based on the number of hours worked.

Invoicing and payment terms

Ongoing projects are invoiced monthly and fixed-price projects are invoiced either monthly or according to a schedule established in the contract, both with payment terms of 30 days.

SEK million	2019	2018
Net revenue		
Architecture	175.2	188.9
Project Management	194.2	199.9
Architecture & Management	**369.3**	**388.8**
Building	353.1	178.7
Infrastructure	74.0	71.5
Civil Engineering & Infrastructure	**427.1**	**250.2**
Electrical, Telecommunications & Security	332.2	288.4
HVAC and Sanitation Design	125.5	143.4
Industry & Energy	95.5	172.4
Systems	**553.1**	**604.2**
Internal eliminations	–1.2	–19.4
Total	**1,348.4**	**1,223.8**

NOTE 3 Segment reporting

The Group's operations are divided up into operating segments based on the parts of the business that are monitored by Group management. The separation into segments is focused on market segments with architecture operations from a market and business perspective.

Other segments include Projektengagemang Sweden AB (Group parent), Group adjustments that are not specific to a segment and companies that cannot be categorised under other segments.

The Group is currently divided into three operating segments and one other segment:

- **Architecture & Management.** Offers services within urban planning, architecture, landscape architecture and interior architecture, as well as project management and consulting on all stages of the building process and on societal development and sustainability.
- **Civil Engineering & Infrastructure.** Offers services ranging from building design, acoustics, geotechnics, energy, environment and sustainability, to bridge and plant design, railways, roads, water treatment and environmental impact.
- **Systems.** Offers services within areas such as HVAC and sanitation design, electrical and telecommunications engineering, security, fire protection, sprinkler systems, automation and digitalisation. This segment also includes Industry & Energy, which used to be a separate operating segment.
- **Other.** Parent Company and Group adjustments.

Operations are monitored and assessed based on segments and the units included based on revenue trend, profit/loss before depreciation/amortisation (EBITDA) and operating profit/loss (EBIT). Projektengagemang's view is that from an external reporting perspective this clarifies the information about the business and shows how operations are managed from an overall perspective.

	2019				
SEK 000s	**Architecture & Management**	**Civil Engineering & Infrastructure**	**Systems****	**Other/Items affecting comparability**	**Total**
Total net revenue*	369,316	427,131	553,149	–1,207	1,348,389
of which net revenue external clients	337,594	406,987	530,548	73,260	1,348,389
of which net revenue between segments	31,723	20,144	22,601	–74,468	0
Total growth, %	–5.0	70.7	–8.5	–	10.2
- of which organic growth, %	–11.5	–11.2	–13.2	–	–6.8
- of which acquired growth, %	6.5	81.9	4.8	–	17.0
EBITDA*	11,040	30,455	41,881	–3,419	79,957
Depreciation/amortisation*	–20,538	–30,792	–27,829	–25,531	–104,689
Operating profit/loss, EBIT*	–9,498	–337	14,053	–28,950	–24,732
EBIT margin, %*	–2.6	–0.1	2.5	2,397.5	–1.8
Financial items					–12,129
Profit/loss after financial items*					–36,861
Goodwill	107,358	298,995	194,392	–3,309	597,436
Accrued but not invoiced revenue	33,932	41,168	43,487	2,391	120,978
Average number of employees	273	361	449	115	1,198

	2018				
SEK 000s	**Architecture & Management**	**Civil Engineering & Infrastructure**	**Systems****	**Other/Items affecting comparability**	**Total**
Total net revenue*	388,783	250,181	604,248	–19,415	1,223,796
of which net revenue external clients	332,345	220,314	546,863	124,276	1,223,796
of which net revenue between segments	56,438	29,867	57,385	–143,691	–
Total growth, %	–1.2	8.2	6.7	–	2.9
- of which organic growth, %	–6.3	6.0	1.3	–	2.9
- of which acquired growth, %	5.1	2.2	5.4	–	–
EBITDA*	14,530	20,389	68,931	–14,297	89,554
Depreciation/amortisation*	–3,908	–4,538	–9,205	2,258	–15,393
Operating profit/loss, EBIT*	10,622	15,851	59,727	–12,038	74,161
EBIT margin, %*	2.7	6.3	9.9	62.0	6.1
Financial items					–5,780
Profit/loss after financial items*					68,381
Goodwill	91,883	291,475	193,352	–3,683	573,028
Accrued but not invoiced revenue	24,472	38,772	47,757	9,002	120,002
Average number of employees	278	185	466	93	1,022

* For the Architecture & Management, Civil Engineering & Infrastructure and Systems segments, Net revenue, EBITDA, Depreciation/amortisation, Operating profit/loss (EBIT) and Profit/loss after financial items are shown excluding items affecting comparability, as items affecting comparability are included in the column 'Other/Items affecting comparability'. The Group's net revenue relates exclusively to sales in Sweden. Relates primarily to technical consulting services.

** The former Industry & Energy segment is included in Systems as of 2019. Comparative values have been recalculated to take account of this.

NOTE 4 Business combinations

The acquisition of Mats & Arne Arkitektkontor AB was concluded in the first quarter. The company was consolidated as of 1 February 2019 and has contributed revenue of roughly SEK 10.5 million. Adjustments have been made to the acquisition analyses for the acquisitions of PreCendo and Integra Engineering in the amount of SEK 1 million and SEK 7.5 million respectively due to excess liquidity in the companies. Transaction expenses for the period totalled SEK 1.5 million (1.0) and are included in the earnings item 'Other external expenses'.

Acquisition analysis Jan–Dec 2019

Segment		Architecture & Management	Civil Engineering & Infrastructure	Systems
SEK 000s	**Total**	**Mats & Arne Arkitektkontor AB**	**Integra Engineering AB**	**PreCendo AB**
Goodwill and other intangible assets	24,035	15,475	7,520	1,040
Other non-current assets	3,064	3,064		–
Current receivables	4,901	4,901		–
Cash and cash equivalents	3,114	3,114		–
Current and non-current liabilities	–7,029	–7,029		–
Purchase considerations	**28,085**	**19,525**	**7,520**	**1,040**
Cash and cash equivalents in the acquired company	3,114	3,114		–
Purchase considerations paid incl. cash funds	**24,971**	**16,411**	**7,520**	**1,040**

Acquisition-related items

SEK 000s	2019	2018
EBITA	–16,051	70,803
Amortisation of acquisition-related non-current intangible assets	–11,331	–3,719
Reversed contingent consideration	–	7,077
Acquisition-related capital gain from sale of non-current asset	2,650	–
Acquisition-related items	**–8,681**	**3,358**
Operating profit/loss, EBIT	**–24,732**	**74,161**

Effect of acquisitions

	Net revenue		EBIT	
SEK 000s	**2019**	**2018**	**2019**	**2018**
Architecture & Management	25,282	19,984	5,244	4,370
Civil Engineering & Infrastructure	205,473	5,013	35,158	1,674
Systems	28,727	30,730	3,457	5,233
	259,482	**55,727**	**43,859**	**11,277**

NOTE 5 Significant income statement items

	Group		Parent Company	
SEK 000s	**2019**	**2018**	**2019**	**2018**
Restructuring cost				
- impairment of right-of-use assets (offices)	–12,518	–	–12,518	–
- personnel	–12,701	–	–458	–
Total significant costs	**–25,219**	**–**	**–12,976**	**–**

NOTE 6 Auditor's fee and remuneration

	Group		Parent Company	
SEK 000s	**2019**	**2018**	**2019**	**2018**
PWC				
Audit assignments	2,044	2,603	1,119	2,364
Auditing activities in addition to audit assignment	176	1,785	76	1,785
Tax consulting	32	738	–	738
Other	18	642	–	642
Total PWC	**2,270**	**5,768**	**1,195**	**5,529**
Other auditors				
Audit assignments	50	144	37	–
Auditing activities in addition to audit assignment	1	38	1	29
Total other auditors	**51**	**182**	**38**	**29**
Total	**2,289**	**5,950**	**1,233**	**5,558**

NOTE 7 Employees and personnel expenses

Average number of FTEs and gender distribution

	2019		2018	
SEK 000s	**Women**	**Men**	**Women**	**Men**
Parent Company	9	7	29	23
Subsidiaries	355	827	261	709
Group, total	364	834	290	732
Total average number of FTEs	**1,198**		**1,022**	

Of the Group's 1,198 (1,022) average number of employees, 44 (40) are employed in India and 1,154 (982) in Sweden.

Gender distribution in the Board of Directors and other senior executives

	2019	2018
Group	**Proportion of women, %**	**Proportion of women, %**
Board of Directors	**12%**	**33%**
Other senior executives	22%	22%

Expensed remuneration and other benefits

2019 **Board of Directors, CEO and other senior executives**	**Base salary/ Directors' fee**	**Variable remuneration***	**Other benefits**	**Pension expense**	**Total**
Chairman of the Board (Per Göransson), as of September 2019	87	–	–	–	87
Chairman of the Board (Per-Arne Gustavsson), May–September	117	–	–	–	117
Chairman of the Board (Gunnar Grönkvist), January–May 2019	171	–	–	–	171
Board member (Lars Erik Blom)	215	–	–	–	215
Board member (Britta Dalunde)	255	–	–	–	255
Board member (Öystein Engebretsen)	195	–	–	–	195
Board member (Carina Malmgren Heander)	215	–	–	–	215
Board member (Per Göransson)	146	–	–	–	146
Board member (Per-Arne Gustavsson)	20	–	–	–	20
CEO (Per Hedebäck)	2,369	383	–	754	3,506
CEO (Per-Arne Gustavsson)	647	–	–	–	647
Deputy CEO (Peter Sandberg)	1,841	192	66	382	2,481
Other senior executives (8 people)	7,356	106	148	1,724	9,334
Total remuneration to Board of Directors, CEO and other senior executives	**13,634**	**681**	**214**	**2,860**	**17,389**

*Relates to bonus associated with earnings and performance in 2018

2018 **Board of Directors, CEO and other senior executives**	**Base salary/ Directors' fee**	**Variable remuneration**	**Other benefits**	**Pension expense**	**Total**
Chairman of the Board (Gunnar Grönkvist)	410	–	–	–	410
Board member (Lars Erik Blom)	215	–	–	–	215
Board member (Britta Dalunde)	255	–	–	–	255
Board member (Öystein Engebretsen)	195	–	–	–	195
Board member (Carina Malmgren Heander)	215	–	–	–	215
Board member (Per Göransson)	1,062	–	43	–	1,105
Board member (Per-Arne Gustavsson)	1,160	–	20	222	1,402
CEO (Per Hedebäck)	2,648	–	79	755	3,482
Deputy CEO (Peter Sandberg)	1,494	–	83	325	1,902
Other senior executives (8 people)	11,453	–	183	1,757	13,393
Total remuneration to Board of Directors, CEO and other senior executives	**19,107**	**–**	**408**	**3,059**	**22,574**

Salaries and other remuneration allocated among senior executives and other employees

	Group		Parent Company	
Personnel costs	**2019**	**2018**	**2019**	**2018**
Salaries and remuneration, senior executives	13,108	16,264	7,149	15,375
Salaries and remuneration, other employees	583,782	494,222	8,876	18,062
Total salaries and remuneration	**596,890**	**510,486**	**16,026**	**33,436**
Social security expenses excl. pension expenses	224,909	171,447	5,258	8,483
Pension expenses, senior executives	3,555	3,059	1,412	1,862
Pension expenses, other	71,311	67,878	956	6,007
Total personnel costs	**896,664**	**752,869**	**23,652**	**49,788**

In addition there are restructuring costs of SEK 12,701,000, see Note 5.

Remuneration to the Board

No remuneration is paid for Board work in cases where the individual is an employee of Projektengagemang with its subsidiaries. In Projektengagemang Sweden AB (Publ), it was decided at the AGM on 21 May 2019 to remunerate the external chairman with a fee of SEK 350,000 per year, and that other external members shall be remunerated with a fee of half this amount, SEK 175,000. In addition to the Board fee, the chairman of the Audit Committee is paid SEK 80,000 and its members SEK 40,000 each. The chairman of the Remuneration Committee and members are paid SEK 40,000 and SEK 20,000 respectively in addition to Board fees.

Remuneration of senior executives in PE

Basis

Remuneration is based on commercial terms and comprises a fixed basic salary, pension and benefits.

Pensions

Pension terms are based on a pension premium provision of 4.5 percent of the salary up to 7.5 income base amounts, and 30 percent of the additional portion. PE does not have any outstanding pension obligations for the current and previous boards and CEO.

Other remuneration

Relates, where applicable, to company cars.

Cessation of employment

For the Chief Executive Officer, who is acting in a temporary capacity, a notice period of one month applies both from the CEO and from the company. The Deputy CEO is required to give six months' notice prior to leaving the company, while from the company's side the notice period is 18 months. For other senior executives, standard industry practice applies. The remuneration that the above notice periods imply also includes severance pay.

NOTE 8 Pension expenses

	Group		Parent Company	
SEK 000s	**2019**	**2018**	**2019**	**2018**
Expenses for defined contribution schemes	74,866	70,937	2,368	7,869

According to the Swedish Financial Reporting Board, a pension scheme covering several employers should be classified as defined contribution or defined benefit depending on the terms of the scheme. This is relevant for the Group, which has pension commitments secured via Alecta. The Group lacks information regarding such classification for the majority of the pension benefits earned. The pension scheme is therefore classified in its entirety as a defined contribution scheme. Pension insurance contributions for the year that are taken out in pension schemes covering several employers amount to SEK 74.9 million (70.9). The charges for 2020 are expected to be in line with charges for 2019. The degree of consolidation for Alecta was 148 percent (142) in December 2019.

NOTE 9 Depreciation/amortisation

	Group		Parent Company	
SEK 000s	**2019**	**2018**	**2019**	**2018**
Intangible assets	954	546	160	304
Acquisition-related intangible assets*	11,331	3,719	–	–
Property, plant and equipment	95,054	18,205	26,742	4,199
Total depreciation, amortisation and impairment losses	**107,339**	**22,470**	**26,902**	**4,503**
*Of which depreciation for leased equipment	88,188	13,631	26,552	3,166

NOTE 10 Net financial items

	Group		Parent Company	
SEK 000s	**2019**	**2018**	**2019**	**2018**
Profit from investments in Group companies				
Dividends from subsidiaries	–	0	–	370
Profit from participations and financial investments				
Dividends from Group companies	–	–	–	–
Profit/loss from financial investments	228	83	–	–69
Interest income and similar income statement items				
Interest income, Group companies	–	–	110	1,399
Interest income, other	82	696	–	–
Other finance income	32	–122	–1	–3
Interest expenses and similar income statement items				
Interest expenses, Group companies	0	0	–3	–13
Interest expenses, leases	–3,438	–695	–831	–105
Interest expenses, other	–8,279	–4,893	–7,497	–4,729
Other finance costs	–591	–849	–178	–16,733
Net financial items	**–12,130**	**–5,780**	**–8,401**	**–19,882**

NOTE 11 Appropriations

Parent Company	**2019**	**2018**
Group contributions received	14,626	36,472
Group contributions paid	–2,841	–
Total	**11,785**	**36,472**

NOTE 12 Earnings per share

Group	**2019**	**2018**
Profit/loss for the year	–39,698	56,832
Earnings per share, SEK	–1.62	2.63
Proposed dividend per share, SEK	–	1.00
Proposed dividend	–	24,556

The calculation of earnings per share for 2019 and 2018 is based on profit/loss for the year attributable to the Parent Company's ordinary shareholders amounting to SEK –39,698 thousand (56,832), and on the weighted average number of ordinary shares outstanding during the period amounting to 24,555,677 (24,555,677).

There is no dilution effect.

NOTE 13 Non-current intangible assets

	Group					Parent Company		
2019, SEK 000s	**Goodwill**	**Customer relation-ships**	**Other intangi-ble assets**	**Development expenditure**	**Total**	**Devel-opment expenditure**	**Other intangi-ble assets**	**Total**
Accumulated costs								
Opening balance, 01/01/2019	574,793	55,240	51,631	8,475	690,139	8,475	1,665	10,140
Purchases	–	–	7,062		7,062	–	2,379	2,379
Business combinations, see Notes 3 and 4 for Segment	24,385	–	–	–	24,385	–	–	–
Exchange rate differences	23	–	–	–	23	–	–	–
Divestments and disposals	–		–2,398	–	–2,398	–8,475	–3,873	–12,348
Mergers	–	–	–	–	–	–	–	–
Closing balance, 31/12/2019	**599,201**	**55,240**	**56,295**	**8,475**	**719,211**	**–**	**171**	**171**
Accumulated depreciation/amortisation according to plan								
Opening balance, 01/01/2019	–36	–6,839	–19,980	–8,475	–35,330	–8,475	–321	–8,796
Divestments and disposals	–	0	2	–	2	8,475	450	8,925
Depreciation/amortisation for the year	–	–11,032	–1,253	–	–12,285	–	–160	–160
Closing balance, 31/12/2019	**–36**	**–17,871**	**–21,231**	**–8,475**	**–47,613**	**–**	**–31**	**–31**
Accumulated impairment losses								
Opening balance, 01/01/2019	–1,729	–	–29,489	–	–31,218	–	–	–
Divestments and disposals	–	–	–	–	–	–	–	–
Closing balance, 31/12/2019	**–1,729**	**–**	**–29,489**	**–**	**–31,218**	**–**	**–**	**–**
Planned residual values, 31/12/2019	**597,436**	**37,368**	**5,575**	**–**	**640,379**	**–**	**140**	**140**

	Group					Parent Company		
2018, SEK 000s	**Goodwill**	**Customer relation-ships**	**Other intangi-ble assets**	**Development expenditure**	**Total**	**Devel-opment expenditure**	**Other intangi-ble assets**	**Total**
Accumulated costs								
Opening balance, 01/01/2018	324,414	17,107	52,045	8,475	402,041	8,475	1,048	9,523
Purchases	–	–	617		617	–	617	617
Business combinations	250,383	38,133	–	–	288,516	–	–	–
Exchange rate differences	–5	–	–	–	–5	–	–	–
Divestments and disposals	–	–	–1,031	–	–1,031	–	–	–
Mergers	–	–	–	–	–	–	–	–
Closing balance, 31/12/2018	**574,793**	**55,240**	**51,631**	**8,475**	**690,138**	**8,475**	**1,665**	**10,140**
Accumulated depreciation/amortisation according to plan								
Opening balance, 01/01/2018	–	–3,420	–20,165	–8,475	–32,060	–8,475	–17	–8,492
Divestments and disposals	–36	–	1,031	–	995	–	–	–
Depreciation/amortisation for the year	0	–3,420	–846	–	–4,265	–	–304	–304
Closing balance, 31/12/2018	**–36**	**–6,839**	**–19,980**	**–8,475**	**–35,330**	**–8,475**	**–321**	**–8,796**
Accumulated impairment losses								
Opening balance, 01/01/2018	–1,765	–	–29,489	–	–31,254	–	–	–
Divestments and disposals	36	–	–	–	36	–	–	–
Closing balance, 31/12/2018	**–1,729**	**–**	**–29,489**	**–**	**–31,218**	**–**	**–**	**–**
Planned residual values, 31/12/2018	**573,028**	**48,401**	**2,162**	**–**	**623,590**	**–**	**1,344**	**1,344**

Impairment testing for goodwill in cash-generating units

The balance sheet for PE includes goodwill totalling SEK 597.4 million (573.0). The Group's intangible assets are mainly derived from business combinations. These acquired intangible assets consist largely of goodwill, since it is mainly the human capital in the form of employee expertise that constitutes the value of consulting companies. Other intangible assets are customer relationships, amounting to a total of SEK 37.4 million (48.4).

Other intangible assets that have been identified in connection with acquisitions include order backlog, customer base and references. The useful life of these other intangible assets is three to ten years.

Goodwill and other intangible assets have been allocated to the lowest identifiable cash-generating unit. The former Industry & Energy segment is included in Systems as of 2019. All surplus values in Industry & Energy have thus been transferred to Systems. Goodwill is not amortised on an ongoing basis, but instead the value is tested at least once a year in the fourth quarter, or when there are indications of a need for impairment, by the anticipated future cash flow being discounted with a weighted average cost of capital per cash-generating unit. The net present value of cash flows, the value in use, is compared with the carrying amount including goodwill and other intangible assets.

When calculating the value in use of cash-generating units, assumptions have been made regarding future conditions and estimates of parameters have been made. Changes to these assumptions and estimates could have an impact on the carrying amount of goodwill. The calculation model is built on discounting of future forecast cash flows compared with the unit's carrying amounts. Future cash flows are based on five-year forecasts prepared by management for the respective cash-generating unit. Cash-generating units are calculated on a segment basis. The following important assumptions have been used.

Revenue: The business's competitiveness, expected economic developments for construction output, general national economic trend, investment plans for public and municipal clients, interest rate levels and local market conditions.

Investment needs: Operations' investment needs are assessed based on the investments required to achieve forecast cash flows in the current position, i.e. without expansion investments. The investment level has typically corresponded to the rate of depreciation for property, plant and equipment.

Tax burden: The tax rate in the forecasts is based on PE's anticipated tax situation regarding tax rate, loss carry-forwards, etc.

Long-term growth: In all valuations, a long-term sustainable rate of growth has been assumed beyond the forecast period of 2 (2) percent, which is deemed to reflect the market's long-term growth. With the exceptions detailed below, it is assumed that the same growth rate will apply for revenue during the forecast period.

Operating margin: The forecast operating margin is based on the Group's business plan.

Working capital and reinvestment needs: Needs have been assumed to be consistent with 2018 and a growth rate equal to the long-term sustainable growth rate.

Discount rate after tax: This is established based on the following variables: risk-free interest, market premium, beta value, capital structure and local tax rates. Forecast cash flows and residual values are discounted to net present value with a weighted average cost of capital. This is based on assumptions about average interest on 10-year government bonds and a company-specific risk factor. The interest level on borrowed capital is set at the average interest level on the Group's net debt. The required rate of return on equity is based on the Capital Asset Pricing Model. In calculations carried out of value in use, the Group's average discount rate for 2019 has been estimated at 11.02 percent (11.02) before tax and 8.66 percent (8.66) after tax.

The same discount rate has been used for all cash-generating units and is justified by the fact that they are similar operations within the same geographical areas.

A sensitivity analysis reveals that the goodwill values in the Civil Engineering & Infrastructure segment would be justified even if the discount rate were raised by 1 percentage point, or if the operating margin were to be reduced by 1 percentage point. The Civil Engineering & Infrastructure segment is affected by significant investments in the Infrastructure area. Other segments in the Group can justify goodwill values with changes to the discount rate and operating margin greater than 1 percentage point.

The conclusion of this assessment is that there is no need for impairment, as the values in use exceeded the carrying amount including goodwill and other intangible assets. It is the opinion of company management that no reasonable possible changes to key assumptions for cash-generating units would lead to a need for impairment.

NOTE 14 Property, plant and equipment

	Group				Parent Company	
2019, SEK 000s	**Buildings and premises**	**Improvement expenditure, other property**	**Plant and equipment**	**Total**	**Plant and equipment**	**Total**
Accumulated costs						
Opening balance, 01/01/2019	1,726	2,367	150,909	155,002	32,087	32,087
Reclassification to right-of-use asset, see Note 15	–	–	–102,709	–102,709	–19,562	–19,562
Purchases	–	2,077	5,601	7,678	1,782	1,782
Business combinations	–	–	1,404	1,404	–	–
Divestments and disposals	–1,726	–119	–6,249	–8,094	–14,307	–14,307
Exchange rate differences		–	20	20	–	–
Closing balance, 31/12/2019	**0**	**4,325**	**48,977**	**53,302**	**–**	**–**
Accumulated depreciation/amortisation according to plan						
Opening balance, 01/01/2019	–158	–1,121	–87,729	–89,008	–23,097	–23,097
Reclassification to right-of-use asset, see Note 15			57,354	57,354	10,995	10,995
Purchases				–	–	–
Business combinations	–	–	–1,082	–1,082	–	–
Depreciation/amortisation for the year	–	–579	–6,287	–6,866	–190	–190
Divestments and disposals	158	119	6,113	6,389	12,292	12,292
Exchange rate differences	–	–	–13	–13	–	–
Closing balance, 31/12/2019	**–0**	**–1,580**	**–31,644**	**–33,225**	**–**	**–**
Accumulated impairment losses						
Opening balance, 01/01/2019	–	–	–3,620	–3,620	–	–
Impairment losses for the year	–	–	–	–	–	–
Closing balance, 31/12/2019	**–**	**–**	**–3,620**	**–3,620**	**–**	**–**
Planned residual values, 31/12/2019	**–0**	**2,744**	**13,712**	**16,456**	**–**	**–**

2018, SEK 000s	Group				Parent Company	
	Buildings and premises	Improvement expenditure, other property	Plant and equipment	Total	Plant and equipment	Total
Accumulated costs						
Opening balance, 01/01/2018	1,726	1,739	132,905	136,370	25,190	25,190
Purchases	–	628	16,781	17,410	14,237	14,237
Business combinations			24,663	24,663		
Divestments and disposals	–	–	–22,856	–22,856	–7,340	–7,340
Reclassifications			–572	–572		
Exchange rate differences	–	–	–12	–12	–	–
Closing balance, 31/12/2018	**1,726**	**2,367**	**150,909**	**155,002**	**32,087**	**32,087**
Accumulated depreciation/amortisation according to plan						
Opening balance, 01/01/2018	–152	–732	–84,531	–85,415	–16,522	–16,522
Purchases	–	–	–14,885	–14,885	–2,375	–2,375
Business combinations	–	–	–	–	–	–
Depreciation/amortisation for the year*	–6	–389	–17,810	–18,205	–4,200	–4,200
Divestments and disposals	–	–	28,885	28,885	–	–
Reclassifications	–	–	605	605	–	–
Exchange rate differences	–	–	8	8	–	–
Closing balance, 31/12/2018	**–158**	**–1,121**	**–87,729**	**–89,007**	**–23,097**	**–23,097**
Accumulated impairment losses						
Opening balance, 01/01/2018	–	–	–3,620	–3,620	–	–
Impairment losses for the year	–	–	–	–	–	–
Closing balance, 31/12/2018	**–**	**–**	**–3,620**	**–3,620**	**–**	**–**
Planned residual values, 31/12/2018**	**1,568**	**1,247**	**59,561**	**62,377**	**8,991**	**8,991**

* Amortisation for 2018 regarding finance leases was SEK –13.6 million; the Parent Company's amortisation regarding finance leases was SEK –3.2 million.

** At 31/12/2018, the Group's finance leases amounted to SEK 45.3 million; the Parent Company's finance leases amounted to SEK 8.6 million.
Leases in 2018 primarily related to IT equipment and cars. In 2019 these were reclassified to right-of-use assets in accordance with the new accounting policy, IFRS 16. See Notes 1 and 15.

NOTE 15 Leases

Carrying amounts in the balance sheet

Group, SEK 000s	2019	01 /01/2019[1]
Right-of-use assets		
Buildings	137,789	151,123
Plant and equipment[2]	5,531	9,949
- less short-term or low-value contracts	–	–5,993
Cars[2]	27,676	35,406
Total	**170,996**	**190,485**
Lease liabilities[3]		
Short-term	69,752	75,685
- less short-term or low-value contracts	–	–4,816
Long-term	106,017	106,094
Total	**175,769**	**176,963**

1 Restated opening balance due to revised accounting policy

2 Reclassification from Plant and equipment; see Note 14.

3 See Note 30 for term

4 Refers to unused office premises in Other segment; see under Programme of measures in Directors' report for further details.

For the previous year only lease assets and lease liabilities attributable to finance leases were recognised, in accordance with IAS 17 Leases. The assets were presented as part of property, plant and equipment and liabilities as part of Group borrowings. For adjustments to the lease liability recognised on the transition to IFRS 16 at 1 January 2019, see Note 1, section entitled Amended accounting policies 2019.

Right-of-use assets, Group

2019, SEK 000s	Buildings and premises	Plant and equipment	Total
Accumulated costs			
Reclassification from Property, plant and equipment; see Note 14		102,709	102,709
Right-of-use assets added/derecognised; net	211,505	–15,163	196,343
- of which gained from business combinations	27,460	359	27,819
Closing balance, 31/12/2019	**211,505**	**87,546**	**299,051**
Accumulated depreciation/amortisation according to plan			
Reclassification from Property, plant and equipment; see Note 14		–57,354	–57,354
Change in depreciation/amortisation; net of depreciation/amortisation for the year and derecognised right-of-use assets	–61,198	3,015	–58,183
Closing balance, 31/12/2019	**–61,198**	**–54,339**	**–115,537**
Accumulated impairment losses			
Impairment losses for the year[4]	–12,518	–	–12,518
Closing balance, 31/12/2019	**–12,518**	**–**	**–12,518**
Residual values 31/12/2019	**137,789**	**33,207**	**170,996**

Carrying amounts in the income statement

Group, SEK 000s	2019
Amortisation of right-of-use assets	
Buildings	–62,715
Plant and equipment	–2,453
Cars	–10,502
Total	**–75,670**
Impairment of right-of-use assets	
Buildings	–12,518
Total	**–12,518**
Interest expenses (included in finance costs)	–3,438
Expenses attributable to short-term leases (included in other external expenses)	–8,098

Carrying amounts in the cash flow statement

Group, SEK 000s	2019
Profit/loss after financial items	–768
Of which net interest paid	–3,438
Adjustments for non-cash items	75,670
Cash flow before changes in working capital	**74,902**
Change in working capital	–
Cash flow from operating activities	**74,902**
Cash flow from investing activities	**–**
Repayment of lease liability	–74,902
Cash flow from financing activities	**–74,902**
Cash flow for the period	**–**
Payments regarding low-value leases	–8,098
Total cash flow from leases	**–8,098**

NOTE 16 Investments in Group companies

Parent Company	2019	2018
Carrying amount at start of year	**742,097**	**369,705**
Acquisitions	30,975	372,792
Sales	–	–400
Impairment	–	–15,885
Shareholders' contribution	–	15,885
Carrying amount at year-end	**773,072**	**742,097**

SEK 000s Name	Company registration number	Registered office	Profit/loss for the year 2019	Share of equity, % 2019	Number of participa-tions 2019	Carrying amount 2019	Carrying amount 2018
PE Infrastruktur AB*	556745-0688	Stockholm					6,793
Ferrivia AB*	556757-0691	Stockholm					4,078
Vattenpartner AB*	556657-2102	Stockholm					400
PE Mark Holding i Sverige AB*	556977-1883	Stockholm					50
Novamark AB*	556337-1045	Stockholm					22,871
Internsignal Sweden AB*	556515-7814	Hudiksvall					300
PE Installation i Uppsala AB*	556710-2248	Uppsala					502
PE VVS i Stockholm AB*	556716-4586	Stockholm					1,242
Energi & VVS-planering i Helsingborg AB*	556585-7728	Helsingborg					11,420
PE Installation i Eskilstuna AB*	556355-1646	Eskilstuna					659
PE VVS i Örebro AB*	556744-8872	Örebro					1,265
PE Energi & Klimatanalys AB*	556716-4602	Stockholm					1,462
Efour AB*	556780-0882	Stockholm					300
PE Aria AB*	556486-4345	Rättvik					546
PE Mätningsteknik AB*	556714-8183	Stockholm					400
PE Inside & Outside i Dalarna AB*	556683-8529	Rättvik					900
PE Process & Verksamhetsstyrning i Stockholm AB*	556707-7192	Stockholm					1,023
Soleed Sweden AB	556710-3873	Stockholm	–	100	4,000	1,252	1,252
Soleed Production AB	556674-6300	Stockholm	–	100	1,000	–	–
PE Projektledning i Sverige AB*	556736-7809	Stockholm					6,022
PE Projektledning Hus AB*	556670-1222	Stockholm					500
Smedjan Projektledning i Sverige AB*	556974-9269	Alingsås					7,575
ROOF Arkitekter AB*	556764-9156	Örebro					25,726
ROOF Redovisning AB***	559041-6144	Örebro					–
PE Byggnadsinformation i Stockholm AB*	556905-4702	Stockholm					98
PE KNSS AB	556278-2184	Köping	–15	100	100,000	100	100
PE Fastighetsutveckling AB*	556958-1399	Stockholm					90
Agera VVS Design AB*	556162-9485	Gothenburg					1,744
PE Industri & Energi i Sverige AB	556731-8315	Skövde	–921	100	36,000	5,980	5,980
PE i Öresund AB*	556771-2806	Stockholm					300
PE MEA AB*	559069-4674	Mariestad					12,205
PE Arkitektur i Sverige AB*	556166-6073	Visby					2,794
Arkitektkontoret Vallgatan Acron AB*	556120-5989	Kungsbacka					–
Projektengagemang Köksarkitekterna AB*	556539-3575	Stockholm					400

SEK 000s Name	Company registration number	Registered office	Profit/loss for the year 2019	Share of equity, % 2019	Number of participa-tions 2019	Carrying amount 2019	Carrying amount 2018
PE Skaraborg Arkitektur AB*	556620-5919	Skövde					7,708
Arkitekturum AB*	556613-9308	Mariestad					–
PE Arkitektur Södra Sverige AB*	556290-7435	Malmö					1,400
TEMA Gruppen AB*	556105-8131	Uppsala					74,620
PE Finans AB*	556868-1075	Stockholm					100
KNSS Gruppen AB*	556483-0114	Köping					5,949
SN Elteknik AB*	556319-6160	Köping					–
Inspector TP*	556534-2432	Stockholm					–
Torsten Palmqvist AB*	556534-2424	Stockholm					–
PE Byggkonsult Sverige AB*	556203-2887	Köping					1,000
Byggkonsult KNSS Projekt AB*	556535-1425	Köping					–
LN Akustikmiljö AB*	556621-4622	Stockholm					18,508
Tellstedt i Göteborg AB	556454-0861	Gothenburg					9,369
Sture Byberg Ingenjörsbyrå AB	556244-3910	Gothenburg	–62	100	1,000	–	–
PE Teknik & Arkitektur AB**	556896-8308	Stockholm	–6,723	100	100,000	484,363	21,335
PE Elmiljö Sverige AB*	556385-7100	Stockholm					–
PE GMKI Elkonsult AB*	556545-9038	Malmö					3,339
HJR Projekt-EL*	556306-7262	Stockholm					87,641
Brandgruppen i Sverige AB*	556542-9122	Stockholm					8,000
FAST Engineering Göteborg AB*	556883-6521	Gothenburg					21,359
FAST Engineering AS	915923097	Skien	1,211	100	300	–	–
PreCendo AB*	556381-8466	Gothenburg					8,580
Er omgivning AB*	556886-8847	Stockholm					415
PE-Aristi	U74999TN2013PTC09267	Chennai	–1,259	60	1,000	2,778	2,778
Konkret Rådgivande Ingenjörer i Sthlm AB*	556579-7536	Stockholm					101,000
Integra Engineering AB	556481-8986	Trollhättan	3,584	100	5,000	259,054	250,000
Integra Engineering Malmö AB***	556785-0937	Malmö					–
Integra Engineering Linköping AB***	559062-8342	Linköping					–
Mats och Arne Arkitektkontor AB	556278-7977	Stenungsund	11,844	100		19,546	
Total investments in Group companies						**773,072**	**742,097**

* The company was merged with PE Teknik och Arkitektur AB, 556896-8308, in 2019.
** The company changed its name from PE EL, Tele och Säkerhet AB in 2019.
*** The company was sold in 2019.

NOTE 17 Financial investments

Group	2019	2018
Financial investments that are non-current assets Available-for-sale financial investments		
Shares and participations	3,260	3,260
Total	**3,260**	**3,260**

Securities holdings at year-end	Company registration number	Registered office	Share of equity, %	Carrying amount
2019				
Amrox Group AB	556614-5974	Stockholm	10	3,200
Other shares and participations				60
Total shares and participations				**3,260**
2018				
Amrox Group AB	556614-5974	Stockholm	10	3,200
Other shares and participations				60
Total shares and participations				**3,260**

NOTE 18 Non-current financial assets

Parent Company	Investments Group companies	Other long-term securities	Total
2019			
Recognised cost at start of year	742,097	3,200	745,297
Additional assets	30,975		30,975
Retiring assets	–	–	–
Recognised cost at year-end	**773,072**	**3,200**	**776,272**
Residual value at year-end	**773,072**	**3,200**	**776,272**
2018			
Recognised cost at start of year	369,705	3,200	372,905
Additional assets	372,792	–	372,792
Retiring assets	–400	–	–400
Recognised cost at year-end	**742,097**	**3,200**	**745,297**
Residual value at year-end	**742,097**	**3,200**	**745,297**

NOTE 19 Non-current and other receivables

Group	2019	2018
Non-current receivables that are non-current assets		
Prepaid lease payment	88	617
Deposits	31	30
Total	**119**	**647**
Other receivables that are current assets		
Other advance payments	294	367
Other current receivables	10,624	11,740
Total	**10,918**	**12,107**

NOTE 20 Trade receivables

Trade receivables are recognised after taking account of bad debt losses arising during the year, which amounted to SEK 2.0 million (6.8) in the Group. Bad debt losses in the Parent Company totalled SEK 0 million (0). Bad debt losses comprise both proven and anticipated bad debt losses. See also Note 30, which provides information about credit risks and aging analysis.

NOTE 21 Accrued but not invoiced revenue

Group	2019	2018
Opening carrying amount 2018	120,002	94,751
Increase via company acquisitions	191	18,322
Partly invoiced amounts	–1,649,995	–1,216,515
Accrued revenue	1,650,780	1,223,444
Closing carrying amount	**120,978**	**120,002**

In the balance sheet, ongoing projects are recognised net as either 'Accrued but not invoiced revenue' in current assets, or as 'Invoiced but not accrued revenue' in current liabilities.
In 2019, the opening balance has been invoiced in its entirety.

NOTE 22 Prepayments and accrued income

Group	2019	2018
Prepaid rental costs	5,443	11,807
Prepaid insurance costs	1,921	3,390
Prepaid IT and licence costs	8,341	8,796
Other prepaid expenses	5,403	5,734
Total	**21,108**	**29,728**

NOTE 23 Cash and cash equivalents

	Group		Parent Company	
SEK 000s	**2019**	**2018**	**2019**	**2018**
Cash and bank balances	28,779	108,995	1,224	62,473
Total	**28,779**	**108,995**	**1,224**	**62,473**

For bank funds, certain accounts carry a variable interest calculated according to the bank's daily deposit interest rate. The fair value of cash and cash equivalents amounts to SEK 28.8 million (109.0) for the Group and SEK 1.2 million (62.5) for the Parent Company.

NOTE 24 Equity

Period	Change in share capital	A shares	B shares	Number of shares	Share capital
19/07/1989	Company established			500	50
28/01/1997	Bonus issue			500	100
01/10/2006	New share issue			9,000	1,000
19/11/2010	Division 100:1			990,000	1,000
27/04/2015	Division 3:1[1]	2,000,000	1,000,000	2,000,000	1,000
27/04/2015	New share issue	56,000	28,000	84,000	1,028
25/11/2015	New share issue		851,063	851,063	1,312
26/11/2015	New share issue		1,916,351	1,916,351	1,950
15/04/2018	Reclassification A:B	–224,000	224,000	–	1,950
07/06/2018	Share split 3:1	3,664,000	8,038,828	11,702,828	1,950
19/06/2018	New share issue		6,382,979	6,382,979	2,652
20/07/2018	New share issue		618,456	618,456	2,728
May–Nov 2019	Reclassification A:B	–97,476	97,476	–	2,728
		5,398,524	**19,157,153**	**24,555,677**	

1 Division in which one share gave two A shares with ten votes and one B share with one vote.

At year-end:	Quantity	Votes
A shares	5,398,524	10
B shares	19,157,153	1
Total	**24,555,677**	

Other contributed capital

Refers to equity contributed by the owners. This includes share premium reserves transferred to the statutory reserve. Provisions to the share premium reserve are also recognised as contributed capital.

Reserves

Retained earnings
Retained earnings including profit/loss for the year include retained profits in the Parent Company and its subsidiaries and associates.

Parent Company

Restricted funds
Restricted funds may not be reduced via distribution of profit.

Unrestricted equity
Retained earnings together with profit/loss for the year comprise unrestricted equity, i.e. the amount that is available for dividend payments to shareholders.

Retained earnings
Comprises previous year's retained earnings and profit/loss less dividend paid during the year.

Proposed appropriation of profits

Funds at the disposal of the Annual General Meeting, SEK:

Retained earnings	478,679,062
Profit/loss for the year	9,477,096
	488,156,158
The Board proposes that retained earnings be appropriated as follows	
To be carried forward	**488,156,158**
	488,156,158

NOTE 25 Interest-bearing liabilities

	Group		Parent Company	
SEK 000s	**2019**	**2018**	**2019**	**2018**
Non-current liabilities				
Loans and credit	177,361	225,374	175,825	225,000
Lease liabilities*	106,017	25,794	31,460	2,118
Other non-current interest-bearing liabilities	408	13,535	8,009	10,009
Total	**283,785**	**264,703**	**215,294**	**237,127**
Current liabilities				
Loans and credit	76,109	49,175	76,109	49,175
Lease liabilities*	69,752	17,537	15,141	5,136
Other current interest-bearing liabilities	–	–	–	–
Total	**145,861**	**66,712**	**91,250**	**54,311**
Total interest-bearing liabilities	**429,646**	**331,415**	**306,544**	**291,438**

* See Note 15 for restated opening balances

The liabilities are associated with certain terms linked to earnings and position, or covenants

	Group		Parent Company	
SEK 000s	**2019**	**2018**	**2019**	**2018**
Overdraft facility				
Available credit limit	60,000	60,000	60,000	60,000
Drawn portion	26,934	–	26,934	–

	Group		Parent Company	
SEK 000s	**2019**	**2018**	**2019**	**2018**
Revolving credit				
Available credit limit	100,000	100,000	100,000	100,000
Drawn portion	–	–	–	–

	Group		Parent Company	
SEK 000s	**2019**	**2018**	**2019**	**2018**
Pledged assets for liabilities to credit institutions				
Floating charges	8,000	64,470	8,000	–
Security for trade receivables	–	–	–	–

Average interest in 2019 has amounted to 2.8 percent.

NOTE 26 Income tax

	Group		Parent Company	
SEK 000s	**2019**	**2018**	**2019**	**2018**
Current tax expense (–) / income (+)				
Tax expenses for the period	–4,893	–9,669	–	–
Adjustment of tax relating to previous years	–4,143	–	–4,143	–
Deferred tax expense (–) / income (+)				
Adjustment of deferred tax relating to previous years	–3	–88	–2	1,112
Deferred tax relating to temporary differences	14,368	3,753	4,409	–1,443
Recognised deferred tax asset concerning loss carry-forwards	–8,670	–5,256	–8,348	–
Total recognised tax expense /income	**–3,341**	**–11,260**	**–8,085**	**–331**
Reconciliation of effective tax				
Profit/loss before tax	–36,861	68,381	17,562	6,555
Tax according to the current tax rate for the Parent Company	7,888	–15,044	–3,758	–1,442
Impairment of group-related goodwill, shareholdings	–		–	–3,495
Non-deductible expenses	–11,624	–1,364	–4,348	–61
Non-taxable income	18	–	–	251
Transaction expenses recognised directly in equity		4,143		4,143
Tax attributable to previous years	–	–88		–
Other	377	–	21	–
Recognised effective tax	**–3,341**	**–11,260**	**–8,085**	**–331**

At 31 December 2019, a deferred tax liability is recognised in the Group of SEK 22.1 million related to temporary differences in non-current and current assets. At year-end, deferred tax assets amount to SEK 1.0 million, which corresponds to 20.6 percent of all the Group's remaining loss carry-forwards, totalling SEK 4.9 million. The loss carry-forwards have an unlimited lifespan. Deferred tax assets and tax liabilities relate to the following categories:

	2019		2018	
SEK 000s	**Deferred tax assets**	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**
Group				
Untaxed reserves	–	17,847		50
Non-current/current assets	23,831	28,114	1,027	42,256
Loss carry-forwards	1,020			–10,300
Total	**24,851**	**45,961**	**1,027**	**32,006**
Parent Company				
Current assets	2,788	–	–1,615	–
Loss carry-forwards	–	–	8,349	–
Total	**2,788**	**–**	**6,734**	**–**

NOTE 27 Other liabilities

	Group		Parent Company	
SEK 000s	**2019**	**2018**	**2019**	**2018**
Short-term				
VAT	19,743	50,622	2,377	10,072
Staff taxes and fees	35,817	42,042	475	2,976
Contingent consideration	3,811	5,311	3,811	3,811
Other	4,323	6,733	41	83
Total	**63,694**	**104,708**	**6,704**	**16,942**
Long-term				
Contingent consideration	11,535	–	8,009	–
Total	**11,535**	**–**	**8,009**	**–**

NOTE 28 Accrued expenses and prepaid income

	Group		Parent Company	
SEK 000s	**2019**	**2018**	**2019**	**2018**
Accrued holiday pay and salaries, incl. social security contributions	55,228	54,577	545	2,658
Accrued interest expenses	11	15	–	15
Accrued audit costs	160	40	–	–
Accrued IT and licence costs	6,927	13,724	–	–
Accrued consulting expenses	9,450	1,936	491	1,069
Prepaid income	–	–165	–	–175
Restructuring provision	12,701	–	458	–
Other accrued expenses	9,353	10,132	1,370	–
Total	**93,830**	**80,259**	**2,865**	**3,568**

NOTE 29 Financial instruments by category

The fair value of the Group's financial instruments is established via market valuation, e.g. recently completed transactions, the price of similar instruments and discounted cash flows. When there is no reliable data available for fair value measurement, financial instruments are recognised at cost (Level 3). There were no transfers between any of the levels during the period.

No financial instruments have been classified at Level 2. Carrying amount is deemed to represent a reasonable estimate of the fair value of all financial assets and liabilities. The financial assets and liabilities are assigned to valuation categories 2 and 3.

31/12/2019

SEK 000s	**Measured at fair value via profit/loss**	**Financial assets measured at amortised cost**	**Financial liabilities measured at fair value through profit/loss**	**Of which fair value per level***		
Financial instruments, assets				**1**	**2**	**3**
Financial investments	3,241.2	–		–	–	3,241
Trade receivables	–	0	–	–	–	–
Short-term investments	–	–	0	–	–	0
Other non-current receivables	–	0	–	–	–	–
Total financial assets	**3,241.2**	**0**	**0**	**–**	**–**	**3,241**
Financial instruments, liabilities						
Recognised purchase considerations	15,346	–	–	–	–	15,346
Liabilities to customers and suppliers	–	–	77,265	–	–	–
Other non-current liabilities	–	–	1,535.5	–	–	–
Interest-bearing liabilities, non-current	–	–	283,785	–	–	–
Interest-bearing liabilities, current	–	–	145,861.3	–	–	–
Total financial liabilities	**15,346**	**–**	**508,447**	**–**	**–**	**15,346**

31/12/2018

SEK 000s	**Measured at fair value via profit/loss**	**Financial assets measured at amortised cost**	**Financial liabilities measured at fair value through profit/loss**	**Of which fair value per level***		
Financial instruments, assets				**1**	**2**	**3**
Financial investments	3,241.2	–	3,260	–	–	3,260
Trade receivables	–	0	–	–	–	–
Short-term investments	–	–	474	–	–	474
Other non-current receivables	–	0	–	–	–	–
Total financial assets	**3,241**	**0**	**3,734**	**–**	**–**	**3,734**
Financial instruments, liabilities						
Recognised purchase considerations	18,846	–	–	–	–	18,846
Liabilities to customers and suppliers	–	–	59,062	–	–	
Other non-current liabilities	–	–	373.7	–		
Interest-bearing liabilities, non-current	–	–	251,167.5	–	–	
Interest-bearing liabilities, current	–	–	66,711.8	–	–	
Total financial liabilities	**18,846**	**–**	**377,315**	**–**	**–**	**18,846**

Financial assets and financial liabilities measured at fair value in the balance sheet, or where disclosures are submitted regarding fair value, are classified according to one of three levels based on the information used to establish the fair value.

Carrying amount is deemed to represent a reasonable estimate of the fair value of all financial assets and liabilities. The financial assets and liabilities are assigned to valuation categories 2 and 3.

Financial assets and financial liabilities measured at fair value in the balance sheet, or where disclosures are submitted regarding fair value, are classified according to one of three levels based on the information used to establish the fair value. No transfers have occurred between these levels in 2019 or 2018.

Level 1

Financial instruments for which fair value is established based on observable (unadjusted) quoted prices in active markets for identical assets and liabilities. A market is considered active if quoted prices from a stock market, broker, industrial group, pricing service or supervisory authority are easily and regularly available, and such prices represent actual and regularly occurring arm's-length market transactions.

Level 2

Financial instruments for which fair value is established according to valuation models based on observable data for the asset or liability other than quoted prices included in Level 1, either directly (i.e. as quoted prices) or indirectly (i.e. derived from quoted prices). Examples of observable data under Level 2 are:

- Quoted prices for similar assets and liabilities.
- Data that may constitute grounds for assessing price, e.g. market rates and yield curves.

Level 3

Financial instruments for which fair value is established according to valuation models in which material inputs are based on unobservable data. No significant transfers between the levels have occurred during the periods. For other financial assets and financial liabilities, the recognised values are in all material respects deemed to correspond to the fair values. Recognised purchase considerations and financial investments are valued based on future earnings forecasts.

NOTE 30 Financial risks and finance policies

The Group is exposed to various types of financial risk through its daily operating activities. Financial risk refers to fluctuations in the company's earnings and cash flows resulting from variations in exchange rates, interest levels, financing and credit risks. The objective is to provide cost effective financing and to minimise the negative effects of market fluctuations on the Group's earnings. The Group's financial management is governed in accordance with the applicable finance policy, which is established by PE's Board of Directors and provides a framework of guidelines and regulations in the form of risk mandates and limits for financing activities. The Group Finance function is responsible for coordinating the Group's financing activities. The overarching objective of the Finance function is to provide cost effective financing and to minimise negative effects on the Group's earnings deriving from financial risks.

Liquidity risks

Liquidity risk is the risk that the Group may have difficulty fulfilling its obligations associated with financial liabilities. The Group has rolling one-month liquidity planning that covers all the Group's units. Planning is continually updated. The Group's forecasts also cover liquidity planning in the medium term. This liquidity planning is used to manage liquidity risk and the Group's financing costs. The objective is for the Group to be able to manage its financial commitments during economic upswings and downturns without incurring significant unforeseen costs. Liquidity risks are managed by the central finance department for the entire Group.

The Group aims to have a capital structure that is optimal in order to keep capital costs down while safeguarding its ability to continue operating, and to maintain a balance between deposited and borrowed capital. To maintain or adjust the capital structure, the Group can raise new loans, adjust the dividend to shareholders, repay capital to shareholders, issue new shares or sell assets to reduce debt. The Group assesses capital on the basis of its debt/equity ratio. This key performance indicator is calculated as net debt/cash funds as a percentage of shareholders' equity.

Interest rate risk

Interest rate risk is the risk of PE's cash flow or the value of financial instruments varying due to changes in market rates. Interest rate risk can lead to changes in actual values and changes in cash flows. A significant factor affecting interest rate risk is the period of fixed interest. The Group's interest-bearing net debt at 31 December 2019 amounted to SEK 400 million (208). Total interest-bearing liabilities amounted to SEK 430 million (331), of which current liabilities totalled SEK 146 million (67). Interest-bearing liabilities are charged interest based on liquidity planning, interest expectations and relevant financing agreements. PE currently has a short fixed-rate period (three months) for outstanding credits.

Since most of the company's financial liabilities carry a short fixed-rate period, most of the interest rate risk can be regarded as cash flow risk. A one-percentage point change in interest would affect earnings in the amount of SEK 4.2 million.

Foreign exchange risk

Foreign exchange risk covers future business transactions, recognised assets and liabilities in foreign currency and net investments in foreign operations. PE's foreign exchange risk is negligible.

Credit risk

Credit risk relates to the risk of financial loss due to the counterparty failing to fulfil their commitments.

Credit risks in financial operations

Credit risk in financing operations is minimal, as PE only has dealings with counterparties with the highest credit rating. It is primarily counterparty risks associated with receivables from banks and other counterparties. The finance policy includes a special counterparty regulation detailing the maximum permitted credit exposure for different counterparties.

Credit risks in trade receivables

The risk of the company's clients failing to fulfil their obligations, i.e. that payment is not received from clients, is a customer credit risk. Credit losses are usually low, owing to a large number of projects and clients where invoicing occurs on an ongoing basis during the production period. Credit checks are carried out on the Group's clients before a project is launched, during which information about clients' financial position is obtained from various credit information companies.

The Group has prepared a credit policy for how to manage client credits. The policy details where decisions are made about credit limits of various sizes and offers guidance on how to manage bad debts. A bank guarantee or other security is required for clients with low credit scores or insufficient credit history. The maximum credit exposure is stated in the carrying amount in the consolidated balance sheet. The total provision for doubtful trade receivables amounted to SEK 9.4 million (7.7) on the reporting date.

Maturity structure financial liabilities

Group 2019	Maturing within 1 year	Maturing in 1–2 years	Maturing in 3 years or later
Borrowings	50,158	51,162	126,154
Lease liability	80,724	64,922	95,211
Overdraft	26,934	–	–
Revolving acquisition credit	–	–	–
Other liabilities	63,694	63,694	–
Total	**221,510**	**179,778**	**221,365**

Group 2018	Maturing within 1 year	Maturing in 1–2 years	Maturing in 3 years or later
Borrowings	50,159	51,162	133,334
Lease liability	17,537	6,448	19,345
Overdraft	–	–	–
Revolving acquisition credit	–	–	–
Other liabilities	104,708	104,708	–
Total	**172,404**	**162,318**	**152,679**

Parent Company 2019	Maturing within 1 year	Maturing in 1–2 years	Maturing in 3 years or later
Borrowings	50,158	51,162	126,154
Lease liability	20,718	18,092	30,446
Overdraft	26,934	–	–
Revolving acquisition credit	–	–	–
Other liabilities	6,703	–	–
Total	**104,513**	**69,254**	**156,600**

Parent Company 2018	Maturing within 1 year	Maturing in 1–2 years	Maturing in 3 years or later
Borrowings	50,159	51,162	133,334
Lease liability	5,136	529	1,588
Overdraft	–	–	–
Revolving acquisition credit	–	–	–
Other liabilities	16,942	–	–
Total	**72,237**	**51,691**	**134,922**

Credit facilities

Group 2019	Nominal	Drawn	Available
Bank loans	225,000	225,000	–
Overdraft facility	60,000	26,934	33,066
Revolving credit facility	100,000	–	100,000
Cash and cash equivalents including short-term investments	29,350	–	29,350
Total	**414,350**	**251,934**	**162,416**

Group 2018	Nominal	Drawn	Available
Bank loans	281,000	281,000	–
Overdraft facility	60,000	–	60,000
Revolving credit facility and acquisition credit	200,000	–	200,000
Cash and cash equivalents including short-term investments	109,470	–	109,470
Total	**650,470**	**281,000**	**369,470**

Aging analysis trade receivables

	Group		Parent Company	
	2019	**2018**	**2019**	**2018**
Not overdue	178,341	196,011	–	22,868
1–30 days overdue	7,913	17,981	–21	3,947
31–60 days overdue	673	2,780	–	–499
61–90 days overdue	495	1,615	–	–319
>91 days overdue	28,353	13,621	1,189	–2,388
Total	**215,776**	**232,008**	**1,168**	**23,609**

Impaired trade receivables

	Group		Parent Company	
	2019	**2018**	**2019**	**2018**
Opening balance	**–7,720**	**–6,838**	**–**	**–5**
Paid/settled trade receivables	–	5,465	–	5
Proven bad debt losses	1,886	460	–	–
Impaired trade receivables	–3,663	–6,807	–	–
Total	**–9,497**	**–7,720**	**–**	**–**

NOTE 31 Pledged assets, contingent liabilities and contingent assets

	Group		Parent Company	
Pledged assets	**2019**	**2018**	**2019**	**2018**
For own liabilities and provisions				
Floating charges	8,000	64,470	8,000	–
Blocked bank deposits	–	–	–	–
Total pledged assets	**8,000**	**64,470**	**8,000**	**–**
Contingent liabilities				
Guarantees on behalf of subsidiaries	–	–	Un-limited	Un-limited
Total contingent liabilities	**–**	**–**	**–**	**–**

All pledged assets concern the Group's credit facilities.

NOTE 32 Statement of cash flows

	Group		Parent Company	
SEK 000s	**2019**	**2018**	**2019**	**2018**
Adjustments for non-cash items and other				
Depreciation, amortisation and impairment losses	107,339	15,393	26,902	4,503
Impairment of goodwill/shares in subsidiaries	–	–	–	15,885
Impairment, trade receivables	3,395	–1,162	–	–5
Capital gains/losses on divestment of operations/subsidiaries	–	–	–	–
Capital gains/losses, divestments	–222	850	–139	281
Change in provisions	325	–244	69	–
Interest expenses not affecting cash flow	–4	383	–15	–
Other	2,652	2,659	–0	4,143
Total	**113,486**	**17,878**	**26,816**	**24,807**
Unutilised credits				
Unutilised credits amount to:	162,416	369,470	162,416	369,170

NOTE 33 Events after reporting date

Renegotiated credit agreement

PE has renegotiated the credit agreement with SEB regarding acquisition credit. The facility has not been used and amounted to SEK 100 million. This facility has been removed from the credit agreement. The agreement now comprises an overdraft facility of SEK 60 million, a term loan of SEK 381 million and a revolving credit facility of SEK 100 million.

Uncertainty surrounding the impact of COVID-19

The spread of COVID-19 may have a significant impact on a business like ours. Clients, employees and projects can all be affected to a considerable extent, which can also impact PE's performance, plans and financial earnings. The risks that we believe could primarily have an impact are operating risks such as demand, skills shortage, efficiency, IT and financial risks, such as financing and liquidity risk. It is not yet possible to predict the impact of COVID-19. One of PE's advantages is that our work is largely digitalised, which makes us less reliant on travel and face-to-face meetings. There is a great deal of uncertainty regarding the extent, ways and length of time that COVID-19 may affect PE. Pages 45–47 provide details of how PE manages various risks.

NOTE 34 Critical accounting estimates and judgements

The Group makes estimates and assumptions about the future. The estimates for accounting purposes that result from these will, by definition, rarely correspond to actual outcomes. Estimates and judgements are evaluated continually and based on historical experience and other factors, including expectations of future events that are deemed reasonable given the prevailing conditions. Certain key accounting estimates that have been made on application of the Group's accounting policies are detailed below.

Impairment testing of goodwill

When calculating cash-generating units' recoverable amount for assessing any need for impairment of goodwill, several assumptions regarding future conditions and estimates of parameters have been made. An account of these is provided under Note 13. As understood from the description in Note 13, changes in 2020 to the conditions for these assumptions and estimates would have a significant impact on the value of goodwill.

Measurement of trade receivables and accrued but not invoiced revenue

Receivables and liabilities in ongoing assignments amount to SEK 121 million (120) for the Group. Accrued but not invoiced revenue is measured at invoicing amount with a reduction for proven losses and anticipated risks. Assessments of risks in assignments are made continually based on their specific conditions and previous experience of similar assignments.

The balance sheet item comprises a large number of assignments. An incorrect assessment of an individual assignment would therefore not have any material impact on the value of the Group's earnings or position. A general incorrect assessment could have a material impact, but is not deemed likely.

PE's trade receivables amount to SEK 206 million (224). The receivables are measured at fair value. The fair value is affected by several assessments, the single most significant for PE being credit risk and accordingly any need for provisions for bad debts. Each receivable must be measured individually, but as a rule special circumstances are required for receivables that have been overdue for more than 60 days not to be reserved either wholly or in part.

NOTE 35 Information about the Parent Company

Projektengagemang Sweden AB (Publ) is a Swedish-registered public limited company with registered offices in Stockholm, Sweden. The address of the company's headquarters is Årstaängsvägen 11, 117 43 Stockholm. The 2019 consolidated accounts consist of the Parent Company and its subsidiaries, together with the aforementioned PE or Group.

The Board of Directors and CEO certify that the annual accounts have been prepared in accordance with International Financial Reporting Standards, IFRS, as adopted by the EU, and generally accepted accounting principles. The annual accounts and the Group's consolidated accounts provide a true and fair picture of the performance and financial position of the Parent Company and the Group. The directors' report for the Parent Company and the Group provides a true and fair picture of the development of the operations, financial position and performance of the Group and the Parent Company and also describes material risks and uncertainties to which the Parent Company and the other companies in the Group are exposed.

The Annual Report and consolidated accounts were approved for publication by the Board on 15 April 2020. The consolidated income statement and balance sheet and the Parent Company's income statement and balance sheet will be presented for adoption at the Annual General Meeting on 19 May 2020.

Stockholm, 15 April 2020

Per Göransson *Interim Chairman of the Board*	Britta Dalunde *Board member*	Lars Erik Blom *Board member*

Öystein Engebretsen *Board member*	Carina Malmgren Heander *Board member*

Per-Arne Gustavsson
Interim President and CEO and Board member

Our auditor's report was submitted on 15 April 2020

PricewaterhouseCoopers AB

Camilla Samuelsson
Authorised Public Accountant

Auditor's report

To the Annual General Meeting of the shareholders of Projektengagemang Sweden AB (publ) company reg. no 556330-2602

Report on the annual accounts and consolidated financial statements

Opinions

We have audited the annual accounts and consolidated accounts of Projektengagemang Sweden AB (publ) for the 2019 financial year, with the exception of the Corporate Governance Report on pages 38–44. The annual accounts and consolidated accounts of the company are included on pages 32–78 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company at 31 December 2019 and of its financial performance and its 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 at 31 December 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not apply to the Corporate Governance Report on pages 38–44. The directors' report is consistent with the other parts of the annual accounts and consolidated financial statements.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the Parent Company and Group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the supplementary report that has been submitted to the Parent Company and Group's Audit Committee, in accordance with article 11 of the Audit Directive (537/2014).

Basis for opinions

We have conducted the audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibility according to these standards is described in more detail in the 'Auditor's responsibility' section. We are independent in relation to the Parent Company and Group, in accordance with rules of professional ethics for accountants in Sweden, and have in other respects fulfilled our ethical responsibility according to these requirements. This means that, based on our best knowledge and conviction, no prohibited services referred to in article 5.1 of the Audit Directive (537/2014) have been provided to the audited company or, where applicable, its Parent Company or its controlled companies within the EU.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Our auditing process

Focus and scope of the audit

Projektengagemang is a consulting firm that pursues assignments in project form. Thousands of projects are ongoing in Projektengagemang's decentralised organisation. Most of the projects are charged on an ongoing basis, while some are at a fixed price. The majority of the Group and companies' accounting is managed by the central finance department in Stockholm, and accounting for acquired companies is regularly transferred to the department as well. Over the past few years, Projektengagemang has had a clear acquisition focus, with growth mainly occurring via the acquisition of small consulting firms. This means that in our audit we focus on project accounting and impairment testing of goodwill and shares in subsidiaries (as a result of acquisitions carried out).

We designed our audit by setting the materiality level and assessing the risk of material misstatements in the financial statements. We paid particular attention to areas where the CEO and Board of Directors have made subjective assessments, for example key accounting estimates that have been made based on assumptions and forecasts regarding future events, which are in their very nature uncertain. As with all audits, we have also taken account of the risk of the Board of Directors and CEO disregarding internal controls, and considered whether there is any evidence of systematic deviations that have given rise to a risk of material misstatements resulting from fraud.

We adapted our audit to carry out an appropriate review for the purpose of being able to give an opinion on the financial statements as a whole, taking account of the Group's structure, accounting processes and controls and the industry in which the Group operates.

Materiality

The scope and focus of the audit was affected by our materiality assessment. An audit is designed to achieve a reasonable level of assurance as to whether the financial statements contain any material misstatements. Misstatements can arise as a result of fraud or error. They are deemed material if individually or together they can be reasonably expected to impact the financial decisions that users make based on the financial statements.

Based on professional judgement, we established certain quantitative materiality ratios, including for the financial reporting as a whole. We used these and qualitative considerations to establish the scope and focus of the audit, and the nature, timing and extent of our review procedures, and to assess the effect of individual and aggregate misstatements on the financial statements as a whole.

Areas of particular significance

Areas of particular significance for the audit include those areas that, in our professional opinion, were the most significant for the audit of the annual accounts and consolidated accounts for the period in question. These areas are addressed within the scope of the audit of, and our standpoint on, the annual accounts and the consolidated accounts as a whole, but we do not issue separate statements about these areas.

Area of particular significance	How our audit observed the area of particular significance
Impairment testing In the consolidated balance sheet, goodwill and acquisition-related surplus values are recognised at a value of SEK 634 million. Goodwill and acquisition-related surplus values correspond to the difference between the value of net assets and purchase consideration paid for an acquisition. Unlike other non-current assets, there is no amortisation of goodwill. This balance sheet item is instead tested annually for impairment or when there are indications of a decline in value. Other acquisition-related non-current assets are depreciated over their estimated useful life. Impairment testing, and thus carrying amounts, are dependent on the Board and management's estimates, and judgements and assumptions regarding, for example, growth and future profitability, as well as discount rates. Future events and new information may change these judgements and estimates, and it is therefore particularly important for company management to continually evaluate whether the value of the acquisition-related intangible assets is justified given new information and conditions. Company management's calculation of the assets' value in use is based on next year's budget and forecasts for the subsequent four years. A more detailed description of these assumptions is provided under Note 12. Impairment testing naturally includes a greater element of estimates and judgements from company management, which is why we have judged this to be an area of particular significance in our audit. For accounting policies, please refer to pages 60–61 and Note 13 of the 2019 Annual Report.	In our audit we have focused in particular on how company management tests the need for impairment. We have carried out the following review procedures: • Evaluated Projektengagemang's impairment testing process. • Examined the way in which company management has identified cash-generating units and compared this with how Projektengagemang follows up goodwill internally. • Evaluated the plausibility of assumptions made and carried out sensitivity analyses for changed assumptions. • With the support of PwC's internal evaluation specialists, we have examined the accuracy of the calculation models and evaluated the plausibility of the discount rate used. • Compared estimated value in use with market capitalisation at 31 December 2019. • Evaluated management's forecast capability by comparing previous forecasts with actual outcomes. • Based on materiality confirmed that adequate note disclosures have been submitted in the annual accounts.
Accrual of revenue recognition in ongoing projects and valuation of trade receivables and accrued but not invoiced revenue Projektengagemang's recognised revenue and earnings are generated by carrying out projects on behalf of clients. Most of the projects are billed on an ongoing basis with time spent invoiced retrospectively, while revenue is recognised in the period in which the work was carried out. Fixed-price projects are recognised according to the percentage-of-completion method, in which revenue is recognised in relation to the project's degree of completion. Invoices are sent at fixed points in accordance with the agreement with the client. Consequently, the timing of revenue recognition does not normally coincide with invoicing and payment by the client. Irrespective of whether projects are fixed-price or ongoing, revenue recognition of projects, particularly fixed-price projects, must involve judgements. Revenue recognition and valuation of outstanding receivables can be affected by various circumstances. Examples of circumstances that may affect recognition are if contract terms change, if expenses incurred exceed anticipated expenses, or if discussions or negotiations arise regarding delivery acceptance by the client. Discussions regarding delivery acceptance and/or about actual time spent exceeding the time anticipated may affect the valuation of the outstanding receivable from the client. Revenue recognition from fixed-price projects that continue over an extended period involve a greater risk of errors, with a risk of revenue being recognised in the wrong period and/or at the wrong amount. Since estimates and judgements are required for recognition of projects, errors can occur either knowingly or unknowingly. As a result of the element of estimates and judgements from company management, we have identified project accounting as an area of particular significance in the audit. For accounting policies, please refer to pages 58–59 and Notes 2, 20, 21 and 30 of the 2019 Annual Report.	In our audit we have focused especially on company management's handling of ongoing projects and in particular on accrual and valuation of balance sheet items related to project accounting such as trade receivables and accrued income. We have carried out the following review procedures: • Assessment of accounting policies applied. • Analysis of controls and procedures regarding project accounting. • Analytical review of project provisions. • Random checks that large projects have been reported at the correct amounts and in the right period by checking against underlying contracts, invoices and payments, and time reporting. • Analysis of older, overdue trade receivables and accrued income, and the provision for bad debts that has been reported, in order to independently evaluate the value of the receivables. • Follow-up and discussions with management and project managers.

Other information in addition to the annual accounts and consolidated accounts

This document also contains other information in addition to the annual accounts and consolidated accounts, which can be found on pages 1–31 and 82–89. The Board of Directors and President and CEO are responsible for such information.

Our opinion with regard to the annual accounts and consolidated accounts does not extend to this information, and we do not provide a statement of assurance concerning such other information.

In connection with our audit of the annual accounts and consolidated accounts, it is our responsibility to read the information identified above and consider whether the information is to a significant extent inconsistent with the annual accounts and consolidated accounts. During this review we also take account of the knowledge we have otherwise obtained during the course of the audit, and we assess whether the information in general appears to contain any material misstatements.

If, based on the work that has been carried out regarding this information, we conclude that the other information contains a material error, we are obliged to report this. We have nothing to report in this regard.

Responsibility of the Board of Directors and Chief Executive Officer

The Board of Directors and President and CEO are responsible for ensuring that the annual accounts and consolidated accounts are prepared and that they provide a true and fair view in accordance with the Annual Accounts Act and, as regards the consolidated accounts, in accordance with IFRS, as adopted by the EU, and the Swedish Annual Accounts Act. The Board of Directors and the President and CEO are also responsible for such internal controls as they deem necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

When preparing the annual accounts and consolidated accounts, the Board of Directors and President and CEO are responsible for analysing the company and Group's ability to continue operating. Where applicable, they provide notification of circumstances that could affect the ability to continue operations and to use the assumption of continued operation. The assumption of continued operation does not apply, however, if the Board of Directors and the President and CEO intend to liquidate the company, discontinue operations or do not have any realistic alternative to taking either of these options.

The Board's Audit Committee shall, without it affecting the Board's responsibility and duties in general, monitor the company's financial reporting.

Auditor's responsibility

Our objectives are to achieve a reasonable level of assurance that the annual accounts and the consolidated accounts as a whole do not contain any material misstatements, whether due to fraud or error, and to submit an auditor's report that contains our opinions. Reasonable assurance is a high level of assurance, but is no guarantee that an audit carried out in accordance with ISA and generally accepted auditing standards in Sweden will always detect a material misstatement if it exists. Misstatements can arise due to fraud or error, and are deemed material if individually or together they can be reasonably expected to impact the financial decisions that users make based on the annual accounts and consolidated accounts.

Further details of our responsibility as regards the auditing of the annual accounts and consolidated accounts can be found on the website of the Swedish Inspectorate of Auditors, Revisorsinspektionen: https://www.revisorsinspektionen.se/en/English/ This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and Chief Executive Officer of Projektengagemang Sweden AB (publ) for 2019.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the directors' report, and that the members of the Board of Directors and the President and CEO be discharged from liability for the financial year.

Basis for opinions

We have conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibility according to these standards is described in more detail in the 'Auditor's responsibility' section. We are independent in relation to the Parent Company and Group, in accordance with rules of professional ethics for accountants in Sweden, and have in other respects fulfilled our ethical responsibility according to these requirements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibility of the Board of Directors and Chief Executive Officer

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. Any proposed dividend contains, among other things, an assessment of whether the dividend is justifiable with regard to the requirements that the company and Group's type of business, size and risks place on the size of the Parent Company and Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organisation and the administration of the company's affairs. This involves, among other things, continually assessing the company and Group's financial situation, and ensuring that the company's organisation is designed in such as way that accounting records, management of funds and the company's financial affairs in general are monitored satisfactorily. The President and CEO must conduct ongoing management in accordance with the Board of Directors' guidelines and instructions and, for example, take any measures necessary to ensure that the company's accounting records are implemented in compliance with the law and that funds are managed in a satisfactory manner.

Auditor's responsibility

Our objective for the audit of management, and therefore our statement on discharge from liability, is to obtain audit evidence to have a reasonable level of assurance to be able to assess whether any Board member or the President and CEO in any significant respect:

- has taken any action or is guilty of any negligence that could lead to a liability to the company, or
- has in some other way acted in breach of the Swedish Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective for the audit of the proposed appropriation of the company's profit or loss, and therefore our statement about this, is to have a reasonable level of assurance to assess whether the proposal is consistent with the Swedish Companies Act.

Reasonable assurance is a high level of assurance, but is no guarantee that an audit carried out in accordance with generally accepted auditing standards in Sweden will always detect actions or negligence that could lead to a liability to the company, or that a proposal regarding the appropriation of the company's profit or loss is not consistent with the Swedish Companies Act.

Further details of our responsibility regarding the audit of management can be found on the website of the Swedish Inspectorate of Auditors, Revisorsinspektionen: https://www.revisorsinspektionen.se/en/English/ This description is part of the auditor's report.

Auditor's review of the Corporate Governance Report

The Board of Directors is responsible for the Corporate Governance Report on pages 38–44 and for ensuring that it is prepared in accordance with the Swedish Annual Accounts Act.

Our review has been carried out according to FAR's statement RevU 16 The Auditor's Examination of the Corporate Governance Statement. This means that our review of the Corporate Governance Report has a different focus and is considerably less in scope than the focus and scope of an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that this review provides us with a sufficient basis for our opinions.

A corporate governance report has been prepared. Disclosures in accordance with Chapter 6, Section 6 second paragraph, points 2–6 of the Annual Accounts Act and Chapter 7, Section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

PricewaterhouseCoopers AB, Torsgatan 21 113 97 STOCKHOLM, were appointed as Projektengagemang Sweden AB's (publ) auditors by the AGM on 21 May 2019 and have been the company's auditors since 1 June 2016.

Stockholm, 15 April 2020
PricewaterhouseCoopers AB

Camilla Samuelsson
Authorised Public Accountant

Board of Directors






Per Göransson, born 1953

Interim Chairman of the Board

Member since 2006

Not independent in relation to the company and management, and not independent in relation to the company's major shareholders

Education: MSc in Engineering from KTH Royal Institute of Technology

Other roles: Board member of G-Trading AB, Projektengagemang Holding AB and Projektengagemang Förvaltning AB

Shareholding: 2,178,380 A shares and 436,800 B shares indirectly owned via Projektengagemang Holding i Stockholm AB and G-Trading AB

Per-Arne Gustavsson, born 1952

Board member

Member since 2018

Chairman of the Board and CEO of Projektengagemang from 2006 until 2015, employee since 2006.

Not independent in relation to the company and management, and not independent in relation to the company's major shareholders

Education: MSc in Engineering from KTH Royal Institute of Technology

Other roles: Chairman of Fotbollsajten Scandinavia AB, Projektengagemang Holding i Stockholm AB, Pagator AB

Shareholding: 2,217,796 A shares and 445,626 B shares indirectly owned via Projektengagemang Holding i Stockholm AB and 100,000 B shares owned privately

Britta Dalunde, born 1958

Board member and chair of the Audit Committee

Member since 2016

Independent of the company and company management and in relation to the company's major shareholders

Education: MBA specialising in Strategic Planning, Edinburgh Business School

Other roles: Chair of Chorus AB, board member of Arlandabanan Infrastructure AB and board member and chair of the Audit Committee of Global Ports Investments PLC, Weum Gas AB, Swedegas AB and ForSea AB.

Shareholding: 10,500 B shares and 21,000 B shares indirectly via Pamagi Advisory AB

Carina Malmgren Heander, born 1959

Member and chair of the Remuneration Committee

Member since 2017

Independent of the company and company management and in relation to the company's major shareholders

Education: Master of Science BI Norweigian School of Management (Oslo/Sandvika)

Other roles: Group Director and Chief of Staff at SAS Group. Chair of the board of Svenska Flygbranschen AB, board member of the Confederation of Swedish Enterprise (Svenskt Näringsliv), board member of Transportföretagen AB and board member of Timezynk AB.

Shareholding: 0

Lars Erik Blom, born 1960

Board member and member of the Audit Committee

Member since 2016

Independent of the company and company management but not of major shareholders

Education: MSc in Economics and Business from Stockholm University

Other roles: CEO of LK Finans AB and several board positions within LK Finans AB's investment operations, board member of FM Mattsson Mora Group, Its Nordic AB, TSS Holding AB, Norvatek Invest AB, Delgivningsbyrån DeltraKravek AB, JEFF fastigheter AB, Tryggkredit Stockholm AB, Nextory AB, Visera AB, LK Servius AB and member of FM Mattsson Mora Group's Audit Committee and chairman of LK-gruppen.

Shareholding: 147,596 B shares indirectly via LK Finans

Öystein Engebretsen, born 1980

Board member and member of the Remuneration Committee

Member since 2016

Independent of the company and management but not of major shareholders

Education: Master of Science BI Norweigian School of Management (Oslo/Sandvika)

Other roles: Investment Manager at Investment AB Öresund. Board member of Scandi Standard AB, board member of Catena Media P.L.C and Insr Insurance Group ASA

Shareholding: 135,000 B shares, own and related party's holding

Management







Per-Arne Gustavsson, born 1952

President and CEO

Education: MSc in Engineering from KTH Royal Institute of Technology

Other roles: Chairman of Fotbollsajten Scandinavia AB, Projektengagemang Holding i Stockholm AB, Pagator AB

Shareholding: 2,217,796 A shares and 445,626 B shares indirectly owned via Projektengagemang Holding i Stockholm AB and 100,000 B shares owned privately

Peter Sandberg, born 1970

Deputy CEO and CFO.

Employee since 2007

Education: MSc in Economics and Business from Uppsala University

Many years of experience from the technical consulting industry

Shareholding: 309,000 A shares and 33,250 B shares, privately and via companies

Nicke Rydgren, born 1976

Head of Architecture & Management Division, CMO

Employee since 2018

Education: MBA from Stockholm School of Economics (SSE)

Extensive experience from senior positions including Deputy CEO of the Projektel Group, Head of Consulting and Analysis at Bisnode Sweden, Managing Partner at Great Consulting Group and Product Director Europe at HP.

Shares: 79,600 B shares via companies

Åsa Holmgren, born 1967

Chief Human Resources Officer (CHRO)

Employee since 2018

Education: MSc in Engineering from KTH Royal Institute of Technology, MSc programme at School of Economics (HHS)

Extensive experience from senior positions including HR, Communication and Sustainability Director at Axel Johnson International, COO and Global Head of HR at OSM Group, and CHRO at Capgemini Consulting

Number of shares: 1,800 B shares

Kjell-Åke Johansson, born 1961

Head of Systems Division

Employee since 2018

Education: Upper-secondary engineering qualification, electrical power

Extensive experience from consulting industry in senior roles, most recently CEO of Integra Engineering AB. Previous positions include Semcon, Innovatum Science Park and chairman of Integra's board.

Number of shares: 4,250 B shares

Mathias Thorsson, born 1971

Head of Civil Engineering & Infrastructure Division

Employee since 2016

Education: MSc in Engineering from Chalmers University of Technology (CTH)

Extensive experience from senior positions including Regional Manager, Business Area Manager and Deputy CEO at Reinertsen Sverige AB and member of the management team of Reinertsen AS. Former contractor with several years' experience in assignments within construction, infrastructure and industry.

Shareholding: 8,454 B shares

Linda Lönneberg, born 1975

Business Area Director Infrastructure

Employee since 2007

Education: MSc in Engineering from KTH Royal Institute of Technology

Many years' experience from senior positions at PE, including as Business Area Director for HVAC and sanitation design

Shareholding: 54,000 A shares and 69,262 B shares

Key performance indicators, definitions

This report contains financial measures that are not defined in IFRS. These financial measures are used to monitor, analyse and direct operations and to supply the Group's stakeholders with information about the Group's financial position, earnings and performance. These financial measures are considered to be necessary to be able to monitor and direct the development of the Group's financial targets and it is therefore relevant to publish them regularly. Below is a list of definitions of the key performance indicators used in this report.

Share-based measures

Earnings per share
Profit/loss for the year attributable to shareholders divided by a weighted average of the number of shares during the year

Performance figures

Return on equity
Profit/loss for the year according to income statement excluding minority's share, as a percentage of average equity

Return on capital employed
Profit/loss after net financial items, including earnings from participations in associates with reversal of interest expenses, as a percentage of average capital employed

Return on total capital
Profit/loss after net financial items, including earnings from participations in associates plus finance costs, as a percentage of average total assets

Financial measures

Share of risk-bearing capital
Total of equity and deferred tax liabilities as a percentage of total assets

Average period of fixed interest
Period of fixed interest weighted according to outstanding interest-bearing liabilities

Average equity
Average amount of recognised equity at 1 January and 31 December

Adjusted earnings
Operating profit/loss adjusted for items affecting comparability

Items affecting comparability
Items relating to terminated operations, acquisition and integration expenses and IPO expenses

Asset turnover
Net revenue divided by average capital employed

Net borrowings
Interest-bearing liabilities less financial assets including cash and cash equivalents

Net revenue
Net revenue corresponds to invoicing of current projects

Order intake
The value of projects taken on and changes to existing projects during the current period

Interest coverage ratio
Profit/loss after financial items plus finance costs divided by finance costs

Debt/equity ratio
Net borrowings divided by equity

Equity/assets ratio
Total equity as a percentage of total assets

Capital employed
Total assets less non-interest-bearing liabilities including deferred tax liabilities. Average capital employed is calculated as the average of values at 1 January and 31 December

Margins

Net margin
Profit/loss after financial items as a percentage of net revenue

Operating margin
Operating profit/loss as a percentage of net revenue

Profit margin
Profit/loss after financial items as a percentage of net revenue

Other key performance indicators

Number of employees
Total number of employees, all forms of employment, at end of period

Utilisation rate
Time charged to customer in relation to total attendance

Average number of FTEs
Average number of employees during the year recalculated to full-time equivalents. The actual number of employees is higher due to part-time positions, and the fact that some employees only work for part of the year

Calendar effect
Average number of employees for the period multiplied by the difference in the number of available working days during the period, multiplied by average revenue/employee.

Average interest
Nominal interest weighted according to outstanding interest-bearing liabilities at the balance sheet date

Adjusted operating profit/loss EBIT and EBITDA for items affecting comparability

Company management is of the opinion that the operating performance measures EBIT and EBITA, adjusted for acquisition expenses and integration expenses associated with significant acquisitions, together with listing costs provide useful information allowing investors to monitor and analyse the underlying earnings performance of the business, and create comparable performance measures between different periods. During the January to December 2019 period, earnings were negatively impacted in the amount of SEK 25.2 million (9.6) in items affecting comparability. In 2018 these costs consisted of consulting expenses of SEK –9.6 million relating to the company's IPO and a reversed contingent consideration of SEK 7.1 million. In 2019 these costs refer to restructuring; see Note 5.

SEK million	2019	2018
EBITA	**–16.1**	**70.8**
Discontinued businesses, restructuring	25.2	0.0
IPO expenses	0.0	9.6
EBITA items affecting comparability	**25.2**	**9.6**
Adjusted EBITA	**9.2**	**80.4**

SEK million	2019	2018
Operating profit/loss, EBIT	**–24.7**	**74.2**
EBITA items affecting comparability	25.2	9.6
Reversed contingent consideration	0.0	–7.1
Items affecting comparability EBIT	**25.2**	**2.5**
Adjusted EBIT	**0.5**	**76.7**

Calculations of financial performance measures not defined according to IFRS

Some of the descriptions and analyses presented in this annual report include alternative performance measures that are not defined by IFRS. The company is of the opinion that this information, in combination with comparable defined IFRS measures, is useful for investors, as it provides a basis for measuring operating earnings and the ability to repay liabilities and invest in the business. Management uses these financial measures, together with the most directly comparable financial measures according to IFRS, when evaluating operating earnings and value creation. These alternative performance measures should not be considered in isolation from, or as a substitute for financial information published in the financial statements in accordance with IFRS. The alternative performance measures that are reported do not necessarily need to be comparable with similar measures published by other companies. Reconciliations are presented in the tables below.

SEK 000s	2019	2018
Non-current, interest-bearing liabilities	283,785	251,168
Current, interest-bearing liabilities	145,861	66,712
Cash and cash equivalents including short-term investments	–29,438	–110,086
Net receivables (-)/debt	**400,209**	**207,793**
Net receivables (-)/debt	400,209	207,793
EBITDA	–16,051	70,803
Leverage	**–24.9**	**2.9**
Operating profit/loss, EBIT	–24,732	74,161
Net revenue	1,348,389	1,223,796
Operating margin EBIT, %	**–1.8**	**6.1**
Operating profit/loss, EBIT (adjusted earnings)	487	76,681
Net revenue	1,348,389	1,223,796
Adjusted operating margin EBIT, %	**0.0**	**6.3**
Operating profit/loss, EBIT	–24,732	74,161
Acquisition-related items	–8,681	3,358
EBITA	–16,051	70,803
Net revenue	1,348,389	1,223,796
EBITA margin, %	**–1.2**	**5.8**
Operating profit/loss, EBIT (adjusted earnings)	487	76,681
Acquisition-related items	–8,681	3,358
EBITA (adjusted earnings)	9,168	80,401
Net revenue	1,348,389	1,223,796
Adjusted EBITA margin, %	**0.7**	**6.6**
Operating profit/loss, EBIT	–24,732	74,161
Amortisation and acquisition-related capital gain	–104,689	–15,393
Profit/loss before depreciation/amortisation, EBITDA	79,957	89,554
Net revenue	1,348,389	1,223,796
EBITDA margin, %	**5.9**	**7.3**
Operating profit/loss, EBIT (adjusted earnings)	487	76,681
Amortisation and acquisition-related capital gain	–104,689	–15,393
Profit/loss before depreciation/amortisation, EBITDA (adjusted earnings)	92,659	99,151
Net revenue	1,348,389	1,223,796
Adjusted EBITDA margin, %	**6.9**	**8.1**

Projektengagemang – Share information

Projektengagemang Sweden AB (publ) was listed in 2018 on Nasdaq Stockholm in the Small Cap segment. The subscription price was SEK 47 per share. The first trading day was 19 June. The total number of shares in PE amounts to 24,555,677, and votes total 73,142,393. Of the total number of shares, 5,398,524 are A shares, representing 53,985,240 votes, and 19,157,153 are B shares, representing 19,157,153 votes. Only the company's B shares are listed on Nasdaq Stockholm.

Share price performance

The share price for PENG B at year-end 2019 was SEK 15.05 per share, which is a decline of 57 percent compared with the share price on 1 January 2019, when one share cost SEK 35.11. Nasdaq OMX Small Cap Sweden PI rose by 29.48 percent during the corresponding period. The highest share price in 2019 was SEK 31.80 and the lowest was SEK 14.30.

During the year, a total of 4,422,141 shares were traded via Nasdaq Stockholm. The number of shares traded per trading day averaged 17,831.

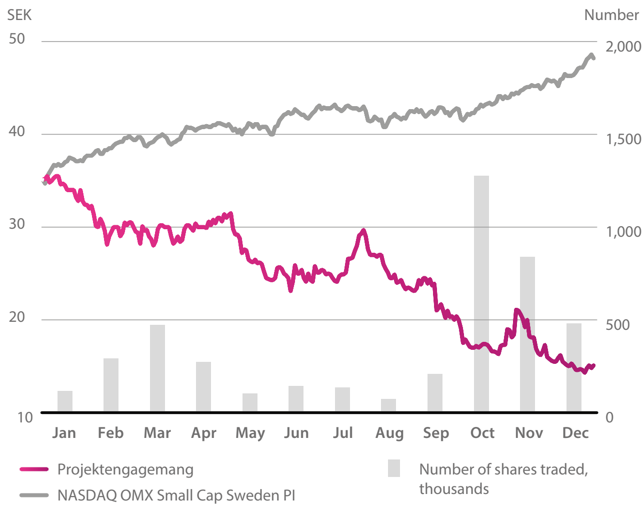
Dividend policy

The dividend shall be between 30 and 50 percent of profit/loss for the year.

Proposed dividend

The Board proposes that no dividend be paid (SEK 1.0 per share). The total dividend amounts to SEK 0 (24,555,677).

Share information



Largest shareholders at 30 December 2019

Name	A shares	B shares	Total	Votes, %	Capital, %
Projektengagemang Holding i Stockholm AB	4,391,676	882,426	5,274,102	61.25%	21.48%
Öresund, Investment AB	0	2,881,634	2,881,634	3.94%	11.74%
Sandberg, Peter and companies	309,000	33,250	342,250	4.27%	1.40%
K-konsult Management AB	159,000	14,866	173,866	2.19%	0.71%
LK Finans AB	0	1,489,362	1,489,362	2.04%	6.07%
Zirkona	0	1,464,634	1,464,634	2.00%	5.96%
Ringstedt, Katarina	120,000	31,689	151,689	1.68%	0.62%
Humle Småbolagsfond	0	1,227,125	1,227,125	1.68%	5.00%
Handelsbanken Microcap Sverige	0	930,839	930,839	1.27%	3.79%
Fondita Nordic Micro Cap SR	0	838,983	838,983	1.15%	3.42%
Total, ten largest shareholders	**4,979,676**	**9,794,808**	**14,774,484**	**81.47%**	**60.19%**
Other shareholders	418,848	9,362,345	9,781,193	18.53%	39.81%
Total number of shares	**5,398,524**	**19,157,153**	**24,555,677**	**100.0%**	**100.0%**

Share distribution at 30 December 2019

Holdings	Number of shareholders	A shares	B shares	Capital, %	Votes, %
1–500	955	300	191,258	0.78%	0.26%
501–1,000	199	15,300	156,886	0.64%	0.26%
1,001–5,000	302	66,648	719,741	3.01%	1.33%
5,001–10,000	70	42,300	482,623	2.09%	1.04%
10,001–15,000	18	12,000	254,061	0.89%	0.33%
15,001–20,000	17	0	302,307	1.24%	0.55%
20,001–	103	5,261,976	17,056,711	91.38%	96.23%
Total, 30/12/2019	**1,665**	**5,398,524**	**19,157,153**	**100.00%**	**100.00%**

Change in share capital

Period	Transaction	A shares	B shares	Number of shares	Share capital
19/07/1989	Company established			500	50
28/01/1997	Bonus issue			500	100
01/10/2006	New share issue			9,000	1,000
19/11/2010	Division 100:1			990,000	1,000
27/04/2015	Division 3:1*	2,000,000	1,000,000	2,000,000	1,000
27/04/2015	New share issue	56,000	28,000	84,000	1,028
25/11/2015	New share issue		851,063	851,063	1,312
26/11/2015	New share issue		1,916,351	1,916,351	1,950
14/05/2018	Reclassification A:B	–224,000	224,000		1,950
07/06/2018	Share split 3:1	3,664,000	8,038,828	11,702,828	1,950
19/06/2018	New share issue		6,382,979	6,382,979	2,652
20/07/2018	New share issue		618,456	618,456	2,728
May–Nov 2019	Reclassification	–97,476	97,476		2,728
		5,398,524	**19,157,153**	**24,555,677**	

*Division in which one share gave two A shares with ten votes and one B share with one vote.

Number of shares and votes

At year-end	Quantity	Votes	Total number of votes
A shares	5,398,524	10	53,985,240
B shares	19,157,153	1	19,157,153
Total	**24,555,677**		**73,142,393**

Annual General Meeting

The Annual General Meeting will be held on 19 May 2020 at 4.00 p.m. at Helio Kungsholmen (Guldspaden meeting room) Rålambsvägen 17, Stockholm. Registration at the AGM starts at 3.00 p.m.

Participation

Shareholders wishing to participate in the AGM must be registered in the shareholder register maintained by Euroclear Sweden AB by Wednesday 13 May 2020 and have given notice of their intention to attend no later than Wednesday 13 May 2020.

Notice of attendance may be given in writing to Projektengagemang Sweden AB, Box 47146, Årstaängsvägen 11, 100 74 Stockholm, or via email to ir@pe.se or via telephone on 070 779 58 98. When giving notice of attendance, please state name/company name, personal identity number/corporate identity number, address, telephone number, and the number of accompanying persons, if any.

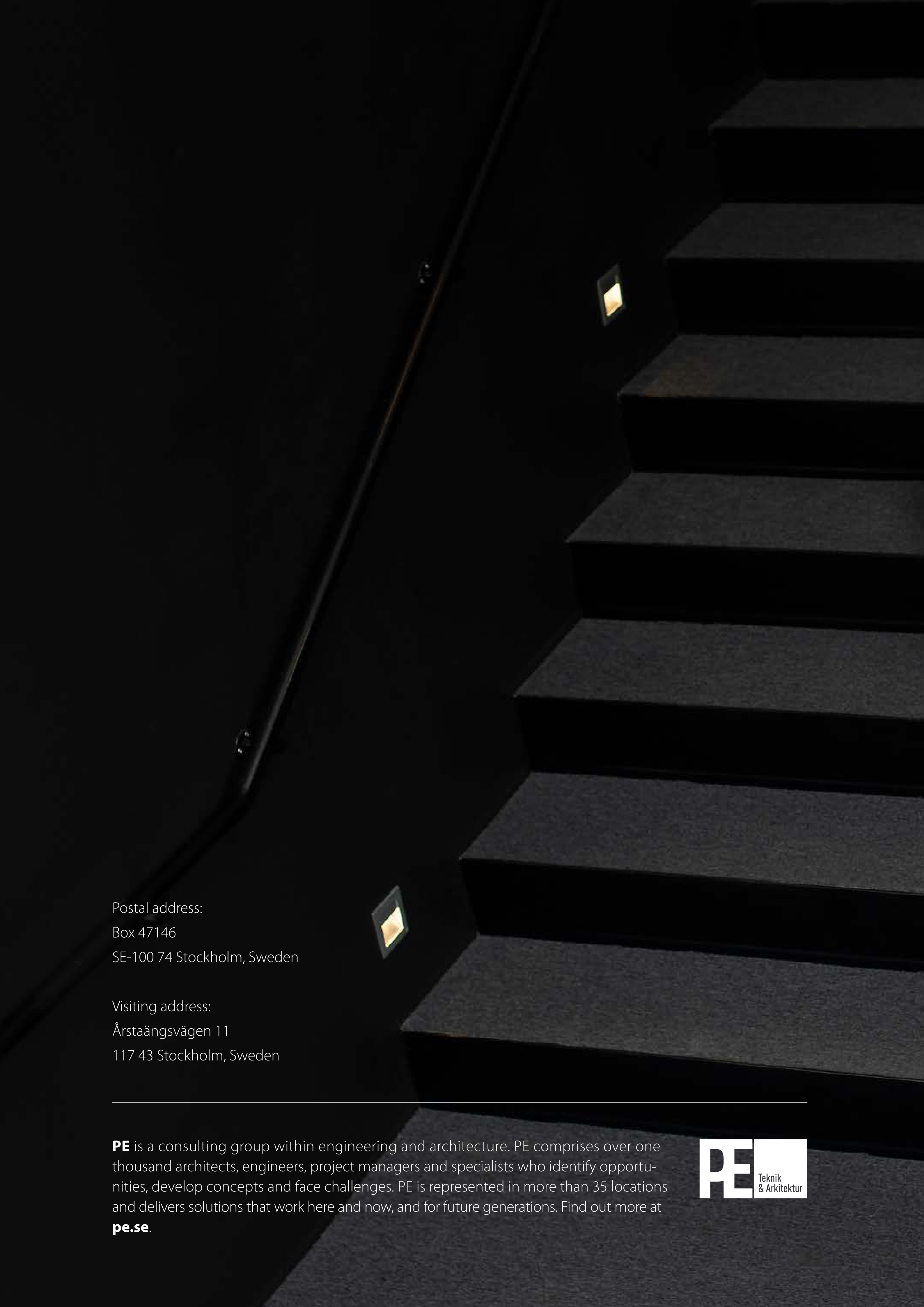
Shareholders whose shares are held in trust in the name of a nominee must, in addition to giving notice of attendance, temporarily register their shares in their own names in the shareholder register (voting rights registration) in order to be able to participate at the meeting. Such registration must be executed by Wednesday 13 May 2020 and should be requested at the bank or trustee well in advance of this date.

Dividend

The Board will not be proposing to the AGM that a dividend be paid for the 2019 financial year.

Financial calendar

19 May	Interim report January–March 2020
19 May	Annual General Meeting
17 July	Interim report April–June 2020
6 November	Interim report July–September 2020
19 February 2021	Year-end report 2020



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