

**SVEVIA**

# Annual Report 2010



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# This is Svevia

## Own path

Svevia is a company that has chosen its own path. We focus on building and maintaining roads and infrastructure in Sweden. Our 2,940 employees work in 130 locations throughout Sweden and we have sales of slightly more than SEK 8 billion.

## A streamlined contracting company

Svevia specialises in roads and infrastructure. From major civil-engineering projects to daily operations throughout Sweden, year round.

## Reliability and consideration

Svevia is the reliable and considerate contracting company that dares to be innovative.

## Combines strength with local presence

Svevia combines the strength and expertise of the major company with solid knowledge of local conditions. Svevia's strength is industrial-leading expertise and competitively priced products and services.

## Attractive workplace

Svevia aims to be an exemplary employer and an attractive workplace.

## Invests long-term

Svevia focuses on the long-term approach, efficiency, profitability and viability.

## Integrates sustainability

Svevia assumes a clear environmental and social responsibility and is a role model.



“We shall be No. 1 in terms of building and maintaining roads and infrastructure.”



# Leading in infrastructure



**Operations and maintenance**  
Upkeep of Swedish roads from north to south is one of Svevia's core operations. Svevia is the largest player in the market.



**Roads**  
Svevia constructs highways, expressways and county roads, municipal roads and streets and private roads, as well as bicycle roads and footpaths.



**Water and sewage**  
Svevia constructs and maintains municipal pipeline networks for water and sewage.



**Energy**  
Svevia builds and reinforces embankments at hydroelectric power plants, performs land operations at district heating facilities and construct the foundations for wind turbines.



**Railway**  
Where rails are being laid, Svevia constructs embankments, bridges, platforms and station areas.



**Bridges**  
Building, repairing and maintaining bridges is an important part of Svevia's civil-engineering operations.



# Svevia in figures

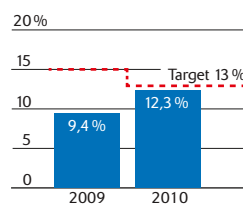
**SALES** 8 093 SEK m

**PROFIT FOR THE YEAR** 169 SEK m

**ORDER INTAKE** 7 544 SEK m

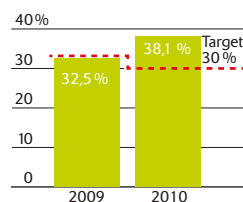
**EMPLOYEES** 2 940

Adjusted for non-recurring costs, Svevia's earnings for 2010 remained unchanged compared with 2009. Structural measures in the paving operations resulted in a sharp earnings improvement, while profitability in the core businesses did not reach an acceptable level. Work to sharpen competitiveness continues.



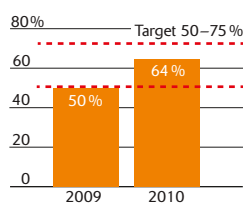
#### Return target

Return on shareholders' equity rose from 9.4 percent in 2009 to 12.3 percent. This was somewhat below the target of 13 percent.



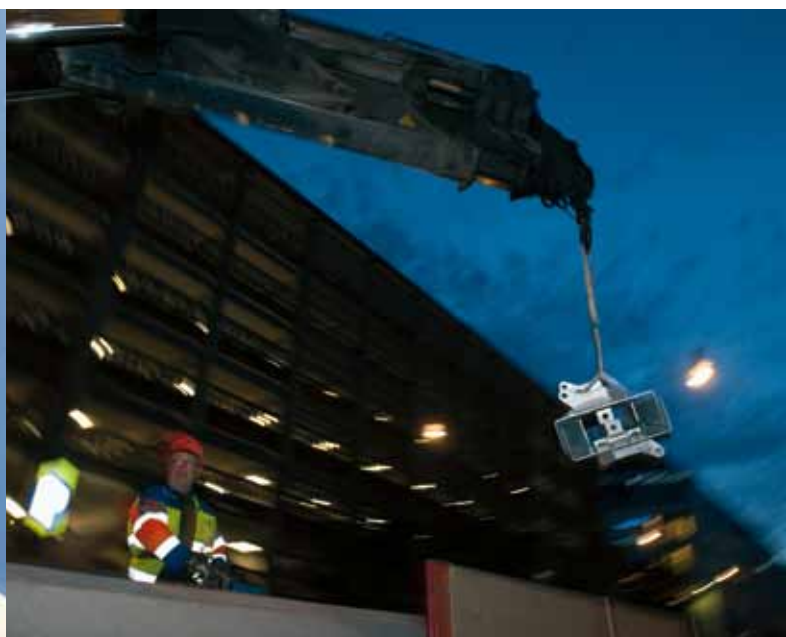
#### Equity ratio target

The equity ratio was 38 percent and thus surpassed the target.



#### Dividend policy

The proposed dividend of SEK 108 m amounted to 64 percent of profit for the year and is within the framework for the adopted dividend policy.



# We dare to think along new lines

Svevia is entering its third year as an independent company. We have always been known for assuming responsibility and operating reliably. We intend to safeguard this heritage. But we will also focus more determinedly on entrepreneurship and become known for our innovativeness. Svevia builds and maintains sustainable infrastructure and strives to be an attractive workplace for employees with different backgrounds than the traditional.



At Svevia, we welcome the growing interest in infrastructure. Our activities are on the intersecting line between the environment, social responsibility and economics, which offers good opportunities for Svevia as a company and a community player.

#### Good infrastructure a condition for survival

Sweden is a small, open economy that is highly dependent on its export markets. Well functioning roads, railways, ports and airports are a condition for survival. Good transportation facilities are equally important to the Swedish labour and housing markets. Strong and competitive economies are characterised, quite simply, by good communications. Svevia will have an important role to play in the expansion and maintenance of an effective and sustainable Swedish infrastructure. We have resolved to become Number 1 in this area. Svevia will strive to reach this leadership position under long-term profitability, while also serving as a

pioneer in assuming environmental and social responsibility.

#### Sustainability and economics

Building and maintaining infrastructure is resource-intensive. When we operate efficiently, we combine environmental considerations with sound economics. Our businessmindedness is stimulated by this approach. Equally self-evident is that Svevia, which is characterised by concern for its employees, travellers and other interests, has good potential to be commercially successful. Sustainability and sound business are intertwined.

#### Mixed results in 2010

Svevia's profit after taxes amounted to SEKm 169, the same level as in 2009 after adjustments for incorporation costs during the year. Return on shareholders' equity amounted to 12.3 per cent, compared with 9.4 per cent in 2009. The return was slightly lower than our

long-term objective of 13 per cent.

A sharp improvement in Svevia's paving operations was a strong contributing factor to our operating profit. Earnings in the various regions, however, reflect the effects of the economic crisis two years ago. Competition for the contracts we were awarded was extremely intense, and we were impacted by price pressure in many of our construction projects. There is potential for improved profitability parallel with the renewal of these contracts.

#### Actions to generate higher profitability

We are now implementing systematic actions to improve earnings in our core business areas, with entrepreneurship and innovativeness as our lodestars. We will become better in selecting projects that are more suitable to our operations and conduct them more efficiently. Productivity development in the industry is not particularly dynamic at present, which also holds true for us. In this area, it's essential to think along new lines. This applies not least to procurements, an area in which Svevia has potential for improvement through increased coordination and efforts to find alternatives. During 2011, we will transition from words to actions. Nearly 800 employees will receive training in "Our mode of operations." The goal is to increase profitability by creating a uniform understanding of how we manage projects, identify and control risks and conduct better business.

#### Reduced environmental impact

We make determined efforts to reduce our environmental impact through, for example, in-



creased utilisation of eco-classified vehicles and reduced energy consumption at our worksites. We are also introducing new products and solutions that contribute to a better environment. We offer new technologies for soil remediation, materials for “green” paving and intelligent traffic systems – electronics in and around roadways that can communicate with travellers, save energy and increase safety.

#### **Svevia welcomes diversity**

New schools of thought help us attract customers and employees. Svevia shall be a welcoming worksite that stimulates the entrepreneurial spirit.

Another example of innovativeness is that we focus on recruiting manpower with a different profile than what might otherwise be considered historically characteristic of our industry, a goal that is also included in our business plan. New ideas emerge more easily at worksites characterised by diversity and openness. We are convinced that diversity contributes to better business opportunities and generates more enjoyable worksites. We welcome, therefore, employees from foreign countries and encourage women to seek employment with us.

#### **Business-ethics policy and Code of Conduct**

An important part of our sustainability work emphasises that our business operations must be strictly commercial and free from unethical practices. All management personnel are trained in our business-ethics policy that calls for zero-tolerance in matters that could inhibit competition and lead to bribery. Our Code of

Conduct establishes the level of environmental concern and sound business conditions, and comprises a part of contracts with our suppliers. No incidents were reported during 2010.

#### **The future**

We have many reasons to view the future with optimism. Let me cite three examples of areas in which we are noting favourable business development.

#### **Wind power**

Svevia is now a well-established partner of the Swedish wind power industry. Our cooperation with Arise Windpower in construction work for wind farms in southern Sweden is one example of our attractiveness in this area.

#### **Municipal contracts**

Two of every three procurement managers in Sweden’s municipalities believe that contract work, defined as projects conducted by external parties, will increase over the next five years. Most municipal construction work is conducted under proprietary management, but the majority of Swedish municipalities have a favourable attitude toward outsourcing operations to contractors. These findings were part of the results of a survey conducted in mid-January 2011, when interviews were conducted with representatives from 100 of Sweden’s 280 municipalities.

For Svevia, this trend is a business opportunity. We are the unchallenged market leader in Sweden for road management and maintenance and, during the past, we were awarded several contracts by municipalities in all parts of

the country. Svevia sees good growth potential in the municipal market.

#### **Soil remediation**

We have excellent technologies and installations to handle contaminated soil. Higher demand for our services is noted when railways and older industrial properties, for example, are scheduled for remediation.

#### **Svevia has entered its next phase**

Svevia has now been operating as an independent company for two years. The organisation and procedures are in place and we have reached a stage of maturity that enables us to take the next step in our development.

Surveys show that customers have good knowledge of our company and we are respected for our reliability. This is something we shall safeguard and promote, while also developing our entrepreneurship. Without satisfactory profitability, we cannot meet the expectations that our customers, owners, cooperation partners, employees and the general public have a right to place on us.

It’s a privilege to work in a company with a clearly defined role and responsibility for a vital function in society. Svevia has all the qualifications to contribute to a solid infrastructure that is sustainable and promotes competitiveness.

P-O Wedin  
CEO, Svevia

# Vision, goals and strategies

## Business concept

Svevia is a contracting company whose task is to deliver the right quality when we construct and maintain roads and other infrastructure in Sweden through efficient service and active collaboration with our customers and suppliers.

## Vision

Svevia shall be Number 1 in the Nordic region in terms of constructing and maintaining roads and other infrastructure. The journey to the vision shall be characterised by consideration for people and the environment.

## Overall objective

The overall objective is to create sustainable value. The objective is to be achieved by long-term approach, efficiency, profitability and viability, as well as sustainable environmental and social responsibility.

## The Svevia brand

Four values steer Svevia's actions: Reliability, Consideration, Innovation and Businesslike approach. According to the annual market surveys conducted since 1998, Svevia is perceived as reliable, honest, safe and responsible. Svevia was formed in 2009 when Vägverket Produktion was converted into an independent subsidiary.

## Financial goals

The operations are controlled through financial goals and an established objective to create a sustainable value trend. Svevia must also serve as an example in sustainability issues.

At the 2010 Annual General Meeting, new financial goals were adopted, both of which are long-term and extend over a business cycle.

Return on shareholders' equity shall amount to 13 per cent. The return target is set according to the prevailing capital structure.

The long-term target for the equity ratio is 30 per cent. Svevia's equity ratio goal was chosen to match the type, scope and risks of the operations. According to the dividend policy, dividend is to amount to 50-75 per cent of the Groups profit after tax, but, taking into account the Group's future capital requirements and future investment and acquisition plans.

## Internal financial goals

Svevia has divided the financial goals into annual internal goals that are adapted to the control model and the conditions of the contracting operations. The goals pertain to operating margin and cash flow. Each region will receive individual goals in connection with budget work.

## Strategies for value growth

The aim is to achieve long-term value growth matching or higher than the market. Profitable volume growth is the basis of Svevia's strategic work.







In connection with the construction of housing and offices in the Norra Station area, a 180-metre-long temporary solid-wood bridge is erected between Stockholm and Solna.

Svevia has four primary strategies:

- To maintain the market-leading position in road management
- Reduce single-customer dependency
- Grow in the construction market
- Develop the strategic specialty units

Svevia has a financial position that allows acquisitions, which should strengthen the market position and reduce single-customer dependency. Svevia strives to increase its share of assignments that combine the Group's total expertise.

Svevia strives for 100 per cent

- Customer satisfaction
- Satisfied employees
- Profitable projects
- Ethical conduct

Work on sustainable and sound business policies, both internal and external, is driven by everyone – from the Board of Directors and business management to business managers in the line.

### Business model

Svevia's customers are largely found in the public sector. This means that Svevia's assignments, as a rule, are received within the framework of public procurement. Bids for projects in excess of certain amounts are handled in the project committee.

#### General or turnkey contractor

Most of Svevia's projects are performed within the framework of contracting agreements, which means that Svevia undertakes to execute the project in accordance with stipulated specifications in the form of drawings and instructions.

In turnkey contracting, the contractor is able to influence the design of the project. The responsibility for the project planning, such as geological assessments and the need for blasting, is left to the executor and its subcontractors. The occurrence of turnkey contractors is increasing throughout the industry.

#### Partnering

Partnering involves a business-like and structured cooperation between purchaser, contractor,

planner and other key parties and suppliers in a project of a contract. The parties cooperate in key project issues such as technology, production methods, schedule, quality, the environment and relationships.

Partnering projects start with the parties formulating shared goals and sub-goals. A joint organisation is created and risks and opportunities are analysed. The purpose is to create a common view of central aspects of the project as early as possible.

Partnering increases the scope for creative thinking and stimulates innovation and efficiency. It focuses attention on joint project finances and increases the prerequisites for healthy profitability for all parties in the project. Svevia strives to execute a larger portion of its assignments within the framework of the partnering and turnkey contracts.

# Business environment and market

Infrastructure affects people on a daily basis. Roads, railways, aircraft and ports permit travel, trade and communication. Electric power, water and wastewater are indispensable social functions.

## Driving forces

A modern transport system contributes to a smoothly functioning labour market and trading in goods and services. High capacity road and rail networks are basic prerequisites for maintaining sustainably high economic growth. Effective infrastructure also contributes to lower environmental impact.

The Government and municipalities have a key position and responsibility for taking the initiative in ordering, owning and managing infrastructure.

## Infrastructure is crucial for society

Infrastructure includes

- roads, streets, bridges, tunnels and railroads
- harbours and airports
- power and heating plants and distribution networks
- water and water-treatment plants and networks for distribution and wastewater
- post and telecommunications

## Market and customers

Private and public sector customers each account for about 50 per cent of the Swedish construction market. This corresponds largely to the infrastructure market, which totalled SEK 75bn in 2009. The Nordic construction market as a whole totalled about SEK 180bn in 2009.

## Key segments

In recent years, energy-related investments have shown the sharpest increase and now account for the largest sub-sector, despite a slow-down during 2010. Investments in electricity, gas and heating accounted for 46 per cent of

total construction investments in 2009. These include energy companies' investments in new thermal power plants and the expansion of district heating networks. In addition, the rapid expansion of wind power involves an increase in private civil engineering investments.

## Roads and railways

Roads and railways account for some 40 per cent of the construction market. In 2008, the

Government presented a long-term plan for infrastructure investments for the period 2010-2021. Planned total investments amounted to SEK 497bn during the period, of which SEK 417bn is state financed. Of this total, SEK 136bn is earmarked for managing and maintaining the public road network – including bearing capacity, frost-proofing and reconstruction – as well as the co-financing of private roads. SEK 64bn is allocated for managing and maintaining railways nationwide. SEK 217bn is earmarked for the development of the transport system.

The major projects include:

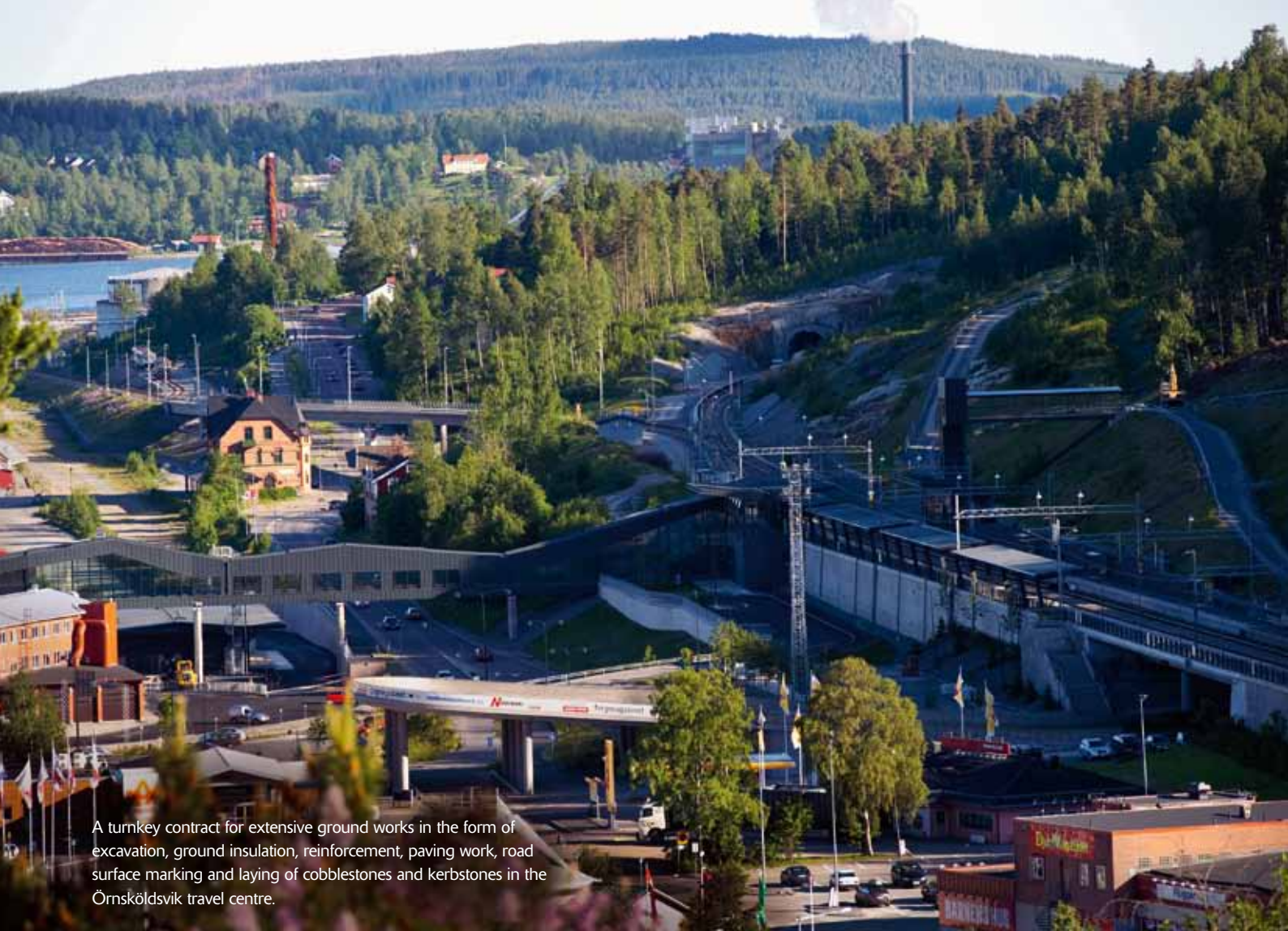
- Railways – dual tracks for efficient passenger and goods traffic on the East and West coast lines.
- Metropolitan projects – Stockholm Bypass, Mälars railway track and the Marieholm Tunnel. The latter is included in a major western Swedish infrastructure venture in western Sweden.
- Motorway expansion, for example the Western Link, the Marieholm tunnel/bridge and the E4 at Sundsvall.

## Management and maintenance

Infrastructure must be maintained to retain functionality and maximise service life. A well-maintained road network also contributes to reduced environmental impact by lowering vehicle fuel consumption and exhaust emissions.

The Swedish road network includes a special position for Svevia, which has its roots in the management and maintenance of the public road network.





A turnkey contract for extensive ground works in the form of excavation, ground insulation, reinforcement, paving work, road surface marking and laying of cobblestones and kerbstones in the Örnsköldsvik travel centre.

### The Swedish road network

The Swedish Government, municipalities and road-owners' associations are responsible for road maintenance nationwide. Via the Swedish Transport Administration, the Swedish Government is responsible for almost 100,000 kilometres of roads, the municipalities for nearly 50,000 and private road maintenance organisations for about 285,000. Forest roadways that are closed to the public represent the largest share of private roads. About 75,000 kilometres of private roads are maintained by road-owners' associations, which receive state subsidies.

The municipalities contribute to private road maintenance through, for example, maintaining about 15,000 kilometres of private roads. The public road network also includes 15,700 bridges, some 20 tunnels and 37 ferries.

### Swedish Transport Administration – the major customer

The Swedish Transport Administration accounts for about 50 per cent of the total Swedish market for the management and maintenance of roads, amounting to about SEK 10bn in 2009. The total cost for the municipal road maintenance

in 2009 was some SEK 2.6bn.

For 2009, the Swedish Transport Administration's overall costs for road maintenance were SEK 3.9 billion, with SEK 3.1bn for management. 50 per cent of the Swedish Transport Administration's costs pertain to maintenance of the road network, while 25 per cent is expended on winter road maintenance and the remaining 25 per cent is accounted for by other operations, such as cleaning, upkeep of lay-bys and lighting.

### Accessibility

The Swedish Transport Administration has divided Sweden into 125 geographic areas, referred to as operating areas. An operating area consists of 700 to 1,000 kilometres of roadway. A contractor's contract extends from three to six years. The road management and maintenance contract covers mainly short-term measures aimed primarily at keeping roads accessible. Contracts cover:

- winter road maintenance, such as snow ploughing and anti-skid treatment
- upkeep of gravel roads and paved roads
- upkeep of lay-bys

- repairing of minor surface damage and pot-holes
- thinning and clearing of weeds and thicket from roadsides

The contracts also involve some minor maintenance measures such as the replacement of damaged road signs and certain paving work.

### Traffic safety

Good road maintenance is required not only for vehicle access but also to meet the aim of high traffic safety and universal accessibility. For unprotected road users in particular, good road maintenance and thorough winter maintenance are decisive features of traffic safety, since many fall accidents and fatal car accidents occur due to shortcomings in road maintenance.

### Maintenance

Maintenance involves more long-term measures aimed at ensuring that the road structure retains its function. The dominant measures are the maintenance of road surfaces, bridges and tunnels.

# Accessible roads by day and night

In 2010, management and maintenance of roads, water/wastewater and district heating networks, harbours, airports and other infrastructure accounted for about 50 per cent of Svevia's sales. Management and maintenance is one of Svevia's two core operations.

Operations include major assignments on behalf of the Swedish Transport Administration as well as local undertakings, such as private roads, municipal streets and green areas.

## Strategy

Svevia seeks to raise profitability and growth in management and maintenance. The strategy is to improve productivity, expand on the basis of local markets by securing supplementary business and to seek new customers in, for example, the municipal market and industry.

Using its strong position, Svevia aims to strengthen its status in the public road network, offer local services such as the management and maintenance of municipal roads and networks for water/waste water and district heating.

Svevia also aims to be a player in the market for the rail track management and maintenance.

## A leading player in the public road network

With its market share of more than 52 per cent of management and maintenance contracts on



behalf of the Swedish Transport Administration, Svevia is the undisputed leader in the market for the management and maintenance of the public road network. During 2009, Svevia secured contracts from the Swedish Transport Administration involving management and maintenance totalling SEK 2.9bn.

Svevia's primary competitors are Peab, NCC and Skanska. Combined, the four largest companies in the Swedish road management and maintenance market account for 81 per cent of the Swedish Transport Administration's assignments in this area.

## Winter maintenance

Svevia assumes complete responsibility for winter maintenance. Svevia has an organisation and a unique machinery fleet that enables efficient winter maintenance round the clock. This applies to all types of roads nationwide. Svevia establishes efficient ploughing schedules well in advance and ensures that roads are properly marked for effective snow ploughing and anti-skid treatment.

## ROAD MANAGEMENT AND MAINTENANCE IN PRACTICE

Ensuring that roads are accessible and that they are good shape requires local knowledge, advanced planning, continually updated technical support and a machinery fleet customised for operations.

### Local knowledge

Svevia's assignment to maintain roads nationwide requires a local presence – from southern Sweden to the far north. A local presence is a prerequisite for being able to deploy resources before it begins to snow in order to prevent vehicles from skidding. And only by working locally, can one gain the necessary insight into the particular conditions in the area, such as where

snow initially creates problems. Svevia has road maintenance facilities at 130 sites nationwide, with equipment designed to maintain roads owned by the state, municipalities and companies.

### Road management, maintenance and monitoring centres

Technical support is of key significance. Svevia's road management, maintenance and monitoring



During the year, Svevia was part of a project designed to minimise the risk of damage to cars from flying stones and from slippery surfaces after crack repairs on roads.

### Ground maintenance

Svevia has machinery to suit all types of roads and assignments related to ground maintenance. Svevia offers all operations ranging from paving repair, bridge repair and trenching to clearing, edge cutting and road surface marking.

### Municipal management and maintenance

Svevia is working actively to increase its presence in the market for municipal management and maintenance. The trend towards municipalities outsourcing an increasing number of roads and other infrastructure assignments to subcontractors continues.

### Roads and facilities

Svevia is responsible for the maintenance of municipal roads in 33 municipalities nationwide.

Svevia has a competitive offering thanks to its lengthy experience, familiarity with local conditions and technical expertise.

Svevia offers turnkey undertakings in the form of winter road maintenance, ground maintenance, street lighting and paving maintenance.

### Waste/wastewater and district heating

Svevia offers municipalities the upkeep and maintenance of their water/wastewater and district-heating networks. Managing and maintaining municipal water/wastewater and district-heating networks represents a substantial market. Urbanisation and a growing interest in environment-friendly solutions poses challenges for municipalities. Greater awareness among consumers and political measures aimed at increasing the use of green energy are boosting the demand for the expansion of district heating. In many municipalities, the maintenance of water/wastewater networks is neglected.

### Municipal green areas

Svevia assumes responsibility for laying and maintaining municipal parks and public spaces, as well as for the care of forests and nature areas. The company has qualified landscape workers with competence in the laying and upkeep of lawns, trees, shrubbery, flowers and other features of green areas.

### Railways

The market for the management and maintenance of railways is expected to increase in connection with the expansion of the rail network and the high demands imposed on rail traffic. Modernisation and expansion of the rail network are necessary to retain the competitiveness of Swedish industry and to expand regional labour markets.

### Harbours and airports

The largest share of Sweden's foreign trade is transported by sea, making smoothly functioning infrastructure in and around harbours a significant factor. Svevia offers the maintenance of harbours and the surrounding facilities. Assignments include individual management and maintenance assignments and large-scale turnkey solutions that permit efficient management of goods, traffic and passengers.

ring centres contribute, for example, to the efficient use of resources in terms of timing and scope. Among other activities, these centres compile information from road weather stations, cameras, the Swedish Meteorological and Hydrological Institute's satellites and precipitation radar facilities. The stations measure air temperature, surface temperatures on road lanes, humidity, precipitation, wind direction

and wind speed, for example. Combined, these data create a favourable basis from which to make operational decisions.

### Machinery and logistics

Svevia's management and maintenance operations are based on having the right machinery in the right place at the right time. Svevia uses a large share of its equipment, but also rents

out equipment. Svevia is the market leader in equipment for winter road maintenance. Svevia has some twenty machinery depots nationwide with construction machinery and equipment. These are also the sites of Svevia's service workshops that offer with leading-edge expertise in contracting equipment.

# Complete range of infrastructure

Civil Engineering projects are one of the Svevia's core operations. Using its strong base in road construction, Svevia is expanding into new segments of the construction market such as railways and wind power plants.

## Svevia's position

Svevia is the fourth largest civil engineering company in Sweden.

In 2010, the construction of new roads and road maintenance accounted for a substantial share of Svevia's sales. The construction of railways and facilities for energy, heating and water continue to grow but still represent a small share of operations.

## Strategy

Svevia aims to be more selective in terms of projects and geography and will seek to become involved in the early stage of projects, thus best matching its expertise with project profiles. The geographic focus will be on the coastal cities on the Northern Swedish Coast, Kiruna, Stockholm, Gothenburg and Malmö, on which the major, future infrastructure ventures will be focused.

The Swedish Transport Administration plans to increase the share of projects with greater total responsibility for contractors – referred to as turnkey contracts. These require greater resources for project engineering management and geotechnical engineering. In addition, new

forms of collaboration, such as partnering, will become more widespread.

Svevia's growth strategy requires that the company attracts competent and committed personnel. Consequently, Svevia attaches major importance to being a workplace that offers development potential and stimulating occupational responsibilities.

Svevia is seeking to:

- increase the share of assignments with a railway content
- raise the number of function and turnkey contracts
- always offer an alternative tender or an equivalent tender
- increase the number of partnering projects.

## Customers

The Swedish Transport Administration is Svevia's major customer in the area of civil engineering. During 2009, sales invoiced to the Swedish Transport Administration totalled SEK 1.3bn. Invoicing to the Swedish Transport Administration for maintenance, including pa-

ving, totalled SEK 1.3bn in 2009, corresponding to 33 per cent of the Swedish Transport Administration's volume for this area during the year.

## Competitors

NCC, Skanska, Peab and Svevia account for nearly half of sales in the market for the construction and management of roads and infrastructure in Sweden. These companies are distinguished by being nationwide full-service suppliers. A number of major non-Swedish contractors have increased their presence in Sweden in recent years.

## Offering

Thanks to its competence, Svevia occupies a special position in Sweden in road construction. The Group lays all types of roads and can offer turnkey solutions ranging from aggregates to road surface marking. Svevia has the expertise and experience to construct motorways, arterial roads, national and county roads, municipal roads and streets, private roads, cycle and pedestrian paths.

## BUILDING INFORMATION MODELLING

### IT supports building

IT support in the form of BIM (Building Information Modelling) is gaining popularity in the construction industry. In brief, BIM may be described as a chain of digital information that is gradually accumulated and in which all links are interwoven. Using advanced BIM software, architects and engineers can draw and simulate projects in three dimensions. All data is upda-

ted in pace with changes in the project. When the virtual model is finalised, it is sent to the contractor for a tender for implementation.

This working approach generates several benefits. Faster, more reliable computation and time planning enhances productivity considerably. The 3D presentation reduces the risk of subcontractors undertaking overlapping work. All the data accompanies the project as it moves

from the project engineering stage to construction and management. Drawings and documentation are updated in the event of changes in the field and becoming real time images.

### Svevia is at the leading edge

During 2011, Svevia plans to implement the technology on a broad front in road management and maintenance, as well as in civil engi-



At Täby, outside Stockholm, the Roslagsbanan/Bergtorpsvägen rail junction is being redesigned as a level crossing.

#### **Comprehensive experience in bridge building**

Svevia also has considerable expertise in the repair, maintenance and building of bridges. The Group offers turnkey deliveries that include everything from project engineering, design and building to management and maintenance.

#### **Railways and harbour construction**

In the laying of railways, Svevia builds roadbeds, bridges, platforms and station areas. Svevia undertakes excavation, builds trussing for roadbeds and takes responsibility for concrete work. The company also constructs and maintains parking facilities, pedestrian and road bridges as well as any parks around the railway stations

Svevia also offers turnkey assignments in the extension and reinforcement of harbour facilities.

#### **Energy and industrial facilities**

Svevia has lengthy experience of cooperation with Sweden's energy producers. Svevia builds and reinforces dam structures at hydropower works and undertakes ground works around district heating facilities, while offering turnkey solutions or component solutions for civil engineering and transport work in connection with the building of wind power farms, to name but a few examples.

Moreover, Svevia undertakes soil, concrete and environmental remediation projects at industrial facilities.

#### **Assignments for public sites**

The construction of public sites and facilities is another area in which Svevia is active. The company constructs parks, car parks and sport facilities.

#### **Municipal water and wastewater projects**

Svevia performs all types of ground works and piping projects in this area. The offering includes installation and maintenance of extensive water/wastewater systems for municipal clients.

An example of such a project was conducted on behalf of the Municipality of Härnösand, for which Svevia was tasked with improving the municipality's water and wastewater pipes.

Moreover, Svevia can also prepare land for new development areas in which business centres or residential buildings are planned. In Hjorthagen in Stockholm, for example, the company has contributed with ground works to permit the conversion of an industrial and harbour area into one of the city's largest housing areas.



neering operations. Wai-lok Lam, a measurement technician at Svevia, is an enthusiastic supporter of BIM.

"We at Svevia use the same software as the designers. This permits us to receive drawings directly in 3D without losing any details along the way. This approach is not only more reliable, it also

makes work more flexible and also facilitates dialogue with the designers, since our material complies exactly with theirs," says Wai-lok Lam, and continues:

"We are the first in the industry to focus so seriously on the technology. When the work is completed, we can use the program to supply documentation and 3D drawings to the customer, complete with our adjustments and any

changes so that they comply with the design. This means we can have a clear and open discussion between the designer and customer, and get a more satisfied customer," notes Wai-lok Lam.

Svevia's approach to working with BIM has attracted interest from the Swedish Transport Administration and industry expertise in Canada and USA, for example.

# Strategic speciality operations

The purpose of Svevia's strategic speciality operations – Property and Machinery, Paving, Ground Works and Rock Reinforcement – is to strengthen the Group's core operations. These activities represent considerable competence and production resources that Svevia has developed over a protracted period.

## Property and Machinery

Property and Machinery is a subsidiary whose primary task is to ensure the competitiveness of Svevia's management and maintenance, and civil engineering operations.

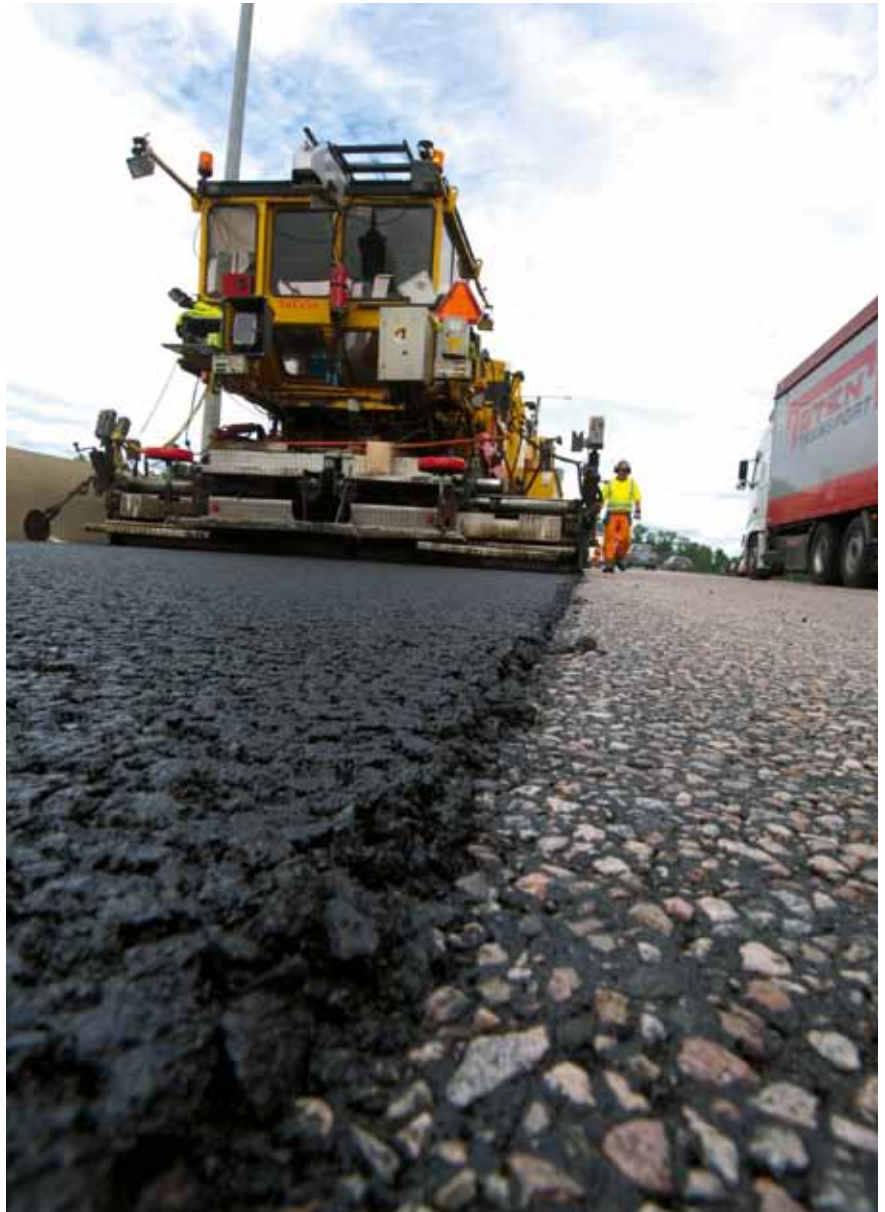
Property and Machinery lets out industrial buildings containing offices, personnel facilities, workshops, garages, wash bays, warehouse space, storage areas, parking facilities, and sand and salt storage areas.

There are some twenty machinery depots nationwide in which the company stores equipment ranging from heavy construction machinery, such as graders, loaders and trucks, to small hand-operated machinery such as vibro-plates for laying paving, as well as drills and chainsaws. By this means, Svevia has access to its own machinery fleet, which contributes to high quality in construction operations and in the maintenance of the country's roads and other infrastructure.

## Paving

Svevia selects the right paving for the each type of assignment, paying due consideration to the application, cost and environmental implications. The choice of asphalt is of major importance for future maintenance requirements and the total lifetime cost of the road.

Svevia offers a complete asphalt product range. The company's asphalt plants are of strategic importance in this context. Each season, Svevia produces asphalt in the Group's stationary and mobile asphalt plants for a considerable number of kilometres. Svevia supplies asphalt for busy to lightly trafficked roads, ranging from warm and semi-warm asphalt to







Arsenic remediation in Sollefteå.

cold asphalt and more energy-effective asphalt grades. In addition, the company offers rubber-asphalt mix and noise-reducing asphalt. Svevia offers everything ranging from aggregate to high quality stone. The material for all sorts of construction and maintenance projects derives from Svevia's 250 rock and gravel quarries. The favourable geographic spread of these is positive from the environmental and transport perspective.

### Ground Works and Reinforcing

Svevia is highly experienced in ground works and reinforcing. The Group's expertise in the area enables Svevia to frequently contribute proposals for alternative solutions for geotechnical problems to enhance the durability and quality of roads, bridges, dams, quays and so forth.

Certain environments in and around water require extensive ground reinforcement of both a provisional and permanent type. Svevia also has extensive experience in this area, such as in piling work, sheet pile driving, cap walks and form-setting reinforcing using own machinery.

Svevia's methods for reinforcing the foundations of residential houses or buildings for commercial operations are conducted to facilitate the everyday lives of the tenants. Residents do not need to leave their homes and commercial operations can be conducted without disruption while the project is under way.

Svevia likes to get involved as early as possible in a project and deploy its own concepts and alternative solutions, thereby maximising the company's combined competences.

## NICHE OPERATIONS

### Environmental remediation

Svevia is a leading force in Sweden in the treatment of contaminated land and water.

The Swedish Environmental Protection Agency estimates that there are 80,000 contaminated sites in Sweden. Svevia offers modern and effective methods for the remediation of, for example, old industrial sites, former petrol stations, underground oil caverns, contaminated water and beaches.

Svevia's competence includes biological and mechanical remediation that covers the entire contamination chain. For water remediation, for example, Svevia deploys three-stage mobile plants using high capacity carbon filters. Using this facility, groundwater can be cleaned from, for example, oil that has leaked out from underground caverns and water pools at fire practice sites.

### Traffic systems

Svevia is well advanced in traffic system technology. As infrastructure becomes increasingly digitalised, technology intensive and information-heavy, the demands increase for more effective energy consumption and more transparent traffic control.

Using a large range of sensors, lighting can be adapted to traffic intensity for lighting conditions, an approach that is expected to provide energy cost reductions of up to 60 per cent.

Using smart control systems, street lighting

can be switched on at 5 pm when traffic is intense. A few hours later, when traffic has decreased, lighting output can be reduced somewhat, and even more so at 11 pm. The output can then again be increased in the morning when traffic resumes.

Svevia offers the installation, management and maintenance of road lighting and traffic lights.

Another growing area in which Traffic Systems is used is in Intelligent Transport Systems (ITS), a concept based on the use of sensors and other technology to facilitate road users and to control traffic. It is becoming increasingly important to control traffic flows to ensure the traffic network is used more consistently throughout the day. Examples of applications include varying traffic speed and driving lanes, interactive signs that promptly inform of accidents or queues and alternative travel routes, as well as special information signs on school buses or pay stations.

### Other niche operations

Svevia's other niche operations include road marking and the milling of asphalt and concrete. Grinding grooves into asphalt at road shoulders is an example of a cost-effective approach to raising traffic safety. Driving the vehicle over the grooves creates vibrations that alert drivers, thus preventing them from driving off the road.



# Close to the customer

Core operations are organised on the basis of four regions: Northern, Central, Western and Southern.

The purpose of Svevia's organisation is to attain short decision-making channels, maximum customer focus and achieve a solidly anchored local presence.

The Heads of Regions are included in the Executive Management Group. The regions are controlled by means of requirements in terms of operating margin, cash flow before investments and other key data. Regional results are monitored monthly.

The strategic speciality operations – Paving, and Properties and Machinery – act as support for core operations and report directly to the President. The Ground Works and Reinforcement operations, as well as the niche operations Traffic Systems and Environmental Remediation are part of the regional organisations.

## Delegated responsibility in the regions

The regions are essentially independent and self-sufficient in terms of resources for road management, maintenance or civil engineering projects. Recruitment is conducted on a regional basis. Purchasing is also conducted regionally, except for certain input goods that are procured centrally.

Each Head of Region delegates responsibility and authority to some ten operations managers who submit tenders for and conduct projects that match the competence and resources of each region. Every project is under the supervision of a site manager, who reports to the operations manager. Each region has some 50 site managers.

Site managers at Svevia play a key role in assignments. They plan, drive and monitor their own projects; are responsible for personnel, financial position, and quality issues; and maintain contact with customers, employees and suppliers.

The Heads of Regions are responsible for earnings and are entitled to make decisions regarding projects involving a maximum of SEK 125m. Projects valued beyond this figure are dealt with in the Project Committee, which consists of three Board members. Some 30 to 40 projects are referred to the Project Committee each year.

## Broad project portfolio

Each region has an average of 1,500 projects, varying in value from some SEK 10,000 to SEK 0.5bn. The project portfolio is turned over each third or fourth year.

## NORTHERN

The region has a strong position in management and maintenance of the public road network. During 2010, the region was successful in the municipal market, securing assignments from the municipalities of Härjedalen and Luleå. Two major hydro-

## CENTRAL

The region has a portfolio that includes large and small construction projects as well as central government and municipal management and maintenance assignments. 2010 saw the completion of the final

## WESTERN

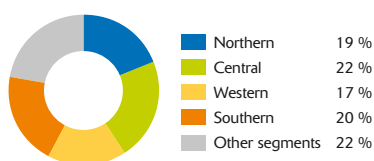
The focal point is on major construction assignments in the Gothenburg area, but the region also enjoys a favourable presence and customer base in small rural areas. Projects commenced during 2010 included the

## SOUTHERN

Sharp growth and a growing market for municipal assignments mark this region's infrastructure. Major projects during 2010 were the extension of the E6 motorway from Maglarp to Vellinge, the Hyllie traffic



Share of net sales excluding eliminations

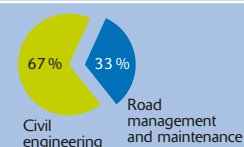


Svevia is active in 130 locations nationwide in Sweden and is organised on the basis of four regions: Northern, Central, Western and Southern.

electric projects in Abelvattnet (on behalf of Vattenfall) and Halvfari (on behalf of Fortum) were completed. The region also won a number of assignments in wind power and district heating. Major road projects in 2010 included the rerouting of European motorways around Umeå and a project start-up in Sundsvall.

	2010	2009
Sales, SEK m	1 817	2 009
Operating profit, SEK m	24	40
Workforce	444	461

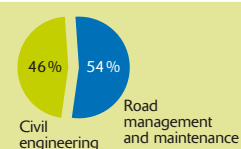
Share of core operations



stage of motorway 73 (Nynäsvägen) and two stages of motorway 70 in Dalarna. Work started on two traffic junctions on the E18 Hjulsta-Kista motorway. The region secured road management and maintenance assignments in Eskilstuna, Västerås, Norrtälje, Nacka and Värmdö municipalities.

	2010	2009
Sales, SEK m	2 150	1 722
Operating profit, SEK m	70	94
Workforce	543	462

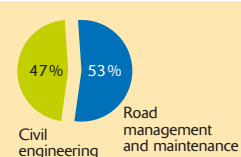
Share of core operations



rebuilding of motorway 155 (Torslandavägen). The region's customers include Ringhals, Göteborg Energi and Karlstad Energi. The region has resources for operations involving ground, rock and concrete reinforcement.

	2010	2009
Sales, SEK m	1 579	1 793
Operating profit, SEK m	11	32
Workforce	434	496

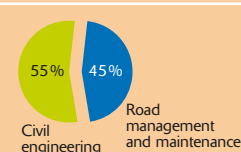
Share of core operations



junction outside Malmö and wind power construction work for Arise Windpower. Organisationally, the speciality operation Environmental Remediation is part of Southern Region but works nationwide.

	2010	2009
Sales, SEK m	1 891	1 762
Operating profit, SEK m	-7	55
Workforce	462	483

Share of core operations



# Control for high profitability

The key to higher profitability lies in the ability to select the right projects and conduct them efficiently. During 2011, Svevia will train almost 800 employees in “Our Working Method” – a programme aimed primarily at improving profitability and estimates.

Svevia believes that the key factors underlying profitability are the selection of the right project, superior project control, more efficient purchasing and reduced overheads.

### Risks and risk management

Svevia has surveyed and analysed its operating, financial and legal risks on the basis of their probability and implications. Risks to survival refer to the probability of Svevia infringing legislation and other regulations in such areas as the environment and work environment, accounting and taxes.

#### Financial risks

Financial risks consist primarily of raw materials risks, currency risks, credit and counterparty risks, interest rate risk and liquidity risks.

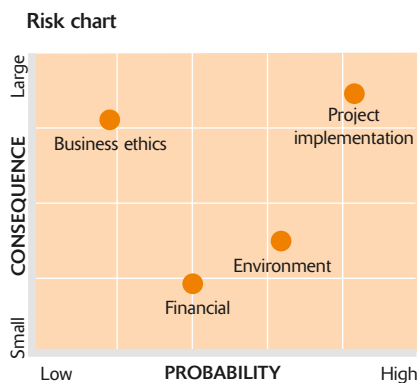
Generally, Svevia feels that the probability and the consequences of the company’s financial risks are relatively small compared with operating risks. As a rule, Svevia’s counterparties are public sector parties with an excellent credit rating.

#### Operating risks

Operating risks relate primarily to risks associated with projects – in both the tendering and implementation stages.

Operating risks include technical risk, project risk, IT risk, personnel risk, work environment risk, and management and control risk.

Risks associated with project implementation are the most serious in terms both of probability and consequences. Management and maintenance operations are relatively predictable compared with construction operations, for which an accurate risk assessment is a cru-



The illustration shows a limited selection of the risks that Svevia has analysed. An account of how Svevia manages risks associated with business ethics and environmental risks is presented in the sustainability report on page 18.

cial profitability factor. Almost all construction projects are unique in terms of size, design and environment. Thus, operations differ greatly from, for example, series production in permanent facilities. Road management and maintenance, and construction operations account for about 90 per cent of Svevia’s operations, in terms of sales. Industrial operations, such as the manufacture of asphalt, account for the remainder.

Operating risks are managed through, for example:

- “Our Working Method”, a programme that details the appropriate procedures, checklists and so forth. Control points include costing start-up, production calculation, planning start, start-up approval and continual project reconciliations.

- A clear delegation procedure regarding the right to submit tenders, entailing an obligatory review by Svevia’s Project Committee tenders exceeding SEK 125m.
- The granting of diplomas to site managers on the basis of the validation of their competence through an assessment of their input and a formal examination.

### Project control

Svevia is a dedicated contracting company, which means that projects are Svevia’s income source and that the Group is completely dependent on the results of individual projects.

Project control is aimed at creating the conditions for project profitability. The greatest potential for project profitability improvement lies in the implementation phase.

During 2011, Svevia will train some 800 employees under the “Our Work Method” programme in order to create a consistent work method throughout the Group, thus improving the basis for forecasting and increasing the potential to control projects profitably. When fully implemented, it will contribute to superior control at all levels and in all phases. It will ensure that risks and possibilities are identified and taken into account in the tendering phase and are assessed in the same manner throughout the Group; that purchasing is efficiency-enhanced; and that deviations from project plans are reported, adjusted and monitored.



Svevia manages and maintains the water/wastewater system on behalf of Danderyd municipality.

# Svevia's sustainability programme

Svevia's sustainability programme is interwoven with its business operations. More efficient resource utilisation entails a reduced environmental impact and improved finances. Also, the conditions for innovative thinking improve at companies in which employees come from different backgrounds. Svevia combines long-term profitability with sustainability.

## Sustainability means sound finances

Svevia is a commercial company active in a competitive market. Its primary task is to create long-term value growth for the company's owner, who requires a return on capital that at least matches that of competitors. The owner's directive states that Svevia shall also serve as a model of social, ethical and environmental responsibility.

Svevia believes that sustainable processes and results are conditions for long-term commercial profitability and favourable social economy – an insight that is growing among customers, the public, official authorities and others. Procurement requires quality-assured work methods, with a documented impact on the environment, climate and society. Svevia is aiming to exceed these requirements. Our task of serving as a role model means that we work proactively and strategically with sustainability issues.

## Svevia's sustainability cornerstones

The sustainability programme rests on four cornerstones:

- reduced environmental impact
- consideration towards customers, employees and society
- sound business principles
- responsible purchasing

### Reduced environmental impact

Svevia adapts and develops products and services for a society that takes care of the environment and economises with resources. Examples are asphalt based on recycled tyres and intel-



ligent road lighting, resulting in reduced noise, lower energy consumption and higher road safety.

Naturally, the quest for a reduction in environmental impact applies also to Svevia's own operations. For example, Svevia is improving

energy efficiency in its construction machinery and at construction sites. Environmental programmes are well systemised by means of an environmental management system that creates order and moves Svevia towards attaining its targeted improvements.

### Consideration

Svevia's corporate culture is to be hallmarked by consideration towards customers, employees and society. Attentiveness and service-mindedness will distinguish the customer meeting. Consideration towards employees is exemplified by Svevia's focus on workplace safety. Social consideration is expressed by Svevia's solid presence in 130 locations nationwide in Sweden, permitting effective efforts in terms of road access, among other points.

### Sound business principles

Sound business principles are a prerequisite for enabling the company to retain the good reputation it has developed over a protracted period. In early 2009, Svevia adopted a business ethics policy that functions as an overriding regulatory system.

### Responsible purchasing

The purchasing process is a core factor in efforts to attain sustainable development. Responsible purchasing is secured at Svevia by means of a code of conduct that represents a contractual document, thus entailing that suppliers must meet generally accepted international principles relating to the environment, working conditions and anti-corruption practices. The





code of conduct sets a minimum level for collaboration between Svevia and the supplier and business partners. Company managers are responsible for communicating the code internally and externally.

### New solutions to challenges

Nowadays, major environmental requirements are set throughout the construction and building industry. Svevia is affected via demands for new construction solutions and investments in renewable energy. For Svevia, this also entails greater demands in terms of environmental consideration and new business opportunities.

### Efficient resource utilisation in all phases

Sustainable infrastructure construction has begun but what is still missing is an overall approach by clients and contractors. Efficient use of energy and materials must mark all phases: project engineering, construction and operation. In the case of new building and rebuilding, it must be possible to recycle materials from roads and structures.

### Climate-proof construction

As yet, Sweden has no major problems with climate change. But in the future, contractors and clients must climate-proof structures in order to deal with higher levels in watercourses, to improve water-runoff from structures and to stabilise landslide-prone soils.

### Renewable infrastructure

During 2010, Svevia took a major step into the

market for climate-friendly infrastructure. New wind farms are emerging nationwide. Svevia builds the foundations, access roads and the sites for the wind turbines. Svevia is well on the way to being the energy industry's best partner in the transition to renewable solutions.

### Asphalt from old tyres

Since 2007, the Swedish Road Administration has conducted a project to ascertain whether Swedish roads could be surfaced using a rubber-asphalt mix. Svevia has been one of the partners in this collaborative project. 2010 marked the completion of trials, which confirmed that a rubber-asphalt mix offers many benefits. The asphalt is more durable and can be laid in thin layers, entailing efficient resource utilisation and cost savings. The rubber-asphalt mix also has the potential to reduce noise, a feature that is requested along many stretches of road. In the manufacturing process, 15 per cent rubber material is added to the mix.

Svevia operates Sweden's only rubber plant, which can be moved and connected to the asphalt unit at worksites. The rubber-asphalt material is recyclable.

### Smart pedestrian crossings

During the year, Svevia – in cooperation with other parties – developed and tested new technology for pedestrian crossings. Cameras register when a person is crossing the street, causing blinking warning lights to aim at oncoming traffic. During dark periods, LED lighting is also activated above the crossing.

In Gothenburg, the Swedish Road Administration is cooperating with Svevia in a development project aimed at informing road users of the estimated travel time to the city. Along the way, cameras and other detectors update the system with information. Svevia was responsible for developing the technology and signs.

### Environmental remediation

Sites that have been contaminated by old industrial plants and other environmentally impacting operations represent a major problem in Sweden. Svevia has a specialist group that treats contaminated soil and polluted water. This frequently involves excavating the contaminated soil and transporting it to a treatment plant. Svevia operates nine facilities, ranging from Kiruna in the North to Ystad in the South.

### New methods

Svevia also has mobile treatment equipment that can be readily moved among worksites. The avoidance of lengthy transport distances and refilling the treated soil is positive for finances and the environment. Svevia cooperates with other companies in developing new, cost-effective and environment-friendly solutions. For example, two separate tests are in progress aimed at on-site degradation of fuel-contaminated soil. One case involves the use of an electrokinetic method, while the other is based on biological degradation through the addition of bacteria, nutrients and oxygen.





## Our workforce

Svevia works systematically on skills development, a safe work environment, health issues and leadership models in an effort to be an attractive and model employer.

### New staffing plan every year

The basis for recruitment is set at the beginning of the financial year, when a staffing plan is drawn up as the guideline for the year ahead. Since the industry is experiencing a shortage of experienced site managers and other specialist competencies, Svevia participates in labour market days, maintains contact with schools, and recruits apprentices who are trained for their occupation.

Personnel turnover in 2010 was 5.6 per cent.

### Influence students and training courses

During 2010, Svevia drew up an employer offering, highlighting such features as:

- challenges in a creative and dynamic environment

- supportive leadership
- an organisation with high ethical and moral standards
- working with attractive and innovative solutions.

Svevia influences the design and content of various educational courses. It is strategically important for Svevia to ensure competencies for future recruitment. Svevia also cooperates with other companies in the sector via the industry organisation Nordisk Väg Forum (Nordic Road Forum), which promotes development in road systems, road traffic and road transport. Svevia encourages women to apply for the various courses.

### Svevia's learning tool

The Svevia Academy is an internal unit that manages the tailored training of employees in areas such as the Swedish environmental code, purchasing, project control and leadership. The Svevia Academy also arranges a number of certified-requirement training courses. Central

introduction days for new employees provides in-depth information about Svevia and also include dialogues with the President.

### Focus on greater diversity

Twelve per cent of Svevia's workforce are women and a total of five per cent of employees have a non-Swedish background. Like many other companies, Svevia needs to broaden its recruitment base. Svevia is convinced that diversity leads to development and improved profitability. Svevia aims to be a role model since it is a State-owned company. The goals for 2011 are that 30 per cent of new employees will be women and 15 per cent will have a non-Swedish background. Svevia is to develop its managers' ability to build multi-cultural relations and to create welcoming workplaces.

### Showing the way – leadership at Svevia

Svevia is working to strengthen its leadership resources and competencies. What is required of a leader and how a leader should behave should be quite clear. The leadership model –



Ice and snow are steamed ahead of cement laying in Gällivare, northern Sweden.

with its seven competencies and behaviours for leaders – forms the basis of the leadership programme.

The leadership competencies are:

- leading and monitoring
- working with people
- adhering to principles and values
- creating relationships and networks
- adapting and responding to change
- corporate spirit and commercial mindset
- delivering results and meeting customer expectations

Over the course of 2010, Svevia granted diplomas to 12 site managers. This means that their competence had been validated through their input in a number of projects and by means of a formal examination in certain subjects. Svevia has selected a number of employees that have the potential to assume leading positions within one to four years – referred to as high potentials. This move is designed to secure long-term leadership supply at Svevia.

#### A healthy and considerate Svevia

Svevia's goal is to increase health-awareness among its workforce by offering various tools for a sustainable lifestyle. All employees are offered an extensive health survey every third year, leading to individual advice regarding diet and sleep. Raising insight offers the potential to change behaviour. Another health-promoting activity that Svevia offers its workforce is a subsidy to encourage them to exercise regularly at lower cost.

Svevia also arranges various activities to strengthen team spirit among employees.

Noteworthy examples of projects during 2010 include a gymnastics programme at one of our major construction assignments, which was very well received. During 2011, Svevia plans to continue with these types of warm-up sessions at several more construction worksites.

Svevia's continual health programmes have contributed to making its workforce the healthiest in the industry. During 2010, Svevia reported an unchanged, low sick leave level of 2.2 per cent, of which 0.9 percentage points relate to long-term sickness absence.

Svevia's collective agreements include agreements on collaboration in work environment issues.

Svevia has its own resources for responsible outplacement and cooperates with the Job Security Foundation (Trygghetsstiftelsen) for Government agency employees.

During 2010, Svevia cooperated with the Design College in Umeå in a student project aimed at seeing how a spade could be developed to serve as a user-friendlier tool. This resulted in five prototypes that clearly confirm that innovative thinking in work environment activities can lead to major improvements.

#### Pay structure

The guidelines governing pay structure were prepared during 2010 for application in conjunction with pay reviews in 2011. The guidelines are communicated internally so that all employees are aware of the basis on which pay is set, what is assessed and how the assessment is conducted.



**Employee Survey, 2010**

During 2010, Svevia adjusted its employee survey in order to improve this tool for monitoring purposes. Consequently, the results for the year are not comparable with the preceding year's Employee Satisfaction Index (ESI). ESI is a measure of how well a workplace functions. The response frequency increased 5 percentage points to 77 per cent. Svevia's ESI score reached 80 out of 100 for the company as a whole, which is slightly below the average of 85 for all companies. A new feature for 2010 is that leadership is gauged in the same survey. The result for this was 67 out of 100 for LSI (Leadership Style Index). Svevia is intensifying its already existing programmes to strengthen its management skills. Each manager reviews results from the employee survey along with their colleagues in order to draw up an action plan.

**Focusing on leadership training**

Being an attractive employer is strategically important for Svevia. Good leadership is required in order to recruit, retain and motivate competent employees. All managers are key people with the task of improving results by being able to capitalise on the potential among employees.

During 2011, Svevia plans to increase its focus on leadership training in, for example, the form of leadership programmes within the framework of the Svevia Academy.

**Campaign for a better work environment**

Most of Svevia's employees have their workplace in the field, which frequently involves exposure to traffic hazards. 2010 saw the development of the E-road safety system (ERS), aimed at improving accessibility and safety for road users and employees. The system involves a blinking digital sign to warn road users they are driving too fast, while simultaneously a vibrating armband warns road workers.

During 2010, a campaign – "Working on the Road - Together" – was run in cooperation with the Swedish Road Administration, Svevia, NCC, Peab, Skanska, Vectura and the Swedish Police. The purpose of the campaign was to improve safety at road works. During the project, personnel contributed suggestions for improvements. Plans were drawn up to repeat the campaign in 2011.

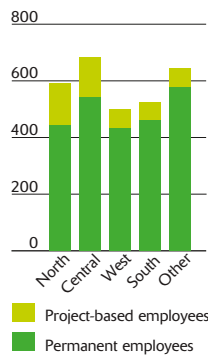


**Safety for road users**

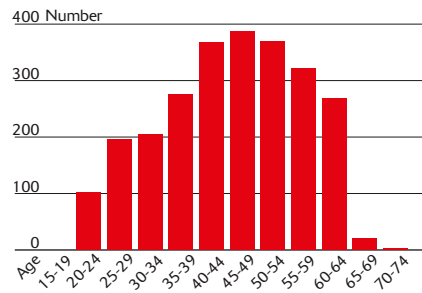
Road works require traffic rerouting plans indicating how traffic should be rerouted. Signs must be clear and located properly. The client always checks that this is functioning during the construction period. If the contractor does not meet the requirements, a fine is levied in proportion to the shortcomings of the traffic plans as deemed by the Swedish Road Administra-

tion. For Svevia's part, serious observations in 2010 corresponded to 20 per cent of the total number of adverse observations, which amounted to 241. Svevia's goal for 2011 is to reduce the proportion to below ten per cent. Each region has drawn up an action plan to attain this goal in 2011. Central programmes will also be prepared for this purpose in 2011.

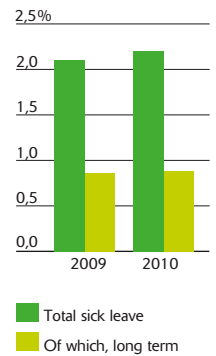
**Number of employees**



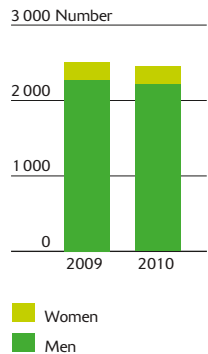
**Age structure, permanent employees**



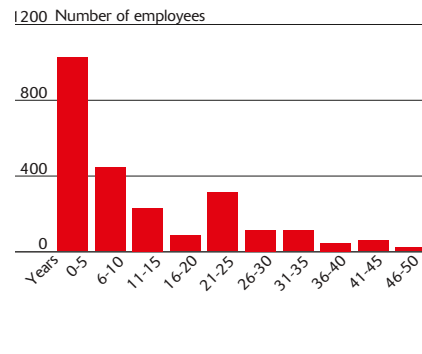
**Sick leave**



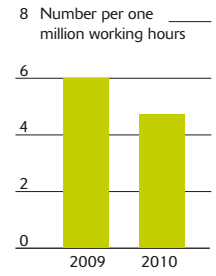
**Permanent employees**



**Period of employment**



**Work injury frequency**





## Svevia's environmental impact

### Management system

Since 2001, Svevia has used a certified environment and quality management system that ensures that legislation and regulations are complied with and the environmental impact is curtailed. Using the environmental management system, the organisation seeks consistently to achieve improvements.

### Emissions and materials consumption

Svevia's operations – ranging from major infrastructure projects to snow ploughing – have a varying impact on the environment and society.

The consumption of fuel and oils is substantial, since most operations are conducted by means of construction machinery and other vehicles. The emission of greenhouse gases and particles that affect people and the environment are typical of the road construction industry.

The consumption of natural resources pertains to the use of natural materials in road building, such as crushed rock, referred to as aggregate. The natural materials are extracted from gravel and rock quarries, which are subject to official permission. The quarries affect the appearance of the landscape, while noise, vibrations and dust can affect those living nearby.

### Reduced amounts of unsorted waste

The other environmental impacts to which Svevia's operations can in certain cases give rise are generated waste, chemicals and energy consumption, as well as minor emissions from permanent and temporary sites on land and water.

All of Svevia's worksites must sort their waste to the maximum degree. The objective is to recycle soil and excavated material emerging from assignments and to reduce the fractions of unsorted waste, combustible waste and landfill residues. During 2010, the total amount of waste from fixed facilities totalled 10,200

tonnes (7,400), of which 900 tonnes (950) consisted of hazardous waste.

### Tool to reduce employee travel

During 2010, Svevia developed a web-based travel portal for the entire organisation, and trained personnel. The purpose of the travel portal is to control and monitor personnel travel. More meetings without travel reduce CO<sub>2</sub> emissions, improve finances and offer a superior use of working time.

### Monitoring to ensure reduced consumption

Svevia's aim of limiting the consumption of fuel and oils is complicated to a certain extent by the large share of consumption that is attributable to subcontractors.

Reporting and monitoring are required in order to encourage and really attain reductions in consumption. Svevia is testing a system in which drivers, using a portable computer, track the fuel consumption of the company's vehicles.

## Objectives and results for reduction in environmental impact

Objective	Results	
	2010	2009
The proportion of eco-efficient classed cars should rise by 3 per cent annually in relation to the total number of vehicles. The base year is 2005 and the target covers excavators, loaders, road graders and trucks	Increase 3,9 %	Increase 3,7 %
Energy consumption per tonne in the manufacture of warm asphalt is to be cut by 15 per cent by 2012, compared with 2008. The sub-target for 2010 was to reduce consumption by 5 per cent.	Increase 5,3 %	Increase 3,0 %
The share of recycled material in asphalt production is to be increased to an average of 10 per cent by 2012. The sub-target for 2010 is that the proportion should be 6 per cent.	Share 3,5 %	Share 4,1 %

**Quarry restoration**

Quarry operations in Sweden are well regulated and Svevia is one of the largest quarry owners in the country. Whenever required, they are appropriately positioned close to the infrastructure projects. To economise with materials and transport, moraine and rock, for example, are crushed at the road construction site.

Restoration of the quarry, when all of the materials have been extracted, requires the approval of the supervisory authorities. In many cases, it is most natural to replant the area with forest. In certain cases, alternative restoration measures may be decided in consultation with the landowner. In gravel quarries, this may involve saving a south-facing slope with open sand, which can be favourable for wild bees, various beetle species, butterflies and birds. In other cases, it may prove possible to create a wild pond at the bottom of the quarry to facilitate biological diversity and its use by people.

**Environmentally secure storage**

Long-term storage of, for example, fuel, oils and salt can lead to contaminated land. When Svevia was established, an inventory commenced of properties with contaminated land. The Swedish Transport Administration is the project client and is responsible for environmental remediation. Former undertakings are regularly remediated in this way. During 2010, various studies were conducted on 72 old properties. Remediation measures commenced at a number of them and were finalised at six properties. No measures were required at three of the properties, given the current land use.

During 2010, all facilities were surveyed and inventoried to develop procedures and create shared guidelines for the storage of salt. Under 2011, various preventive measures will be introduced such as watertight surfaces and rain cover wherever required.

**Energy savings**

Energy consumption represents a large share of Svevia's environmental impact. Svevia uses eco-friendly electricity for its permanent workplaces and for those that will be operative for over a year.

To reduce electricity consumption, Svevia has, among other innovations, developed a checklist for how to organise an environmentally friendly building site.



**Areas of focus**

In the sustainability area, Svevia's objectives have been compiled to form a sustainability programme. This programme defines the following overall aims in the environmental area:

- energy-efficient vehicle fleet, selected from the most eco-efficient category in conjunction with procurement
- properties with an energy-efficient climate shell, with fossil-free heating in the long-term
- energy-efficient establishment of new workplaces that use green electricity
- energy and resource-efficient structures and working methods
- resource-efficient transport, with combined loads, route optimization, mass-optimization and eco-driving
- preferably travel-free meetings

These target areas are broken down subsequently to more concrete objectives in the action plans of the business areas

**Results for the year**

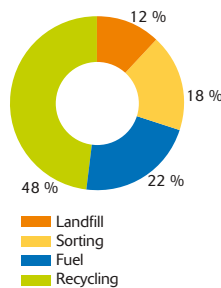
The proportion of eco-efficient vehicles increased during 2010 by 3.9 per cent, exceeding the target of 3 per cent.

The sub-target of increasing the proportion of recycled material in asphalt production to 6 per cent was not attained in 2010. The proportion of recycled materials totalled 3.5 per cent. The sub-target at the beginning of 2010 to reduce energy consumption by 5 per cent per tonne in asphalt manufacturing was not attained. Energy consumption per tonne increased 5.3 per cent compared with 2008. The low manufacturing volume meant that machinery and equipment could not be used optimally, leading to higher fuel consumption.

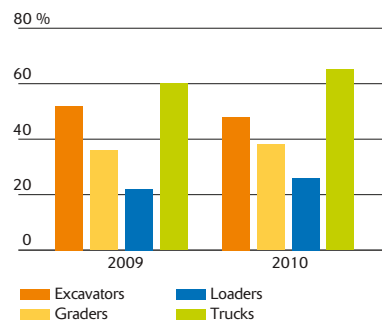
Svevia continues to seek a more efficient process and the possibility of adding more granulate.

During 2010, Svevia was not fined or subjected to other sanctions by a court as result of breaches of environmental legislation or other legislation.

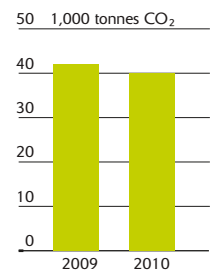
**Treatment method, waste 2010**



**Proportion of eco-efficient classed vehicles**



**Carbon dioxide**



Carbon dioxide emissions from the company's vehicles, machinery and asphalt plants.



## Governance leading to sustainability

### Responsibility of the Board

Svevia's Board of Directors bears the overriding responsibility for the Group's programmes involving sustainable development. Operational work is controlled by the President and coordinated by the Environment and Sustainability Manager. Individual managers are responsible for driving the practical aspects of sustainability programmes. The Environment and Sustainability Manager reports to the Group Executive Management and is supported by a sustainability network, the role of which is to coordinate monitoring, along with a steering group for sustainability issues comprising representatives of senior executive management.

### Code of Conduct – part of the contract

Svevia's Code of Conduct is aimed at defining a minimum level for collaboration with business partners as regards sustainable development. It contains the principles governing how work is to be pursued on the basis of sound business practices, environmental consideration, favourable work conditions and health and safety.

All managers are responsible for ensuring that the Code of Conduct is applied and communicated both internally and externally. Ob-

servance of the Code is monitored through internal audits.

### Review of suppliers

The Code of Conduct is part of the supplier's contract, which means that suppliers pledge to observe the principles included in the Code. Shortcomings in compliance with the Code are thus viewed as contractual infringements. If the supplier does not rectify his behaviour within a given time, Svevia is entitled to terminate the collaboration. During 2010, Svevia reviewed three suppliers on the basis of the Code. Svevia has reviewed potential suppliers in China for certain products that may be imported. Svevia has now used the Code of Conduct for two years and the experiences gained are positive. It creates clarity in contacts with suppliers. In certain cases, the Code has also led to various suppliers strengthening their own sustainability programmes in an effort to meet Svevia's requirements.

### Respect for long-term business relations

Svevia observes a business-ethics policy established in 2009, which sets the guidelines for sound business practices that employees must comply with. The policy is viewed as a precondition for Svevia retaining the trust and respect required for favourable, long-term business re-

lations. The areas included in the policy are:

- Svevia's business relations in general
- Observance of competition legislation
- Inappropriate benefits, bribes and corruption
- Loyalty to the company, internal gifts
- Business representation

The guidelines encompass relations with Svevia's various stakeholders and include clear recommendations as regards gifts and other benefits. The business ethics policy also includes issues involving the need for an ethical approach internally, such as loyalty to the company, sideline work and the use of business cars.

During 2010, the business ethics policy was supplemented by a whistleblower function. This means that anybody in the company may disclose information regarding situations in which the policy has not been observed. No incidents were reported in 2010.

### Training in business-ethics policy

During 2010, employees were trained in the business-ethics policy by means of executive meetings and regional meetings, all the way down to the site manager level. Signatures from 130 participants at the major executive meeting in 2010 were compiled and registered. An ethics council, consisting of the HR Manager, company legal council, information mana-



ger and manager of the Central region review certain issues relating to the observance of the business-ethics policy. No irregularities arose during 2010 as regards competition-restricting behaviour at Svevia.

#### Sustainability programme

Due to Government requirements regarding sustainability accounting and the overall increased demand for social responsibility among companies and organisations, Svevia has focused on integrating sustainable development throughout operations. One of the tools for attaining this is the sustainability programme, which contains a number of focus areas, which can be broken down by the business units into definite targets in their action plans. The sustainability programme is based on a number of policy documents and guidelines.

Svevia has also applied an ISO-approved environmental management system 2001, which covers all the significant operations in the company. Programmes and actions relating to sustainable development are monitored annually through the compilation of sustainability accounting.

#### Governance for sustainability activities

- Code of Conduct
- Business ethics policy
- Environmental policy
- Gender equality and diversity policy
- Personnel policy
- Work environment policy
- Guidelines for procurement

#### Distinctions in 2010

Svevia won two of the Swedish Transport Administration's work environment awards in 2010 for contractors working on national road 1068 in respect of the stretches Gideå-Flärke and Flädie-Löddedäcket.

## Svevia's stakeholders

Svevia's sustainability efforts are influenced by the expectations, opinions and requirements of stakeholders. Svevia's key stakeholder groups are:

- The owner. The Swedish State holds 100 per cent of Svevia.
- Customers. The largest customer is the Swedish Transport Administration. Others include municipalities and private companies in the industrial and energy sectors.
- Suppliers and sub-suppliers. Svevia has a large number of suppliers in Europe. Svevia uses many local contractors to complete various services.
- Employees. Svevia has a major interest in reaching future employees to ensure new recruitment.

- The public. Every resident in Sweden is affected by Svevia and depends on the company's input in the form of infrastructure and maintenance.

Svevia has selected these stakeholder groups – based on their influence on Svevia and vice versa. It is decisive that the company has keen insight into the various stakeholders' expectations and areas of interest.

#### Customer survey

During the year, a customer survey was conducted for a number of completed products. On a scale of one-to-five, Svevia received a score of 3.8 for documentation and commitment in the environment area, 3.9 for the work environment and 4.1 for the company's approach to handling traffic rerouting plans.

### Examples of Svevia's stakeholder dialogue

Stakeholder group	Channels for dialogue	Priority issues
Owner	Quarterly dialogues AGM	Svevia shall create value and be a model in the long term, which requires environmental and social responsibility. Preparation of sustainability report
Customers	Procurements Surveys, follow-ups and interviews. Customer meetings and construction project meetings	General requirements for sustainable enterprise Green solutions Green segments
Suppliers	Procurements Contractual negotiations	Svevia imposes requirements on suppliers in line with the Code of Conduct
Employees	Employees surveys Development discussions Workplace meetings Labour market days Student fairs, etc.	Development possibilities Working conditions Safe workplaces Diversity
The public	Consultation procedures Information meetings Referral procedures	Traffic safety during road construction Environmental consideration according to official decisions and building documentation





## Report for the year

Svevia reports sustainability aspects in accordance with the Global Reporting Initiatives guidelines. The preceding report was published in March 2010 and the report covers the calendar year, as in the case of all reports. Svevia believes that the sustainability report for 2010 meets the requirements imposed on the application level C+ in line with GRI Sustainability Reporting Guidelines, version 3.0. Deloitte AB has approved Svevia's sustainability report for 2010 and confirms that it meets the C+ applicability level.

### Overall operations

The sustainability reported covers the entire Svevia Group. No changes have occurred since the preceding year in terms of the scope that would warrant restatement or lead to difficulties in comparing the results.

Svevia meets the requirements for the C-level and has endeavoured to fulfil the principles for content and quality. In addition, the following criteria have been applied in prioritising among key indicators:

- Stakeholders' interest in the key indicator
- The key indicator's significance for the industry
- The key indicator's linkage to legal requirements, contracts or agreements of strategic significance for Svevia
- Does the key indicator measure a business opportunity?
- Does the key indicator measure a risk for Svevia?
- Does the key indicator contribute to monitoring the Group's objectives for sustainability?

The contact person is Anders Lindström, Environment and Sustainability Manager.  
anders.lindstrom@svevia.se

Full disclosure ●

Partial disclosure ○

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Full disclosure ●  
Partial disclosure ○

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<i>Economic performance</i>			
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<b>Environmental impact</b>			
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EN13	Habitats protected and restored	26	○
<i>Emissions, effluents and waste</i>			
EN16*	Total direct and indirect greenhouse gas emissions by weight	26	●
EN18	Initiatives to reduce greenhouse gas emissions by weight	24–26	○
EN22*	Total weight of waste by type and disposal method	26	○
<i>Compliance</i>			
EN28*	Monetary value of significant fines and total number of non-monetary sanctions or non-compliance with environmental legislation and regulations	26	●
<b>Social impact</b>			
<i>Terms of employment and working conditions</i>			
<i>Employment</i>			
LA1*	Total workforce by function, employment type and region	24	●
<i>Health and safety</i>			
LA7*	Injuries, occupational diseases, lost days, absenteeism and total number of work-related fatalities by region	24	●
LA9	Issues relating to health and safety covered by formal agreements with trade unions	22	●
<i>Training and education</i>			
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees after the termination of employment	22	●
LA13*	Composition of the Board and executive management, and the breakdown of other employee categories on the basis of gender, age group and other diversity indicators	36–37, 56	●
<b>Human rights</b>			
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\* Core indicators

# Auditor's report on the limited review of the sustainability report

To the readers of Svevia AB's sustainability report

## Introduction

We were commissioned by the Board of Svevia AB to conduct a limited review of the contents of Svevia AB's Sustainability Report for 2010, which is included in the printed version of this document on pages 18-30. The Board of Directors and corporate management are responsible for the ongoing activities in respect of the environment, work environment, quality, social responsibility and sustainable development, and for the preparation and presentation of the Sustainability Report in accordance with applicable criteria. Our responsibility is to express a conclusion on the Sustainability Report based on our review.

## The scope and focus of the limited review

Our review has been performed in accordance with RevR 6 Assurance of Sustainability Reports as issued by FAR SRS (the institute for the accountancy profession in Sweden). A limited review consists of making inquiries, primarily of persons responsible for preparing the Sustainability Report and applying analytical and other review procedures. A limited review has a different focus and substantially less scope than an audit conducted in accordance with IAASB's standards for auditing and quality control and

other generally accepted auditing standards. The procedures performed in a limited review do not enable us to obtain an assurance that would make us aware of all significant matters that might be identified in an audit. Accordingly, the conclusions expressed based on a limited review do not have the same level of assurance as those based on an audit.

The criteria used in the course of performing a review procedure are based on applicable parts of the Sustainability Reporting Guidelines G3 issued by the Global Reporting Initiative (GRI), which are appropriate for the Sustainability Report. We consider these criteria to be suitable for the preparation of the Sustainability Report.

Our limited review has, based on an assessment of materiality and risk, included the following procedures.

- updating of our knowledge and understanding of Svevia AB's organisation and operations
- assessment of suitability and application of criteria in respect of the information requirements of stakeholders
- assessment of the results of the company's stakeholder dialogue
- interviews with management in charge at the group level and at selected business units with the aim of assessing that the qualitative and quantitative information stated in the

Sustainability Report is complete, correct and sufficient

- studied internal and external documents to assess if the information stated in the Sustainability Report is complete, correct and sufficient
- assessment of the design of the systems and processes used to obtain, manage and validate sustainability information
- assessment of the model used to calculate carbon-dioxide emissions
- analytical review of the reported information.
- assessment of the company's stated application level according to GRI's guidelines
- overall impression of the Sustainability Report, and its format, considering the compliance of the information with applicable criteria
- reconciliation of reviewed information against the sustainability information in the company's 2010 annual report

## Conclusion

Based on our review procedures, no circumstances have come to our attention that lead us to believe that the Sustainability Report has not, in all material respects, been prepared in accordance with the above-stated criteria.

Stockholm, 25 March 2011

Deloitte AB

Tommy Mårtensson  
Authorised Public Accountant

Torbjörn Westman  
Specialist member of FAR

# Corporate governance report

Svevia is a limited liability company that is wholly owned by the Swedish State. The company owns and operates the organisation that was formerly the Swedish Road Administration's commercial unit known as Vägverket Produktion. The operation was acquired on 1 January 2009 and was divided into Svevia and its subsidiary, Svevia Fastighet and Maskin AB.

Although the Swedish Road Administration remains a key customer, the services that Svevia offers public and private sector customers are of a strictly commercial nature and sales are conducted in competition with a number of other contracting companies. Svevia has not been mandated by the Government or Parliament to meet any particular public interests.

## Legislation and other external regulations

Svevia's corporate governance is based on rules and regulations and structure compliant with the Swedish Companies Act, the Swedish Code of Corporate Governance and the Swedish Government's Ownership Policy. Based on these rules and regulations, in 2009 a corporate governance policy was formulated at Svevia in the form of a system that will be steadily assessed and developed.

### Swedish Code of Corporate Governance

The deviations from the Code that result from State ownership derive primarily from the nomination of and fees paid to Board members and auditors, whereby the Code assumes that a Nomination Committee has been elected by the AGM. In this regard, the Government has chosen a different procedure that is explained in more detail in the Government's ownership policy. Another deviation in relation to the Code is that Svevia does not disclose the independence of Board members in relation to the Government as the majority shareholder. Since Sve-

via does not have any minority shareholders, there is no need to disclose this form of independence. In all other respects, Svevia applies the Code.

### Swedish State's ownership policy

The State's ownership policy affects Svevia's governance in a number of ways, including the stipulation that the Code shall be applied and that the public shall be invited to participate in the Annual General Meeting, but also through the instruction that State-owned companies shall be leaders in areas such as environmental and social responsibility, equality efforts and initiatives for diversity to combat discrimination. The policy also affects Svevia's work through its guidelines for external reporting and for the terms and conditions of employment for senior executives.

## The company's internal control

### Articles of Association

The object of the company's operations shall be to conduct "contracting, service and leasing activities – directly or through subsidiaries – in the area of traffic, ground works, building, construction and compatible activities, such as owning and managing real estate."

As regards the Company's Board, the Articles of Association stipulate that it must have its registered office in Solna, Sweden, and comprise no fewer than five and no more than nine members, as well as personnel representatives and that its Chairman must be elected by the AGM. There are no special rules in the Articles of Association governing the appointment or dismissal of Board members.

In addition to the mandatory information, Svevia's Articles of Associations stipulate that Members of Parliament are also entitled to attend and present questions at the AGM.

### Board's work procedures and instructions issued

The Board has adopted a work procedure that is reviewed annually. The work procedure adopted by the Board includes the principal schedule for the year's Board meetings and the topics to be addressed. The work procedure also states the type of matters that require approval by the Board and, combined with the instructions specifically formulated for the President, thus acts as an allocation of mandates between the Board and the company's President. The work procedure also governs the relationship between the owner and the Board through the instruction that the Board Chairman should coordinate his views with representatives of the owner in issues that are of importance for the company.

The work procedure also determines the structure and mandates for the committees that the Board has decided to establish, namely, the Audit Committee, the Remuneration Committee and Project Committee.

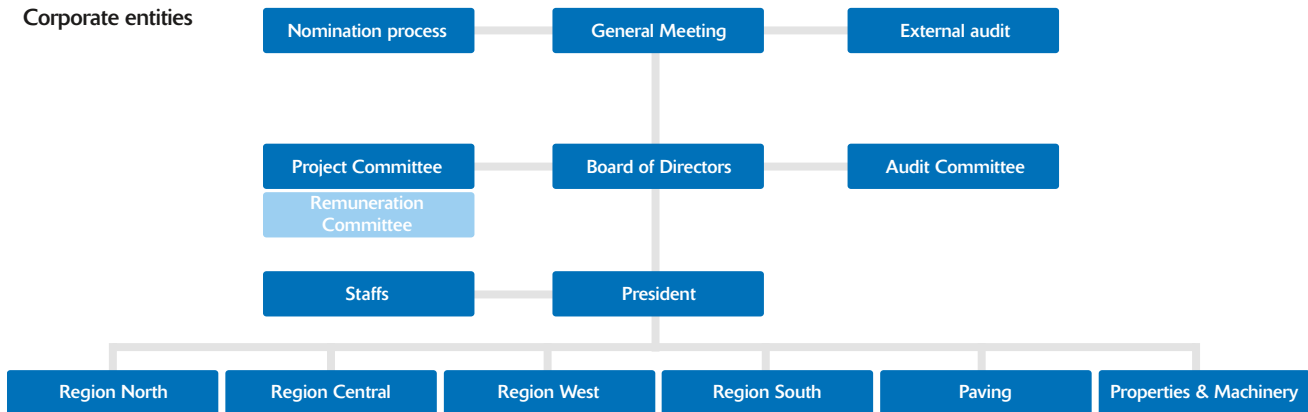
The work procedure includes instructions concerning the reports that the President must continuously provide in conjunction with Board meetings so that the Board can continuously assess the company's and Group's financial situation.

### Other corporate governance documents

The financial objectives for Svevia were last set at the 2010 AGM. The objectives, which pertain to return on equity, the equity ratio and dividends, are presented in the annual report. At the same meeting, the guidelines for the terms and conditions of employment for senior executives were also established, which comply with the views expressed by the Government in its ownership policy.

In addition to the business plan and the overriding plan for the delegation of duties, the

## Corporate entities



Board adopted policies in a number of areas, including finance, the environment, work environment, business ethics, communications and equality. These policies were formulated on the basis of such documentation as the ownership policy targets in the areas of equality and diversity. In addition to the policies, specific guidelines have been issued by the President in a number of areas.

During 2010, a system was developed and introduced at Svevia for the notification of irregularities – whistle blowing – as a means of supporting the application of the business ethics policy.

#### Annual General Meeting (AGM)

Svevia's highest decision-making body is the AGM. The AGM can pass resolutions on all matters that, by law, are not the exclusive responsibility of another corporate entity.

At the company's AGM – held for the first time in spring 2010 – the company's Board was elected and their fees set. The AGM's other mandatory tasks include approving the company's balance sheets and income statements, the appropriation of profit and the discharge from liability of the Board members and the President. The AGM elects external auditors and sets their fees.

As previously stated, Svevia does not appoint a nomination committee elected by the AGM. In State-controlled companies, the role of the nomination committee has been replaced by structured nominating process coordinated by the unit for State ownership at the Ministry of Finance.

The next AGM is planned to be held on 26 April 2011.

#### The Board and its committees

The Board has overriding responsibility for the company's organisation and the management of the company's affairs.

Svevia's Board comprises seven AGM-elected members and two employee representatives with two deputies for these. More detailed information regarding the members and the deputies is presented on page 36. The President is not a member of the Board but regularly attends these meetings to present reports. Svevia's CFO also participates in Board meetings. Deputy employee representatives are also entitled to attend and speak at these meetings. In 2010, the Board held 10 meetings.

The Chairman's specific duties and the duties incumbent on each Committee comprise the only division of duties among Board members.

In line with the Board's work procedures, and in addition to leading the work of the Board, the Chairman shall monitor the company's focus and development through regular contact with the President and ensure that the Board's decisions are enacted. The Chairman shall consult with the President on any strategic matters that arise and represent the company in matters pertaining to the ownership structure. It is also the responsibility of the Chairman to convene Extraordinary General Meetings when necessary regarding the company's performance or when otherwise required by the Swedish Companies Act. At the 2010 AGM, Christina Rogestam was re-elected Chairman of the Board.

The Audit Committee is charged with preparing the Board's work to guarantee the quality of the company's financial reporting in addition to their assignments as stipulated by the Code. The Committee comprises members Pia Gideon, Chairman; Patrick Jönsson and Ola Salmén. The Committee held four meetings in 2010.

The Remuneration Committee is tasked with preparing matters related to remuneration and other terms and conditions of employment for the President and other members of executive management. The Committee comprises members Christina Rogestam, Chairman; Patrik Jönsson and Åsa Söderström Jerring. The Committee held four meetings in 2010.

The Project Committee reviews and decides on major construction and road management and maintenance projects. Projects in excess of SEK 125m must be approved by the Committee before a binding offer can be submitted. The Committee comprises members Christina Rogestam, Chairman, Christer Bådholm and Johan Trouvé. The Committee held 17 meetings in 2010.

The Board's work is evaluated through a systematic and structured process that aims to produce strong documentation for the Board's own development programme. The Chairman informs the Government Offices of the outcome of the evaluation.

In line with the approval of three 2010 AGM, the Chairman of the Board is paid a fee of SEK 400,000 and each Board member is paid SEK 200,000. In addition, the Chairman of the Audit Committee is paid a fee of SEK 30,000 and

each member is paid SEK 20,000. The Project Committee's Chairman is paid SEK 40,000 and each member is paid SEK 30,000. No fee is paid to the Chairman or members of the Remuneration Committee. Neither are board/committee fees paid to members employed at the Government Offices. The Committee fees concerned pertain the period from the 2010 AGM through the 2011.

At an Extraordinary General Meeting on 27 May 2009, it was decided that no special fee would be paid to employee representatives on the Board.

The AGM-elected Board members' attendance at Board meetings in Committee meetings during 2010 is shown in the table below.

### Operational management

The President bears the responsibility for and manages the day-to-day administration of the company's affairs in line with the Board's guidelines and instructions. The division of duties between the Board the President is detailed in the work procedure of the Board and its instructions for the President.

Svevia has six business areas. Four of these are geographically oriented and focus on the production of road management and maintenance, and civil engineering projects: region North, region Central, Region West and region South. Other business areas: Paving, and Properties and Management operate on a nationwide basis. Each business area is headed by a business area manager who reports to the President. Operations in the Property and Machinery business are pursued within the frame-

work of a subsidiary of Svevia. Through the Board's work procedure, the schedule for the delegation of duties and the established instructions ensure that matters of central importance for the company or for each business area are subject to assessment by the President and/or the Board.

To address Group-wide matters, Svevia has also established a corporate management team comprising the business area management, staff function managers and the President. Each business area also has an operational management team for continuous review, control and governance of operations, which normally consists of the relevant business area's management team and the Group's President and CFO.

Steering groups have also been formed to ensure coordinated, well-established and systematic work in areas such as purchasing, sustainability, IT and business processes.

When evaluating matters of an ethical nature, such as transactions between the company and its employees, such as in the case of contracting assignments, an ethics council has been established with the company's legal council as its Chairman.

Salaries, remuneration and other benefits for the President and other senior executives are presented in Note 6. There are currently no incentive programmes in place at Svevia.

The President has no significant appointments outside the company and does not hold shares or other participations in companies with which the company has business relations.

### Auditing

Through a resolution by the Extraordinary General Meeting on 5 December 2008, the auditing company Deloitte AB was elected Svevia's auditor, with Tommy Mårtensson as the auditor in charge.

The company's auditors issue an auditors' report for Svevia's annual report and consolidated financial statements, the administration of the Board and President and the annual reports for subsidiaries. Audits are conducted in accordance with the Swedish Companies Act and Auditing Standards in Sweden in line with FAR SRS, which are based on the International Auditing Standards issued by the International Federation of Accountants (IFAC). The Group's six-month interim report is subject to a limited review by the auditor pursuant to the recommendations issue by FAR SRS.

The company's auditor was paid for auditing services other mandatory reviews and or advisory services and other duties resulting from the audit. For 2010, auditing fees amounted to SEK 1.4m and fees of SEK 1.5m were paid for independent advisory services. The company's Audit Committee establishes guidelines for the services other than auditing that the company may purchase from the company's auditor.

### The Board's report on internal control

In line with the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board is responsible for internal control. According to the Code and the Act, the Board also annually submits a description of the most significant features of the company's system for internal control and risk management in respect of financial reporting.

### Control environment

The Board's work procedure and the Board's instructions for the President and the Board's committees ensure clear delegation of duties and responsibilities in order to provide efficient governance of operations. The Board has also established a number of basic policies of significance to creating the prerequisites for an effective control environment. These include the Code of Conduct, the Business Ethics Policy and the Finance Policy. The President has issued a number of guidelines aimed at achieving a similar result. These policies and guidelines, in-

### Board members' attendance

Member	Board	Audit Committee	Remuneration Committee	Project Committee
Christina Rogestam	10/10		4/4	17/17
Christer Bådholm	9/10			17/17
Pia Gideon	8/10	4/4		
Patrik Jönsson	10/10	2/4	4/4	
Sverker Lerheden <sup>1</sup>	2/3			6/7
Monica Lundberg <sup>2</sup>	3/3		1/1	
Ola Salmén	10/10	4/4		
Åsa Söderström Jerring <sup>3</sup>	6/7			7/10
Johan Trouvé <sup>4</sup>	7/7		3/3	

<sup>1</sup> resigned from the Board in conjunction with the 2010 AGM

<sup>2</sup> refer to Note the Administration Report

<sup>3</sup> appointed as Board member in conjunction with the 2010 AGM

<sup>4</sup> refer to Note 6 in the Administration Report

<sup>5</sup> as of 2011, the operations in the business area Properties & Machinery have been split up into property and machinery operations conducted within the framework of the subsidiaries Svevia Fastighet AB and Svevia Maskin AB, respectively.

cluding the delegation of duties, which clearly define the areas of responsibility for senior executives, are reviewed and revised as required. The company has established an Ethics Council to address ethical matters.

Executive management also formulates detailed instructions regarding the Group's financial reporting and instructions concerning a number of different processes designed to affect the content and quality of reporting. These instructions are compiled in the company's management system.

#### Risk assessment

Prior to the incorporation of Vägverket Produktion, an in-depth analysis was carried out of a number of key processes, with the ultimate aim of influencing the new company's financial reporting. This analysis, which was conducted with the assistance of external consultants, led to a number of actions intended to enhance efficiency and/or raise the quality in such areas as results and accounting models, budgeting models, report packages, key figures, external risk, market risks, operational risks and financial risks. One example of the actions taken following the analysis was the establishment of a central finance function.

During the autumn of 2009, executive management also conducted a general risk analysis and a risk analysis of financial reporting to define and jointly evaluate the overriding risks in operations. This work was supplemented in 2010 and is part of a wider-ranging effort based on risk assessment aimed at managing risks, improving internal control and formulating a process for the day-to-day work on internal control.

#### Control activities

##### Information and communication

Information regarding the Group's policies, instructions, guidelines and manuals can be found on Svevia's Intranet, which is available to all employees in the Group. Updating and changes in accounting and reporting principles are communicated continuously, as well as at the regular meetings of the Group's accounting and control functions.

The requisite information system exists to ensure that reliable, up-to-date information is available for management to enable it to conduct its tasks correctly and efficiently.

#### Monitoring

Svevia is organised on the basis of six units (four regions, one business unit and one subsidiary). The company's President and CFO conduct regular reviews of financial results with the management and finance function in each unit. In addition to a manager and other executives, each unit's management team also include a controller. This controller, whose function was intentionally strengthened following incorporation, plays a key role in the analysis and review of the unit's financial reporting and in ensuring compliance with the policies, guidelines and other instructions that impact financial reporting.

The company's business processes include financial controls regarding the approval and recognition of transactions. The processes for annual accounts and reporting include controls for example, for projects with deviating balances.

As part of Svevia's ongoing efforts to standardise the company's work in such areas as risk management and internal control, policies and processes/instructions are evaluated in relation to the identified risks.

The Board evaluates operational performance, results, position and cash flow on a monthly basis through a reporting package containing outcomes, forecasts and comments on certain key factors. The Audit Committee, which regularly reports to the Board, has a supervisory role concerning the company's financial reporting, risk management and governance and control. The Audit Committee thus maintains continuous contact with the company's auditors to ensure that the company's reporting meets the applicable requirements.

At Group level, there are functions, including the controller and auditing unit, which performs analyses and reviews of the Group and the Group units that report to the Board and to executive management. In conjunction with regular reviews, the managers of all business units present results and annual forecasts to the company's President and CFO.

In January 2010, Svevia conducted its first self-assessment of its internal control in accordance with the COSO model, which was subsequently submitted to the Audit Committee and the Board.

#### Internal audits

The company has a basic operational structure, and compliance with its governance and internal control systems is regularly reviewed by controllers at the Group and underlying unit level. Controllers conduct continuous analyses of the Group's reporting and financial results. As a result, the Board has decided not to establish a specific internal audit function. However, any requirements in respect of internal auditing will be procured whenever necessary.

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#### Auditor's statement

To the Annual General Meeting in Svevia AB (publ), corp. reg. no. 556768-9848.

The Board of Directors is responsible for the corporate governance report and for ensuring that it is prepared in accordance with the Annual Accounts Act.

As the basis for our statement concerning the preparation of the corporate governance report and its compliance with the annual report and consolidated financial statements, we have read the corporate governance report and have assessed its mandatory based on our knowledge of the company.

We are the opinion that the corporate governance report, including its mandatory information, has been prepared in compliance with the Annual Report and consolidated financial statements.

Stockholm, 25 March 2011  
Deloitte AB

# The Board of Directors



Christina Rogestam



Johan Trouvé



Åsa Söderström Jerring



Christer Dahlberg



Christer Bådholm



Pia Gideon



Moody Israelsson



Jan Salkert



Ola Salmén



Patrik Jönsson



Martin Harr

## Christina Rogestam

Chair of the Board, elected in 2008

*Born:* 1943

*Other Board assignments:* Fastighets AB Balder (Chair), Statens Bostadsomvandling AB – SBO, Kyrkans pensionskassa (Chair). *Qualifications:* Degree in Social Sciences

*Professional experience:* Assessor of Government infrastructure and incorporation, President and CEO of Akademiska Hus, Director General of the Swedish National Migration Board.

## Christer Bådholm

Member, elected in 2008

*Born:* 1943

*Other Board assignments:* Vattenfall AB, Bombardier Transportation Sweden AB (Chair), Balfour Beatty Rail AB (Chair), Vinngrupp AB (Chair). *Qualifications:* Degree in Civil Engineering, Chalmers University of Technology, Gothenburg.

*Professional experience:* Consultant, Executive positions at NCC, ABB and Bombardier GmbH, Berlin.

## Ola Salmén

Member, elected in 2008

*Born:* 1954

*Other Board assignments:* Petersson & Wagner Fonder AB.

*Qualifications:* Graduate in Business Administration, Stockholm University.

*Professional experience:* CFO Sandvik AB, Vin & Sprit AB, Adcore AB, CFO Handelsbanken Markets, various financial management and controller positions at Swedish Match and the STORA Group.

## Johan Trouvé

Member, elected 2010.

*Born:* 1960

*Other Board assignments:* Mistra, the Foundation for Strategic Environmental Research

*Qualifications:* Degree in Engineering, majoring in industrial economics.

*Professional experience:* President of the Western Sweden Chamber of Industry and Commerce, Chief Operating Officer at Western Sweden branch of the Schenker Group and Assistant Environment Manager at SJ.

## Pia Gideon

Member, elected 2008

*Born:* 1954

*Other Board assignments:* Cision, Lappland Goldminers AB, Qlucore AB, Scandbook AB, Acta A/S *Qualifications:* Graduate in Business Administration, Stockholm School of Economics, Stockholm.

*Professional experience:* Information and Marketing Manager at the Ericsson Group.

## Patrik Jönsson

Member, elected 2008

*Born:* 1971

*Other Board assignments:* Vattenfall AB.

*Qualifications:* Masters Degree in Economics, Business Administration, Stockholm University.

*Professional experience:* Deputy Director, Ministry of Enterprise, Energy and Communications, Government ownership unit.

## Åsa Söderström Jerring

Member, elected 2010

*Born:* 1957

*Other Board assignments:* JM AB, Geveko AB, Rejlers AB, Comfort-Kedjan AB, ELU Konsult AB, Arkitekterna Krook & Tjäder AB, Infotain & Infobooks AB and San Sac AB.

Chair of the Ethical Council for the Swedish Construction Sector and of FIA and member of IVA.

*Qualifications:* Degree in Business Administration, Stockholm University *Professional experience:* President SWECO Theorells AB, President Ballast Väst AB (NCC) and information manager NCC Bygg.

## Moody Israelsson

Member, elected 2008

Employee representative Swedish Union of Service and Communication Employees *Born:* 1954

*Qualifications:* Secondary Modern School.

## Martin Harr

Member. Employee representative Swedish Confederation of Professional Associations, elected 2010.

*Born:* 1958

*Qualifications:* Engineer

## Christer Dahlberg

Deputy. Employee representative ST, appointed 2010

*Born:* 1953

*Qualifications:* Secondary Modern School, officer training in the marines.

## Jan Salkert

Deputy member, elected 2008

Employee representative Swedish Union of Service and Communication Employees *Born:* 1968

*Qualifications:* Upper Secondary School Degree.



# Management



Per-Olof Wedin



Olle Öberg



Pär-Olof Dahlberg



Fredrick Lekarp



Catarina Bredbo



Anna-Lena Rodebjer



Henrik Lövgren



Charlotte Sandström



Dennis Scherman



Anders Asp



Erik Lundman



Pia Lenkel

## **Per-Olof Wedin**

Chief Executive Officer and President of Svevia AB

*Born:* 1955

*Qualifications:* Degree in Civil Engineering majoring in Machinery

## **Catarina Bredbo**

CFO,  
Executive Vice President

*Born:* 1964

*Qualifications:* Degree in Business Administration

## **Dennis Scherman**

Senior Vice President  
Svevia Fastighet and Maskin AB

*Born:* 1954

*Qualifications:* Vocational training school

## **Olle Öberg**

Senior Vice President, Northern Region

*Born:* 1961

*Qualifications:* Technical College Graduate, Civil Engineering

## **Anna-Lena Rodebjer**

Senior Vice President, Central Region

*Born:* 1955

*Qualifications:* Degree in Civil Engineering

## **Anders Asp**

Senior Vice President, Western Region

*Born:* 1969

*Qualifications:* Degree in Civil Engineering, MBA

## **Pär-Olof Dahlberg**

Senior Vice President, Southern Region

*Born:* 1958

*Qualifications:* Technical College Graduate, Civil Engineering, degree from Military Academy

## **Henrik Lövgren**

Senior Vice President, Paving Operations

*Born:* 1966

*Qualifications:* Degree in Civil Engineering

## **Erik Lundman**

Vice President, Business development

*Born:* 1968

*Qualifications:* Degree in Civil Engineering

## **Fredrick Lekarp**

Vice President, Operational Management

*Born:* 1964

*Qualifications:* Degree in Civil Engineering, Ph.D. in Road Engineering

## **Charlotte Sandström**

Vice President, Corporate Communications

*Born:* 1957

*Qualifications:* DIHM Diploma, IHM Business School.

## **Pia Lenkel**

Vice President, Human Resources

*Born:* 1963

*Qualifications:* Degree in Sociology

# Financial statements

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## Definitions

### Return on equity

Net profit for the year as a percentage of average equity.

### Net sales

Revenues worked up during the period recognised in accordance with the percentage-of-completion method in the Group and with the completed contract method in the Parent Company.

### Interest-bearing net receivables

The total of all long-term holdings of securities, current investments and cash and cash equivalents less liabilities to credit institutions.

### Operating margin

Operating profit as a percent of net sales.

### Debt/equity ratio

Interest-bearing liabilities at 31 December in relation to shareholders' equity at 31 December.

### Equity ratio

Shareholders' equity at 31 December as a percentage of total assets.

# Administration report

The Board of Directors and CEO of Svevia AB (publ), hereby submit the Annual Report for Svevia AB and the consolidated financial statements for the Svevia Group for the 2010 financial year.

Unless otherwise specified, all figures are stated in millions of Swedish kronor, SEK m. Differences attributable to the rounding off of figures may occur.

## Operations in 2010

During its second year as an independent company, Svevia's sales increased somewhat, while earnings remained unchanged, taking into account incorporation costs in 2009. The Paving business area reported its best earnings ever since taking actions. The unit now has the foundation for a continued positive trend. However, profitability in Svevia's core business has not reached an acceptable level. Pricing pressure in projects undertaken during the recession was reflected in our regions' earnings. Efforts to increase competitiveness and bolster profitability continue. The Swedish construction economy turned upward in 2010 and the demand for qualified labour remains significant.

Internally, the past year was characterised by continued work on improving profitability and reducing costs, while also meeting the shareholder's requirements for financial reporting in line with capital-market standards.

Market cultivation efforts included distinguishing Svevia's offering to the municipal sector. This resulted in a considerable increase in sales to the municipal segment. Investments in wind power led to the completion of wind-power contracts valued at about SEK 100m, as well as an agreement with Arise Windpower AB regarding the construction of wind turbines in the coming four years worth SEK 400m.

The focus was also on the management system, which was subject to a review, and on the replacement of the IT platform. The new tool "Our work approach" will be rolled out in the first half of 2011 and is the company's largest training initiative ever. Some 800 employees in senior production positions will participate in a five-day training programme.

## Net sales and profit

Consolidated net sales increased SEK 152m during the period to SEK 8,093m (7,941). Operating profit rose SEK 56m to SEK 204m (148), and the operating market increased to 2.5 percent (1.9). Profit for the year totalled SEK 169m (118). The improvement in profit was attributable to incorporation costs of SEK 58m that were charged to the preceding year. All regions reported decreased profitability due to contracts that were secured under rigorous competition in 2009. This was offset by improvements in "Other areas of operations." These improvements derive from structural measures that led to a more efficient use of resources in the specialised Paving operation. The specialised Property and Machinery operations also reported improved earnings as a result of such factors as reduced machinery repair costs. For more information concerning the regions' sales, earnings and cash flow, refer to Note 3.

## Group in brief

SEK m	2010	2009
Order backlog	5 953	6 502
Orders received	7 544	7 428
Net sales	8 093	7 941
Operating profit	204	148
Operating margin, %	2,5	1,9
Operating margin, % excluding items affecting comparability*	2,5	2,6
Profit before taxes	225	166
Net profit for the year	169	118
Earnings per share, SEK	0,42	0,30
Equity per share, SEK	3,57	3,30
Return on equity, %	12,3	9,4
Equity ratio, %	38,1	32,5
Cash flow from operating activities	-30	219
Average number of employees	2 818	2 811

\* Items affecting comparability pertain to incorporation costs.

## Market

Sweden's economy recovered faster than previously forecast, which generates positive effects in the construction market. Housing investments are rising, while construction projects remain at a consistently high level.

### *The Swedish Transport Administration*

In 2010, the Swedish Transport Administration's construction-related investments amounted to about SEK 26bn, of which SEK 16bn pertained to road and SEK 10bn to railway projects. Svevia's market share of road and maintenance investments amounted to 19 percent. For railway investments, that figure was nearly 3 percent. The Swedish Transport Administration's procurement of road and railway maintenance are estimated to have amounted to about SEK 6bn in the past year, of which SEK 3.2bn pertained to roads and SEK 2.8bn to railway. In 2010, 22 of 124 road management and maintenance areas were procured, and the corresponding figure for 2011 will be 26 areas. Svevia's market share of roads is currently 52 percent. The road management and maintenance market as a whole is characterised by intense price competition.

We believe that construction and railway investments will increase somewhat in 2011 at the expense of roads. The total volume is expected to essentially remain unchanged. Following two harsh winters, there is intense outside pressure to safeguard road and railway infrastructure, which is why we believe that road management and maintenance investments will rise. It is noteworthy that the Swedish Transport Administration has also decided to procure management and maintenance work on roads and railways under a single contract.

### Municipalities

The municipalities' combined investment volume for streets and new developments is about SEK 2.5bn annually. However, increased costs for winter maintenance in the past years have also had an adverse impact on investments.

The municipalities are increasingly opting to outsource summer and winter road management and maintenance to contractors. The trend indicates that the share of functional procurements is rising, albeit from a low level. Functional procurement processes include the construction of a new project and the management and maintenance thereof for between 15 to 30 years. The market remains characterised by many minor, local contractors, and intense price competition. According to the Swedish Association of Local Authorities and Regions (SALAR), the total annual volume is about SEK 5bn.

### Energy

In the energy sector, investments decreased 8 percent in 2010. However, we have noted a rise in wind-energy investments, albeit from a low level, and these investments are forecast to continue increasing in 2011. During the year, Svevia established itself as a player in wind-power construction and has a positive view on further increasing volumes.

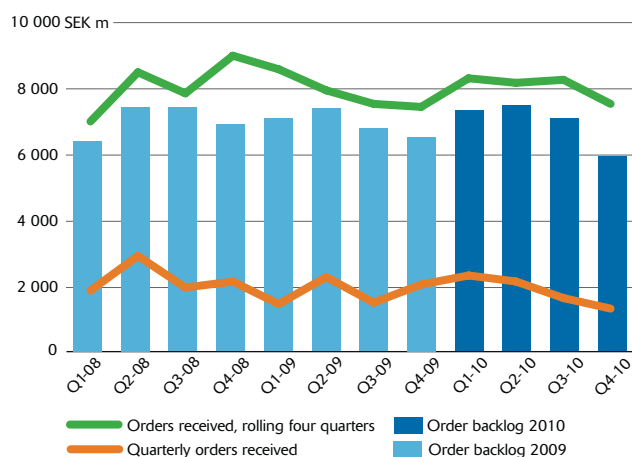
### Orders received and order backlog

During the year, orders received amounted to SEK 7,544m, up 2 percent year-on-year (7,428). At 31 December, the order backlog had decreased SEK 549m compared with the preceding year to SEK 5,953m (6,502).

Assignments secured during the year include:

- Paving assignments on behalf of the Swedish Transport Administration over a 12-year period. The assignments, which pertain to about 270 kilometres of the European Route E4 through the counties of Östergötland and Jönköping, encompass paving and road surface markings. The tender total is SEK 440m.

### Orders received and order backlog



- Two phases of the build-out of the European Route E18 Hjulsta–Kista, the Ärvinge and Kista traffic junctions, at a total of SEK 437m.
- The build-out of Swedish county road 155 Torslanda in Gothenburg in the amount of SEK 337m.

### Seasonal fluctuations

Svevia's operations are susceptible to seasonal fluctuations. This means that earnings are not generated on a straight-line basis during the year, but rather mostly during the second half of the year. Excavating and earthworks, asphalt paving and sales of aggregates are the primary areas in which there is a lower level of activity during the winter season. This means that fixed, linearly distributed costs have a greater impact during the winter season.

### Financial position and liquidity

The Group's shareholders' equity amounted to SEK 1,425m (1,316), the equity ratio was 38.1 percent (32.5) and the debt-to-equity ratio was 0.0 (0.24). This was the result of amortisations made in the amount of SEK 310m.

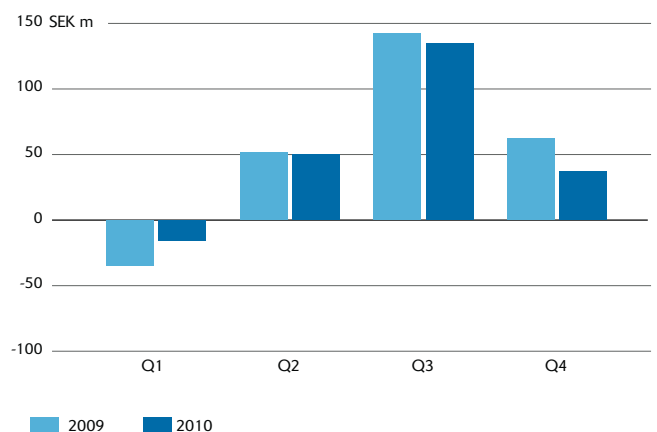
At 31 December, interest-bearing net receivables amounted to SEK 582m, compared with SEK 764m at the beginning of the year. The decline was attributable to the dividend and increased working capital.

Net financial items improved by SEK 3m compared with the preceding year and totalled SEK 21m (18). The improvement was the result of lower interest expenses stemming from the amortisation of loans and a higher share of long-term investments.

### Cash flow

Consolidated cash flow from operating activities amounted to a negative SEK 30m (219), which was due to increased working capital. The increase stemmed from greater competition, which led to weaker payment plans in the projects.

### Operating profit, accumulated excluding items affecting comparability



## Acquisitions and divestments

In 2010, all the shares of Wennerströms i Järna AB and Grundar'n Vreco Anläggning AB were acquired. An asset-transfer acquisition from Wärmes Asphalt AB was completed. The acquisitions will only have a limited impact on the Svevia Group's net sales, earnings and cash flow.

## Investments

During the year, investments in machinery and equipment amounted to SEK 92m (146) and to SEK 16m (27) in buildings and land. Divestments totalled SEK 16m (10).

## Significant risks and uncertainties

### *Structured risk management*

Contracting operations largely involve managing risks. Standardisations are low and the projects' conditions, size and design vary for each assignment. From a risk perspective, this distinguishes the contracting industry from the manufacturing sector, for example.

Of Svevia's core operations, construction accounts for 4/10 and road managements and maintenance for 5/10, while industrial operations accounts for the remainder. Of our operations, risks primarily arise in the construction operations.

Risks in various types of projects have long been taken into account in the tender and implementation phase by identifying and managing risks throughout the lifetime of the project. This approach is ingrained in the company's management system. In 2010, risk-management work was further structured by also indentifying risks from a company-wide perspective. These efforts resulted in a risk chart with a risk registry including associated measures to be taken. In addition in 2010, the company's responsibility risks were evaluated together with the company's insurer.

### Operational risks

Operational risks primarily pertain to risks related to projects, known as project risks, in both the tender and implementation phase. Risks are handled through:

- The management system; where control points, procedures and checklists are well documented. Control points include the calculation start meeting, a review of tenders, permission to start, planning and production-start meetings, project reconciliation and concluding meeting. In 2010, a review was conducted of the company's management system and its IT platform was replaced.
- A clear delegation of authority concerning the right to submit tenders with compulsory reviews depending on the size of the tender. For example, tenders greater than SEK 125m must be reviewed by the Board's Project committee.
- Validation of site managers' skills through the accreditation of site managers.
- An expansive initiative to enhance employees' skills in the area of project management, under which 800 employees in senior production positions must complete a five-day training course in the first half of 2011.

### *Compliance risks*

In conjunction with Management Days for the company's 120 senior executives in September 2010, Svevia's business ethics policy was reviewed by our corporate legal counsel. After distributing the policy, all participants had to sign an assurance to comply with said policy.

### *Financial risks*

Through its operations, the Group is exposed to various types of financial risks. The term financial risk pertains to fluctuations in the Group's earnings and cash flow as a result of liquidity, interest, currency, raw material, counterparty and financing risks.

For more information regarding definitions and the management of financial risks, refer to Note 21.

## Ongoing legal processes and disputes

Svevia is involved in ongoing legal processes and disputes. These have arisen as part of the daily business operations that Svevia conducts. The Board and CEO believe that sufficient provisions for legal processes and disputes were recognised on the balance-sheet date, pursuant to their best assessment of the risks and outcomes of each individual case based on the information currently available. However, legal processes and disputes are unpredictable by nature and actual outcomes may deviate from the assessments made by Svevia. No ongoing legal processes or disputes are expected to have any substantially adverse impact on Svevia's financial statements.

During the expansion of the European route E6 between Värmlandsbro and Hogdal, there was a landslide prior to the completion of the road. The dispute with the customer pertains to responsibility for costs and delays related to said event. The customer believes that Svevia is responsible and has made a claim against Svevia equivalent to a fine for delayed completion. Svevia, in turn, claims that the landslide was caused by geotechnical conditions and that Svevia is in no way responsible toward the customer. The case is being tried by an arbitration committee. Provisions for the dispute have been made based on managements' best assessments.

## Personnel

At year-end, Svevia had 2,940 employees. Svevia's employees encompass a variety of professions. We have about 100 types of positions. Svevia's employment conditions are governed through agreements between the Swedish Agency for Government Employers (SAGE) and the principal trade-union organisations Saco (the Swedish Confederation of Professional Associations), SEKO (the Swedish Union of Service and Communication Employees) and ST (the Swedish Union of Civil Servants). Svevia's collective agreements are known as Svevia's Government Enterprise Employee Agreement (Affärsverksavtal) or Svevia AVA.

Svevia's personnel policy describes the fundamental values that characterise Svevia's approach and conduct.

To ensure the company's long-term competence sourcing, Svevia works on annual staffing plans that result in a strategic competence sourcing plan. To increase awareness of Svevia as an employer,

a project was conducted to formulate an employer offering that will be used in communication and marketing.

Svevia Akademin was further developed during the year. A central introduction programme was completed in all regions. In 2010, an internal development programme for calculators was implemented. Svevia's largest training initiative ever, "Our mode of operations", is being prepared and will commence in 2011.

Strong leadership is a prerequisite for succeeding as a company. Through Svevia Akademin, we are focusing on developing our managers using leadership programme for existing managers at various levels. To ensure future access to managers in executive positions, a programme was started in 2010 for HP candidates, meaning managers with the potential to assume an executive position within one to four years. All leadership development is conducted on the basis of Svevia's leadership model.

Svevia's sickness absence is 2.2 percent. Svevia's health efforts involve working strategically and sustainably on health promoting initiatives in the interest of a prosperous company. We regularly conduct health screenings, where employees are coached on health matters on the basis of the screening results. We also offer each employee a fitness contribution to promote various fitness activities. Within the framework of Svevia Fritid (Svevia Leisure time), we organise various activities to strengthen the team feeling between Svevia employees.

Each year, Svevia conducts an employee survey to assess our collective view of how the workplace functions. In 2011, we have a new supplier and measured 80 of a possible 100 points on the Satisfied Employee Index and 67 of a possible 100 on the Leadership Index. The results were presented to employees, and action plans and measures are developed in each work group. The results indicate that our leadership-development activities are key to improving results.

Svevia has an Equality and diversity policy and an action plan. Equality and diversity are to be self-evident and natural elements of our operations and entail that everyone has the same conditions, rights and obligations in all areas regardless of gender, ethnicity or cultural background, religious beliefs, disabilities, sexual preference or age.

### Environmental information

Svevia conducts various operations subject to compulsory notification and permit requirements. The largest of these groups are the gravel and rock quarry operations. Permit applications are submitted continuously during the year by a special team that manages raw materials in the locations that are considered strategic for Svevia's contracting operations. Typical emissions from quarry operations are noise, vibrations, dust and an impact on the landscape due to the excavation of materials. Also related to the quarry operations are mobile asphalt plants, aggregates and sorting facilities, which are subject to compulsory notification.

Svevia also manufactures bitumen emulsions for road maintenance. In northern Sweden, we have two facilities subject to permit obligations and three operations in central and southern Sweden that are subject to compulsory notification. The environmental impact from

these plants is minor and comprises evaporation from storage tanks, local noise from crushers and exhaust fumes from vehicles that retrieve finished products and vehicles that transport raw materials to the facilities.

The treatment and recycling of contaminated soil, sludge and other materials is a third group of operations subject to permit obligations conducted by Svevia. This work is conducted by a national remediation group at Svevia, which is supported by a number of treatment facilities located in Svappavaara in the north of Sweden to Ystad in the south. Adapted control programmes are in place to prevent the spread of decontaminants from operations. Typical impacts from the facilities include the emission of hydrocarbons into the air, noise and pollutants from vehicles and equipment and processing water, which must be filtered to minimise its impact on the surrounding environment.

The production of concrete is also conducted on a proprietary basis. This operation is subject to compulsory notification and impacts the surrounding environment through sporadic dust clouds, noise and pollutants from transport to and from facilities.

Otherwise, Svevia actively pursues environmental programmes in all of its contracting, engineering and leasing operations. Contracting operations take into account water codes and other requirements in project plans. The outcome of controls and the testing of samples are continuously reported to customers and in some cases also to regulatory authorities.

The overriding environmental programme is included in the company's sustainability work along with social issues and economic considerations. Svevia's compliance with GRI (Global Reporting Initiative) guidelines provides support of its reporting. The results of actions taken in these areas and performance indicators are reported in a separate section in the front of the Annual Report.

### Parent Company

Svevia AB conducts contracting operations, manages shares in subsidiaries and is responsible for Group-wide financing and investing. During the year, sales amounted to SEK 4,759m (2,831) and a profit of SEK 45m (-173). In the Parent Company, construction projects are recognised in accordance with the completed contract method. The Group recognises projects in accordance with the percentage-of-completion method.

### Work of the Board

The Board of Directors comprises seven members elected by the Annual General Meeting (AGM) and two employee representatives with two deputies for these. The CEO is not a member of the Board but regularly participates in these meeting, generally to present reports. Deputy members are also entitled to attend and to speak during Board meetings.

In 2010, the Board convened on ten occasions.

The focus during the year was on actions aimed at increasing profitability in the paving, construction and civil-engineering operations, as well as matters concerning growth, overhead costs and tied-up capital.

Further information regarding the governance of the company is presented in Svevia's Corporate Governance Report.

#### Guidelines for the remuneration of senior executives

Senior executives are defined as the individuals who, together with the CEO and Executive Vice President, comprise executive management. Svevia complies with "Guidelines for the terms and conditions of employment for senior executives in state-owned companies adopted on 20 April 2009".

Remuneration to the CEO is decided on by the Board of Svevia. The CEO makes decisions regarding remuneration to other senior executives in consultation with the Board's Remuneration Committee.

The Remuneration Committee appointed by the Board is primarily charged with preparing matters concerning the CEO's salary and other terms and conditions of employment for Board approval, and formulating and proposing the main principles and framework to be applied in determining salaries and other terms and conditions of employment for senior executives.

Remuneration comprises a fixed salary, pension, company car and healthcare insurance. No variable remuneration is paid. For more information regarding remuneration of the Board, the CEO and senior executives, refer to Note 6.

#### Financial targets

In conjunction with the 2010 Annual General Meeting, new financial targets were adopted. These targets are of a long-term nature and are thus to apply over time instead of for each individual year.

The financial objectives are as follows:

Equity ratio: 30 percent

Return on equity: 13 percent

Dividend policy: 50-75 percent of profit after tax for the year

#### Capital management and dividend proposal

Svevia's equity ratio target of 30 percent was established in accordance with the requirements that are imposed with respect to the operation's nature, scope and risks. Pursuant to Svevia's dividend policy, the dividend shall amount to between 50 and 75 percent of the Group's profit after taxes, with due consideration of the Group's future capital requirements and any investment and acquisition plans. Unrestricted, distributable funds must also be taken into consideration.

Based on what is currently known about future trends and the plans that exist concerning investments and acquisitions, the Board deems that a dividend in line with the approved dividend policy can be paid for the 2010 financial year.

The Board proposes a dividend of SEK 107,775,000, or SEK 0.27 per share.

#### The share

Svevia AB (publ) has issued 399,166,667 shares, comprising only one class of share and all shares have equal rights in the company. All shares are held by the Swedish Government. The quotient value is SEK 1.

#### Events after the balance-sheet date and expected future performance

There are no significant events to report after the balance-sheet date.

Svevia has secured the following assignments after year-end 2010, which demonstrates the Group's broad range of customers and assignments:

- The build-out of Arendalsvägen on behalf of the City of Gothenburg for a value of SEK 44m, comprising roads, traffic junctions, water/wastewater pipelines and lighting. The construction project is adjacent to Swedish County Road 155 Torslandavägen, which is our largest ongoing project.
- Swedish County Road 155 Yxtatorpet - Malmköping in the Municipality of Flen comprising a seven-kilometre long 2+1 public highway on behalf of the Swedish Transport Administration. The tender amounts to SEK 115m.
- Broadening of the European Routes E4/E20 Tomtebodavägen - Haga Södra for SEK 54m on behalf of the Swedish Transport Administration.
- Rebuilding of the existing junction of the Roslagsbanan commuter rail and Swedish County Road 268 in Vallentuna to a storied junction on behalf of the Swedish Transport Administration. The assignment includes the construction of a 350-metre long railway bridge, a street overbuild and three roundabouts. The contract totals SEK 210m.

Our view on the future outlook is documented under the Market section on page 39.

#### Proposal for appropriation of profit

The Board of Directors proposes that the Parent Company's share premium reserve and unappropriated earnings, totalling SEK 693,652,767, be distributed as follows:

Dividend to shareholders of SEK 0.27 per share	107 775 000
To be carried forward	585 877 767
<b>Total</b>	<b>693 652 767</b>

#### Annual General Meeting and Annual Report

Svevia AB's AGM will be held on 26 April 2011, at Hemvärnsgatan 15 in Solna, Sweden.

The Annual Report will be published on Svevia's website, [www.svevia.se](http://www.svevia.se), on 31 March 2011.

## Income statements

SEK m	Note	Group		Parent Company	
		2010	2009	2010	2009
Net sales	3, 4	8 093	7 941	4 759	2 831
Production costs		-7 446	-7 291	-4 390	-2 612
<i>Gross profit</i>		647	650	369	219
Sales and administrative expenses	5	-443	-502	-401	-471
<i>Operating profit/loss</i>	6, 7, 8	204	148	-32	-252
Financial income		23	23	76	27
Financial expenses		-2	-5	-2	-4
<i>Net financial items</i>	9	21	18	74	23
<b>Profit/loss before taxes</b>		<b>225</b>	<b>166</b>	<b>42</b>	<b>-229</b>
Taxes	10	-56	-48	3	56
<b>Profit/loss for the year</b>		<b>169</b>	<b>118</b>	<b>45</b>	<b>-173</b>
Of which, share attributable to Parent Company's shareholders		100	100	100	100
Earnings per share, SEK		0,42	0,30	0,11	-0,43
The number of shares for all reported periods is 399,166,667					



# Balance sheets

SEK m	Note	Group		Parent Company	
		2010	2009	2010	2009
<b>Assets</b>					
Goodwill	11	189	210	109	119
Buildings and land	12	413	404	20	17
Machinery and equipment	13	372	388	-	-
Shares in subsidiaries	14	-	-	522	497
Other long-term holdings of securities	15, 21	502	445	502	445
Deferred tax assets	16	-	-	30	56
<i>Total fixed assets</i>		<i>1 476</i>	<i>1 447</i>	<i>1 183</i>	<i>1 134</i>
Material and inventories	17	122	141	110	133
Worked-up, non-invoiced revenues	18	251	174	321	290
Accounts receivable	19, 21	1 743	1 599	1 721	1 577
Receivables from Group companies	27	-	-	289	263
Other current receivables		3	23	5	21
Prepaid expenses and accrued income	20	66	39	53	31
Current investments	21	51	440	51	440
Cash and cash equivalents	21	29	190	9	190
<i>Total current assets</i>		<i>2 265</i>	<i>2 606</i>	<i>2 559</i>	<i>2 945</i>
<b>Total assets</b>	<b>3</b>	<b>3 741</b>	<b>4 053</b>	<b>3 742</b>	<b>4 079</b>
<b>Shareholders' equity and liabilities</b>					
Share capital		399	399	399	399
Capital contributions		798	798	798	798
Reserves		1	1	1	1
Earnings brought forward		227	118	-105	-173
<i>Total shareholders' equity attributable to Parent Company's owners</i>	<i>23</i>	<i>1 425</i>	<i>1 316</i>	<i>1 093</i>	<i>1 024</i>
Deferred tax liabilities	16	104	40	-	-
Other provisions	24	195	224	195	223
<i>Total provisions</i>		<i>299</i>	<i>264</i>	<i>195</i>	<i>223</i>
Current liabilities to credit institutions	21, 25	-	310	-	310
Invoiced revenues not worked up	18	775	956	1 284	1 392
Accounts payable	21	634	596	587	557
Tax liabilities		3	7	-	-
Other current liabilities		133	140	132	131
Accrued expenses and prepaid income	26	472	464	451	442
<i>Total current liabilities</i>		<i>2 017</i>	<i>2 473</i>	<i>2 454</i>	<i>2 832</i>
<b>Total shareholders' equity and liabilities</b>	<b>3</b>	<b>3 741</b>	<b>4 053</b>	<b>3 742</b>	<b>4 079</b>
Shareholders' equity per share, SEK		3,57	3,30	2,74	2,57
<b>Memorandum items</b>					
Pledged assets		no	no	no	no
Contingent liabilities		0	0	0	0

## Changes in shareholders' equity

### Group

SEK m	Share capital	Capital contributions	Reserves	Earnings brought forward	Total
<b>2009</b>					
New share issue	399	798	-	-	1 197
Change in fair value for the year	-	-	1	-	1
Taxes attributable to items recognised directly in shareholders' equity	-	-	0	-	0
Profit for the year	-	-	-	118	118
<b>Closing balance at 31 Dec. 2009</b>	<b>399</b>	<b>798</b>	<b>1</b>	<b>118</b>	<b>1 316</b>
<b>2010</b>					
Opening balance at 1 Jan. 2010	399	798	1	118	1 316
Change in fair value for the year	-	-	1	-	1
Taxes attributable to items recognised directly in shareholders' equity	-	-	-1	-	-1
Dividend to shareholders	-	-	-	-60	-60
Profit for the year	-	-	-	169	169
<b>Closing balance at 31 Dec. 2010</b>	<b>399</b>	<b>798</b>	<b>1</b>	<b>227</b>	<b>1 425</b>

### Parent Company

SEK m	Share capital	Share premium reserve	Fair-value fund	Earnings brought forward	Total
<b>2009</b>					
New share issue	399	798	-	-	1 197
Change in fair value for the year	-	-	1	-	1
Taxes attributable to items recognised directly in shareholders' equity	-	-	0	-	0
Profit for the year	-	-	-	-173	-173
<b>Closing balance at 31 Dec. 2009</b>	<b>399</b>	<b>798</b>	<b>1</b>	<b>-173</b>	<b>1 024</b>
<b>2010</b>					
Opening balance at 1 Jan. 2010	399	798	1	-173	1 024
Change in fair value for the year	-	-	1	-	1
Taxes attributable to items recognised directly in shareholders' equity	-	-	-1	-	-1
Group contributions received	-	-	-	112	112
Taxes on Group contributions	-	-	-	-29	-29
Dividend to shareholders	-	-	-	-60	-60
Profit for the year	-	-	-	45	45
<b>Closing balance at 31 Dec. 2010</b>	<b>399</b>	<b>798</b>	<b>1</b>	<b>-105</b>	<b>1 093</b>

# Cash-flow statements

SEK m	Note	Group		Parent Company	
		2010	2009	2010	2009
Profit before taxes		225	166	42	-229
Adjustments for items not included in cash flow	29	93	238	-16	119
Taxes paid		2	-	-	-
<i>Cash flow from operating activities before changes to working capital</i>		<i>320</i>	<i>404</i>	<i>26</i>	<i>-110</i>
Increase (-) decrease(+) in materials and inventories		-55	-4	23	-15
Increase (-) decrease(+) in operating receivables		-144	-50	-141	-60
Increase (+) decrease (-) in operating liabilities		-151	-131	-23	-69
<i>Cash flow from changes to working capital</i>		<i>-350</i>	<i>-185</i>	<i>-141</i>	<i>-144</i>
<b>Cash flow from operating activities</b>		<b>-30</b>	<b>219</b>	<b>-115</b>	<b>-254</b>
Acquisition of operations	28	-6	-493	-29	-182
Investments in intangible fixed assets		-	-4	-	-4
Investments in Buildings and land		-16	-27	-4	0
Investments in Machinery and equipment		-92	-146	-	-
Sales of Buildings and land		8	0	-	-
Sales of Machinery and equipment		8	10	-	-
Increase (-)/decrease (+) of long-term holdings of securities		-52	-441	-52	-441
Increase (-)/decrease (+) of current investments		389	-436	389	-436
<b>Cash flow from investing activities</b>		<b>239</b>	<b>-1 537</b>	<b>304</b>	<b>-1 063</b>
New share issue, quotient value		-	399	-	399
New share issue, capital contributions		-	798	-	798
Dividend to shareholders		-60	-	-60	-
Loans raised		-	310	-	310
Amortisation of loans		-310	-	-310	-
<b>Cash flow from financing activities</b>		<b>-370</b>	<b>1 507</b>	<b>-370</b>	<b>1 507</b>
<b>Cash flow for the year</b>		<b>-161</b>	<b>190</b>	<b>-181</b>	<b>190</b>
Cash and cash equivalents at beginning of the year		190	0	190	0
<b>Cash and cash equivalents at year-end</b>	29	<b>29</b>	<b>190</b>	<b>9</b>	<b>190</b>

# Notes

## Note 1 | Company information and comparative accounting information

Svevia AB (publ.), Corporate Registration Number 556768-9848, is registered in Solna, Sweden. The address of the company's head office is: Box 4018, SE-171 04 SOLNA, SWEDEN (visiting address: Hemvärnsgatan 15), telephone +46 (0)8 404 10 00. Svevia AB is 100 percent owned by the Swedish government.

The purpose of Svevia AB's operations is to conduct contracting, service and leasing operations in the areas of traffic, earthworks, construction and civil engineering, as well as to own and manage fixed property. For further information concerning the 2010 financial year, refer to the administration report.

In this Annual Report, Svevia AB is either referred to by its full name or as the Parent Company and the Svevia Group is called Svevia or the Group. Unless otherwise stated, the company's states all figures in millions of Swedish kronor or SEK m. Rounding-off differences may arise.

The Parent Company's Annual Report and the consolidated financial statements were approved for publication by the Board of Directors on 25 March 2011. The Parent Company's and the consolidated income statement and balance sheet will be subject to resolution by the Annual General Meeting on 26 April 2011.

## Note 2 | Accounting policies

### General

The company prepares its financial statements in accordance with the Swedish Annual Accounts Act (ÅRL) and the recommendations of the Swedish Financial Accounting Standards Council (RR).

### Consolidated financial statements

The consolidated financial statements encompass the Parent Company and all companies over which the Parent Company has direct or indirect controlling interest. Controlling interest means that the Group is entitled to formulate financial and operational strategies with the aim of generating economic benefits. Controlling interest is presumed to exist when the ownership stake amounts to not less than 50 percent of the votes in the subsidiary, but can also be achieved if a controlling interest can be exercised in a manner other than through shareholdings.

In all cases, the Parent Company owns, directly or indirectly, shares/participations in the companies encompassed by the consolidated financial statements. Subsidiaries are included in the consolidated financial statements as of the date on which controlling interest was reached and are excluded from the consolidated financial statements as of the date on which controlling interest ceased.

Where necessary, adjustments are made of the subsidiaries' financial statements to adapt their accounting policies to those used for the Group.

All intra-Group transactions, incomes and expenses are eliminated on consolidation.

### Business combinations and mergers

Business combinations are recognised in accordance with the purchase method. The cost of an acquisition is calculated as the total of the fair value, at the transaction date, of the assets assumed and for accrued or assumed liabilities, as well as for the equity instruments issued in exchange for the controlling interest over the acquired unit, plus all costs that are directly attributable to the business combination. Acquired, identifiable assets, liabilities and contingent liabilities are measured at fair value at the date of acquisition. The surplus/loss that comprises the difference between the cost of the acquired shares and the total of the fair value of the acquired identifiable net assets is recognised as goodwill/negative goodwill.

### Segment reporting

Svevia's operating segments comprise four geographic regions in Sweden: North, Central, West and South. The officers with operational responsibility for these segments are included in Group management and follow-ups of the segment's earnings are conducted on a monthly basis. Group management constitutes Svevia's "chief operating decision maker" with the CEO as its head.

Not all parts of the company are included in these operating areas; only the operations that fall within the framework of the applicable quantitative limits are recognised separately as independent segments. Other operations are aggregated in the "Other operating areas" column, along with costs for the head office. Taxes and other Group-wide items are also included in the "Other operating areas" column. Group eliminations and inter-company eliminations are included in the "Eliminations" column.

Undistributed assets and undistributed liabilities such as loan liabilities and taxes are not included in the balances of the recognised segments. The acquisition goodwill arising from the incorporation is included in the "Other operating areas" column. Internal pricing between segments is based on market terms and conditions.

### Revenue recognition

Project revenues are recognised in accordance with the recommendations of the Swedish Financial Accounting Standards Council RR 10 Contracts and similar commissions. This means that the earnings of a contracting project recognised in pace with the completion of the project. The work-up rate is mainly determined on the basis of accrued project expenses in relation to estimated accrued project expenses on completion. If the outcome cannot be estimated in a satisfactory way, revenue corresponding to accrued expenses on the balance-sheet date (zero recognition) is recognised. Expected losses are immediately expensed.

Project revenue includes the originally agreed contract amount, as well as supplementary work, demands for special remuneration and incentive compensation but normally only to the extent that these are approved by the client. The difference between worked-up project revenue and not yet invoiced amounts is recognised as an asset (worked-up, non-invoiced revenue) in accordance with the percentage-of-completion method. Accordingly, the difference between invoiced amounts and not yet worked-up project revenue is recognised as a liability (project invoicing not yet worked up). Tendering costs are not capitalised but continuously charged against profit. Tendering costs incurred during the same quarter in which the order was received, and that are attributable to the project, are treated as project expenses.

Other revenue and project revenue is recognised in accordance with the Swedish Financial Accounting Standards Council's recommendation RR 11 Revenues. In the case of rental revenue, the revenue is allocated evenly throughout the rental period. The total costs for benefits paid are recognised as a straight-line reduction in rental revenue throughout the rental period. Payments for services rendered, such as repair and maintenance services, are recognised as revenue after the service has been executed and delivered to the purchaser. Supplies of goods are recognised as revenue when significant risks and benefits associated with ownership of the goods have been transferred to the purchaser. Revenue is only recognised if it is likely that the economic benefits will accrue to the Group.

If uncertainty subsequently arises concerning the likelihood of receiving payment for an amount that has already been recognised as revenue, the amount for which payment is no longer likely is recognised as a cost instead of as an adjustment of the revenue amount that was originally recognised.

### Costs for pension benefits

The Group only has defined-contribution pension plans. The plans are generally financed through payments to insurance companies or management funds. A defined-contribution pension plan is a pension plan through which a company pays defined fees to a separate legal entity. Thereafter, the company bears no legal or in-formal obligations to pay additional fees related to pensions vested by the employees.

Payments to Government pension insurance systems are recognised as payments to defined-contribution plans since the commitments required by the system correspond to a defined-contribution pension plan.

No occupational pension liabilities were included in the transfer of assets of the Swedish Transport Administration's Vägverket Produktion business unit to Svevia.

#### Severance pay

Severance payments are made when employment is terminated prior to reaching retirement age, or when an employee leaves voluntarily in return for severance pay. The Group recognises severance payments when it is clear that it is a matter of either the termination of employment as per a detailed formal plan with no possibility of cancellation or a severance package that was offered to encourage voluntary departure, which is accepted by the party who receives the offer. Benefits that fall due for payments more than 12 months after the balance-sheet date are discounted to present value, if they are significant.

#### Borrowing costs

All borrowing costs are continuously recognised in the period in which they are incurred.

#### Taxes

Recognised income tax corresponds to the total of the current and deferred taxes.

Current tax is calculated based on the year's taxable profit. Taxable profit is not the same as the profit recognised in profit and loss. The difference pertains to revenues that are subject to taxation and expenses that are deductible in other years (temporary differences) and items that are never subject to taxation or deductible (permanent differences). The Group's current tax liabilities are calculated at the established or essentially established tax rate on the balance-sheet date in each country.

Deferred taxes are calculated on the basis of temporary differences between the carrying amounts of assets and liabilities in the Annual Report and the corresponding tax rates that were used in the calculation of taxable profit. These calculations are made in accordance with the balance-sheet method. Deferred tax liabilities are normally recognised for all taxable differences and deferred tax assets are recognised to the extent that it is probable that a taxable profit will arise against which deductible temporary differences can be offset. Such assets and liabilities are not recognised if the temporary difference derives from goodwill or from the first recognition (except in the case of business combinations) or other assets and liabilities in a transaction that neither affects taxable profit nor recognised profit. Deferred tax liabilities are recognised for taxable temporary differences that derive from investments in subsidiaries, except where the Group can control the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future.

Carrying amounts on deferred tax assets are recognised for each balance-sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available for the asset to be secured in full or in part.

Deferred tax is calculated in accordance with the tax rates that are expected to apply for the period in which the liability is to be settled or the asset to be realised. Deferred tax is debited or credited in profit and loss, except when it is attributable to items that are debited or credited directly against shareholders' equity, in which case the deferred tax is also recognised in shareholders' equity.

Deferred tax assets and tax liabilities are offset against each other when there is a legal settlement entitlement for current tax assets and tax liabilities and when they pertain to income taxes that were added by the same tax authority and the Group intends to settle its current tax assets and tax liabilities on a net basis.

#### Intangible fixed assets

In addition to goodwill, there are no intangible fixed assets.

Acquired goodwill has a useful life of ten years. The useful life reflects the company's estimate of the period during which future economic benefits that the goodwill items represents will be useful to the company. The order book that existed at the time of acquisition, personnel expertise and the company's strong reputation are expected to remain intact over a ten-year period.

#### Tangible fixed assets

Tangible fixed assets are recognised at cost after deductions for accumulated depreciation and any accumulated impairment losses.

The term cost (acquisition value) encompasses the purchase price, costs that are directly attributable to the acquisition and expenses related to preparing the asset until such time as it is ready for use. Subsequent costs are only included in equipment, tools and installations, or are recognised as a separate asset, when it is probable that future economic benefits that can be attributed to the item will accrue to the Group and that the related cost can be calculated in a reliable manner. All other costs for repair and maintenance, and additional expenses, are recognised in profit and loss for the period in which they arise.

Depreciation is recognised on the basis of expected and estimated useful life with the application of straight-line depreciation. In the cases in which parts of the Group's equipment, tools and installations comprise various components where each component has an expected useful life that deviates significantly from the asset as a whole, depreciation is performed on an individual basis based on the estimated useful life of the component.

Depreciation begins when the assets are ready for their intended use. The useful life and residual values are revised annually. The estimated useful lives are:

#### Useful life

Buildings	20–33 years
Land improvements	20 years
Machinery and equipment	3–9 years

Gravel pits and rock quarries are depreciated as the material is excavated. Land is not depreciated.

#### Impairment losses on tangible and intangible assets

On each balance-sheet date, the Group conducts impairment tests of the carrying amounts for tangible and intangible assets to establish if anything indicates that these assets have decreased in value. If there is an indication of this, the asset's recoverable amount is calculated to establish the value of a potential impairment loss. If it is not possible to calculate the recoverable value of an individual asset, the Group calculates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the highest of the fair value less the sales cost and the value in use. When calculating the value in use, the estimated future cash flow is discounted to present value using a discounting rate before tax that reflects the current market assessment of the value of the funds and the risks associated with the asset.

If the recoverable amount of the asset (or the cash-generating unit) is deemed to be lower than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised directly in profit and loss. If an impairment loss is subsequently reversed, the carrying amount of the asset (or the cash-generating unit) is increased to the remeasured recoverable value, but the increased carrying amount may not exceed the carrying amount that would have been established had the asset (or the cash-generating unit) not been impaired in prior years. The reversal of an impairment loss is recognised directly in profit and loss.

### Leasing agreements

The Group has no financial leasing agreements. Regarding operational leasing agreements, the leasing fee is expensed over the duration of the lease based on its use.

### Inventories

Inventories are recognised item by item at the lowest of cost or net realisable value. Cost includes direct materials and, where applicable, direct salary costs and such costs that have been incurred due to the inventory being transferred to its current location and used in its current condition. Cost is normally established in accordance with the first-in first-out principle. The net realisable value is equivalent to the estimated sales price less all estimated costs for preparing the asset for use and costs attributable to marketing, sales and distribution.

### Financial instruments

A financial asset or financial liability is recognised in the balance sheet when an asset or liability arises in accordance with the agreed upon terms and conditions for the instrument. A financial asset is derecognised from the balance sheet when the rights of the agreement have been realised, expire or when the company loses control of it. A financial liability is derecognised from the balance sheet when the obligations of the agreement are fulfilled or otherwise extinguished.

Financial instruments that are recognised on the asset side of the balance sheet include cash and cash equivalents, current investments, other long-term holdings of securities, accounts receivable and loan receivables. Liabilities and shareholders' equity include liabilities to credit institutions, derivative instruments, accounts payable and other loan liabilities.

Financial instruments are initially recognised at fair value corresponding to the cost of the instrument with additions/deductions for transaction costs for all financial instruments except for items belonging to the "financial assets" category, which are recognised at fair value through profit and loss.

Fair value is the value at which an asset could be transferred or a liability could be settled between knowledgeable and independent parties who have an interest in completing the transaction.

When determining fair value, the official price quotation in an active market or other observable market data is used first. If this data does not exist, fair value is calculated on the basis of methods that in each individual case can be presumed to generate the best measurement of fair value.

On each balance-sheet date, the company assesses whether there are objective indications that a financial asset or group of financial assets require impairment due to events that have occurred.

Financial assets and liabilities are settled and recognised in a net amount in the balance sheet when there is a legal right to do so and there is an intention to adjust the items with a net amount or to simultaneously realise the asset and settle the liability.

### Recognition of financial instruments

*Cash and cash equivalents, current investments and other long-term holdings of securities*

Cash and cash equivalents include cash and bank balances and other current liquid investments that can easily be converted to cash and are subject to a negligible risk for changes in value. To be classified as cash and cash equivalents, the duration may not exceed three months from the date of acquisition.

Investments classified as current investments are those with a duration of between three and 12 months from the date of acquisition.

Other long-term holdings of securities are recognised at fair value on acquisition. After the acquisition, these are either recognised at accrued cost or at fair value.

*Accounts receivable and accounts payable*

Accounts receivable and accounts payable are recognised at nominal value, which is deemed to be a solid approximation of value, based on the short

due dates and low risk profiles of these balance-sheet items.

*Loan receivables*

Loan receivables are recognised at accrued cost.

*Liabilities to credit institutions and other loan payables*

Interest-bearing bank loans, bank overdraft facilities and other loans are recognised at accrued cost.

*Derivative instruments*

Derivative instruments are recognised at fair value.

### Hedge accounting

Hedge accounting is applied to transactions intended to hedge a specific risk.

The Group uses a limited number of derivative instruments, such as interest-rate and raw-material swaps or currency forward contracts, primarily to control exposure against fluctuations in interest rates, raw material prices and exchange rates that qualify for hedge accounting.

When a transaction is entered into, the relationship between the hedging instrument and the hedged item is analysed and compared with the Group's risk-management targets concerning hedging.

The analysis is documented when the hedge is entered and continuously to ensure that the derivative instrument that is used in hedging transactions is effective in terms of levelling out changes in fair value or changes in cash flow for hedged items.

The Group hedges the risks that are associated with a highly probable forecast transaction (cash-flow hedging).

The effective portion of changes in the fair value of derivative instruments that was identified as a cash-flow hedge and that fulfils the terms and conditions of hedge accounting is recognised in shareholders' equity. The profit/loss associated with any ineffective share of the hedge is immediately recognised in profit and loss. The Group's interest-rate swaps and currency forward contracts are highly effective and are hedge accounted pursuant to the hedge-accounting policies.

Changes in the fair value of derivative instruments that do not fulfil the criteria for hedge accounting are recognised in profit and loss.

Information on the fair value of the derivative instruments that are used for hedging purposes are found in Note 22.

### Receivables and liabilities in foreign currencies

Receivables and liabilities in foreign currencies have been measured at the exchange rate prevailing on the balance-sheet date. Currency gains and currency losses are included in "Sales and administrative costs," unless they pertain to currency hedges. The latter are recognised directly against shareholders' equity.

### Provisions

Provisions are recognised in the balance sheet when the Group has a legal or informal obligation resulting from an occurred incident, and it is probable that an outflow of financial resources will be required to settle the obligation and that a reliable assessment of the amount can be made. Provisions are posted for future costs due to guarantee undertakings pursuant to construction contracts, which involve an obligation for the contractor to rectify defects and shortcomings that are detected within a certain period after the construction project has been transferred to the customer. Provisions are posted for disputes concerning completed projects if it is deemed probable that the dispute will lead to an outflow of resources from the Group. Disputes concerning ongoing projects are observed in the valuation of the project and are thus not included in recognised provisions. Provisions for restoration costs pertaining to rock and gravel quarries are generally made from the first instance of material extraction. Provisions for restructuring costs are recognised when a detailed restructuring plan has been established and the restructuring has either begun or been officially announced.

Note 2, cont.

### **Critical estimates and assessments**

The Group's financial statements are based in part on estimates and assessments in conjunction with the preparation of the consolidated financial statements. Estimates and assessments are based on past experiences and a number of other assumptions deriving from decisions about the value of the asset or liability that cannot be established in another manner. The actual outcome can deviate from these estimates and assessments. Listed below are the most significant estimates and assessments that have been used in the preparation of the Group's financial statements.

#### *Percentage-of-completion profit recognition*

The Svevia Group applies the percentage-of-completion profit recognition method, meaning that based on a forecast of the profit outcome of the project, results are recognised successively during the duration of the project based on the project's level of completion. This requires the scope of project revenues and project costs to be determinable in a reliable manner and that the Group has effective and coordinated systems in place for calculations, forecasts and revenue/cost recognition. The system also requires consistent assessment (forecast) of the project's final outcome, including an analysis of deviations in relation to previous assessments. This critical assessment is made at least once per quarter by the immediate superior who examines the project during a number of reviews conducted at a progressively higher organisational level. The principles for revenue recognition are described above.

#### *Disputes*

The best assessments of management were taken into consideration in the recognition of dispute amounts, but the actual future outcome may deviate from the assessment.

### **Parent Company accounting policies**

The Parent Company applies the same accounting principles as the Group except for the contracting assignments for which the Parent Company applies the completed contract method. This means that profit recognition for fixed-price assignments is tied to the date of final settlement of the assignment.

The amount that is posted as a provision in untaxed reserves comprises taxable temporary differences. In the Parent Company, the deferred tax liability is recognised under untaxed reserves due to the relation between auditing and taxation.

## Note 3 | Segment reporting

Svevia conducts operations throughout Sweden and core operations are divided into four regions: North, Central, West and South. The division into geographical areas reflects the

company's internal control and reporting system. Internal pricing occurs on a normal market basis. Intra-Group gains are eliminated.

### Consolidated income statement, 2010

MSEK	Region North	Region Central	Region West	Region South	Other areas of operations	Eliminations	Total
Net sales, external	1 805	2 123	1 555	1 758	852	-	8 093
Net sales, internal	12	27	24	133	1 288	-1 484	-
Net sales	1 817	2 150	1 579	1 891	2 140	-1 484	8 093
Production costs	-1 713	-2 003	-1 490	-1 819	-1 893	1 472	-7 446
Gross profit	103	147	89	72	247	-11	647
Sales and administrative expenses	-80	-77	-77	-79	-141	11	-443
Operating profit	24	70	11	-7	106	-	204
Net financial items, external	-	-	-	-	21	-	21
Net financial items, internal	-	-	-	-	48	-48	-
Profit before tax	24	70	11	-7	175	-48	225
Taxes	-	-	-	-	15	-71	-56
Net profit	24	70	11	-7	190	-119	169

### Consolidated income statement, 2009

MSEK	Region North	Region Central	Region West	Region South	Other areas of operations	Eliminations	Total
Net sales, external	1 992	1 686	1 754	1 720	789	-	7 941
Net sales, internal	17	36	39	42	1 361	-1 495	-
Net sales	2 009	1 722	1 793	1 762	2 150	-1 495	7 941
Production costs	-1 893	-1 550	-1 682	-1 631	-2 030	1 495	-7 291
Gross profit	116	171	111	131	120	-	650
Sales and administrative expenses	-76	-77	-79	-76	-193	-	-502
Operating profit	40	94	32	55	-73	-	148
Net financial items, external	-	-	-	-	23	-5	18
Net financial items, internal	-	-	-	-	-5	5	-
Profit before tax	40	94	32	55	-55	-	166
Taxes	-	-	-	-	-47	-1	-48
Net profit	40	94	32	55	-102	-1	118



Note 3, cont.

### Balance sheet 2010

MSEK	Region North	Region Central	Region West	Region South	Other areas of operations	Eliminations	Total
Allocated assets	421	605	412	528	2 069	-949	3 085
Unallocated assets	-	-	-	-	656	-	656
<i>Total assets</i>	<i>421</i>	<i>605</i>	<i>412</i>	<i>528</i>	<i>2 725</i>	<i>-949</i>	<i>3 741</i>
Allocated liabilities	-377	-426	-396	-389	-646	328	-1 906
Unallocated liabilities	-	-	-	-	-410	-	-410
<i>Total liabilities</i>	<i>-377</i>	<i>-426</i>	<i>-396</i>	<i>-389</i>	<i>-1 056</i>	<i>328</i>	<i>-2 316</i>
<i>Total equity</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-804</i>	<i>-621</i>	<i>-1 425</i>
Investment in intangible and tangible fixed assets	-	-	-	-	108	-	108
Net assets/Acquisition of operations	-	13	-	-	16	-	29
Depreciation/amortisation	-	0	0	-	141	-	141

### Balance sheet 2009

MSEK	Region North	Region Central	Region West	Region South	Other areas of operations	Eliminations	Total
Allocated assets	413	456	401	421	1 979	-807	2 863
Unallocated assets	-	-	-	-	1 190	-	1 190
<i>Total assets</i>	<i>413</i>	<i>456</i>	<i>401</i>	<i>421</i>	<i>3 169</i>	<i>-807</i>	<i>4 053</i>
Allocated liabilities	-415	-473	-446	-329	-581	279	-1 965
Unallocated liabilities	-	-	-	-	-772	-	-772
<i>Total liabilities</i>	<i>-415</i>	<i>-473</i>	<i>-446</i>	<i>-329</i>	<i>-1 353</i>	<i>279</i>	<i>-2 737</i>
<i>Total equity</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-1 844</i>	<i>528</i>	<i>-1 316</i>
Investment in intangible and tangible fixed assets	0	-	4	-	173	-	177
Net assets/Acquisition of operations	-	-	0	-	143	-	143

### Cash flow 2010

MSEK	Region North	Region Central	Region West	Region South	Other areas of operations	Eliminations	Total
Profit before tax	24	70	11	-7	127	-	225
Adjustment for non-cash items	-2	-14	10	4	97	-	95
Change in working capital	-44	-132	-88	-51	-35	-	-350
<i>Cash flow from operating activities</i>	<i>-22</i>	<i>-76</i>	<i>-67</i>	<i>-54</i>	<i>189</i>	<i>-</i>	<i>-30</i>
Net investments in intangible and tangible fixed assets	-	-	-	-	-92	-	-92

### Cash flow 2009

MSEK	Region North	Region Central	Region West	Region South	Other areas of operations	Eliminations	Total
<i>Profit before tax</i>	<i>40</i>	<i>94</i>	<i>32</i>	<i>55</i>	<i>-55</i>	<i>-</i>	<i>166</i>
Adjustment for non-cash items	0	21	29	-10	200	-	238
Change in working capital	57	-22	125	36	-398	17	-185
<i>Cash flow from operating activities</i>	<i>97</i>	<i>93</i>	<i>186</i>	<i>81</i>	<i>-255</i>	<i>17</i>	<i>219</i>
Net investments in intangible and tangible fixed assets	0	-	-4	-	-163	-	-167

## Note 4 | Net sales

SEK m	Group		Parent Company	
	2010	2009	2010	2009
Construction contracts	7 662	7 545	4 470	2 566
Services	100	77	21	6
Sales of goods	292	281	266	258
Rental income	39	38	2	1
<b>Total</b>	<b>8 093</b>	<b>7 941</b>	<b>4 759</b>	<b>2 831</b>

## Note 5 | Sales and administrative costs

Sales and administrative costs primarily comprise administrative costs.

SEK m	Group		Parent Company	
	2010	2009	2010	2009
Goodwill amortisation	24	23	13	13
Incorporation costs	-	58	-	58
Other costs	419	421	388	400
<b>Total</b>	<b>443</b>	<b>502</b>	<b>401</b>	<b>471</b>

Other costs include fees to auditors as follows:

Deloitte AB, auditing	1	1	1	1
Deloitte AB, other assignments	1	1	1	1
Deloitte AB, tax consultancy services	0	0	0	0
Deloitte AB, other services	1	1	1	1
KPMG, auditing	0	-	-	-
Swedish National Audit Office, auditing	-	0	-	0
<b>Total fees to auditing companies</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>

## Note 6 | Employees

### Salary, other remuneration and social security costs

TSEK	2010		2009	
	Salary and remuneration	Social security costs	Salary and remuneration	Social security costs
Parent Company	1 108 256	501 823	1 125 525	517 159
– of which, pension costs		(146 859)		(148 897)
Subsidiaries	822	191	-	-
– of which, pension costs	-	(36)	-	-
<b>Group total</b>	<b>1 109 078</b>	<b>502 014</b>	<b>1 125 525</b>	<b>517 159</b>

### Salary and other remuneration to the Board, President and other employees

TSEK	2010			2009		
	Board and CEO	Other employees	Total	Board and CEO	Other employees	Total
Parent Company	5 748	1 102 508	1 108 256	5 984	1 119 541	1 125 525
Subsidiaries	-	822	822	-	-	-
<b>Group total</b>	<b>5 748</b>	<b>1 103 330</b>	<b>1 109 078</b>	<b>5 984</b>	<b>1 119 541</b>	<b>1 125 525</b>

Note 6, cont.

#### Guidelines for director fees

Svevia complies with the Swedish Government's guidelines concerning director fees. The Chairman and Board members are paid the fees resolved by the Annual General Meeting.

Board members are not paid pension benefits or other benefits. For expenses, compensation is paid in return for receipts. Employee representatives are not paid director fees. No other fees were paid.

#### Director fees in 2010

SEK 000s	Board fee	Committee work and project assignments	Summa
Rogestam, Christina Chairman (elected in 2008)	400	40	440
Bådholm, Christer member (2008)	200	30	230
Gideon, Pia member (2008)	200	30	230
Jönsson, Patrik member (2008)	62	6	68
Lerheden, Sverker member (2008) stepped down in April 2010	62	10	72
Lundberg, Monica member (2008) stepped down in April 2010	62	0	62
Salmén, Ola member (2008)	200	20	220
Söderström Jerring, Åsa member (2010)	138	20	158
Trouvé, Johan member (2010)	138	1	139
<b>Total Board</b>	<b>1 462</b>	<b>157</b>	<b>1 619</b>

#### Director fees in 2009

SEK 000s	Board fee	Committee work and project assignments	Total
Rogestam, Christina Chairman (elected in 2008)	433	42	475
Bådholm, Christer member (2008)	217	31	248
Gideon, Pia member (2008)	217	31	248
Jönsson, Patrik member (2008)	217	21	238
Lerheden, Sverker member (2008)	217	31	248
Lundberg, Monica member (2008)	217	-	217
Salmén, Ola member (2008)	217	21	238
<b>Total Board</b>	<b>1 733</b>	<b>178</b>	<b>1 911</b>

#### Work of the Remuneration Committee

The primary task of the Remuneration Committee established by the Board is to prepare matters for the Board to vote on that affect the CEO's salary and other terms and conditions of employment, and to formulate and propose the main principles and framework terms and condition applying for the setting of salaries and other terms and conditions of employment for senior executives.

#### Guidelines for the remuneration of senior executives

The term senior executive pertains to the officers who, along with the CEO and Executive Vice President, comprise executive management. Svevia complies with "Guidelines for the terms and conditions of employment for senior executives in state-owned companies adopted on 20 April 2009."

The CEO's salary is determined by Svevia's Board. The CEO determines the remuneration for the other senior executives in consultation with the Board's Remuneration Committee. Remuneration comprises a fixed salary, pension agreements, company car, medical insurance and health insurance. No variable remuneration is paid.

Note 6, cont.

#### Remuneration to senior executives in 2010

SEK 000s	Salary	Change in vacation debt	Other benefits	Pension costs	Total
Wedin, Per Olof, CEO	3 059	35	59	900	4 053
Bredbo, Catarina, Executive Vice President	1 210	-82	44	328	1 500
Asp, Anders	1 085	31	48	144	1 308
Dahlberg, Pär-Olof	1 141	-6	39	151	1 325
Lekarp, Fredrik	998	-5	2	126	1 122
Lenkel, Pia	837	6	33	108	984
Lundman, Erik	931	-34	33	119	1 049
Löfgren, Henrik	1 135	53	38	138	1 365
Rodebjer, Anna-Lena	1 119	-8	52	144	1 307
Sandström, Charlotte	741	-84	41	96	793
Scherman, Dennis	986	-1	0	127	1 112
Öberg, Olle	1 105	-45	48	145	1 253
<b>Total</b>	<b>14 347</b>	<b>-140</b>	<b>438</b>	<b>2 526</b>	<b>17 171</b>

#### Terms and conditions of agreements regarding pension benefits and severance pay

The CEO has a six-month mutual notification period and is entitled to employment benefits in full during the period of notice. When the company initiates the termination, the CEO, in addition to salary and benefits during the period of notice, is entitled to severance pay equivalent to the monthly salary for not more than 18 months.

During the CEO's tenure, the company annually posts provisions for the CEO's pension plan in the form of pension insurance corresponding to 30 percent of salary. The CEO shall retire without any special remuneration at the beginning of the month in which he reaches the age of 65. After the completion

of service, the company has no further pension obligations.

The Executive Vice President and other senior executives are subject to a six-month mutual period of notice and are entitled to employment benefits in full during the period of notice.

When the company initiates the termination of the Executive Vice President and other senior executives, these officers, in addition to salary and benefits during the notification period, are entitled to severance pay equivalent to the monthly salary for not more than 12 months. The pension age is 65 and senior executives are covered by the Swedish Government's occupational pension agreement PA-03 with a supplement of 2 percent.

#### Average number of employees and gender distribution, number (%)

	2010			2009		
	Women	Men	Total	Women	Men	Total
Parent Company	259 (9%)	2 556 (91%)	2 815	243 (9%)	2 568 (91%)	2 811
Subsidiary	-	3 (100%)	3	-	-	-
<b>Group Sweden total</b>	<b>259 (9%)</b>	<b>2 559 (91%)</b>	<b>2 818</b>	<b>243 (9%)</b>	<b>2 568 (91%)</b>	<b>2 811</b>

#### Board and executive management, number (%)

	2010		2009	
	Women	Men	Women	Men
Board	3 (33%)	6 (67%)	3 (33%)	6 (67%)
Executive management	4 (33%)	8 (67%)	4 (33%)	8 (67%)

#### Sickness absence in relation to normal working hours, %

	Parent Company	
	2010	2009
Total sickness absence	2.2	2.1
– of which, long-term sickness absence, more than 60 days	43.0	41.3
– sickness absence for men	2.1	2.0
– sickness absence for women	3.1	2.5
– sickness absence for employees 29 years old and younger	2.0	2.0
– sickness absence for employees between 30 and 49 years old	1.8	1.8
– sickness absence 50 years old or older	2.7	2.5

## Note 7 | Depreciation

### Depreciation according to plan distributed by function

SEK m	Group		Parent Company	
	2010	2009	2010	2009
Production costs	118	120	1	5
Sales and administrative costs	24	23	13	13
<b>Total</b>	<b>142</b>	<b>143</b>	<b>14</b>	<b>18</b>

## Note 8 | Leasing

Svevia's operational leasing primarily pertains to passenger cars, leases for premises and machinery.

In 2010, costs for operational leasing contracts amounted to SEK 98m (78) in the Group and SEK 48m (43) in the Parent Company.

SEK m	Group		Parent Company	
	2010	2009	2010	2009
Future minimum leasing fees:				
Within one year	92	66	66	41
In more than one year but less than five years	127	82	108	43
More than five years	-	-	33	10
<b>Total</b>	<b>219</b>	<b>148</b>	<b>207</b>	<b>94</b>

Leasing revenues pertaining to objects that have been re-leased amounted to SEK 22m (22).

## Note 9 | Financial revenues and expenses

SEK m	Group		Parent Company	
	2010	2009	2010	2009
<b>Financial revenues</b>				
Revenues from other securities and receivables classed as fixed assets, external	16	5	64	5
Other interest income and other similar income, external	7	18	7	18
Other interest income and other similar income, internal	-	-	5	4
<b>Total financial revenues</b>	<b>23</b>	<b>23</b>	<b>76</b>	<b>27</b>
<b>Financial expenses</b>				
Interest expenses and other similar expenses, external	-2	-5	-2	-5
Interest expenses and other similar expenses, internal	-	-	-	1
<b>Total financial expenses</b>	<b>-2</b>	<b>-5</b>	<b>-2</b>	<b>-4</b>
<b>Net financial items</b>	<b>21</b>	<b>18</b>	<b>74</b>	<b>23</b>
<b>Net financial items per financial asset/liability classification</b>				
Financial assets hold-to-maturity	7	11	7	11
Financial assets available-for-sale	12	2	12	2
Loan and accounts receivable including cash and cash equivalents	4	10	9	15
Dividend to shareholders	-	-	48	-
Financial liabilities measured at accrued cost	-2	-5	-2	-5
<b>Net financial items</b>	<b>21</b>	<b>18</b>	<b>74</b>	<b>23</b>

## Note 10 | Taxes

SEK m	Group		Parent Company	
	2010	2009	2010	2009
<b>Current tax</b>	<b>8</b>	<b>-7</b>	<b>29</b>	<b>-</b>
<b>Deferred tax</b>				
Deferred tax pertaining to temporary differences	-38	-97	-	-
Deferred tax income from loss carryforwards capitalised during the year	-26	56	-26	56
<i>Deferred tax</i>	<i>-64</i>	<i>-41</i>	<i>-26</i>	<i>56</i>
<b>Total recognised tax</b>	<b>-56</b>	<b>-48</b>	<b>3</b>	<b>56</b>

SEK m	%	Group		Parent Company		2009 Belopp		
		2010 Amount	2009 Amount	2010 Amount	2009 Amount			
<b>Reconciliation of effective tax</b>								
Profit before tax		225	166		42	-229		
Tax according to current tax rate for the Parent Company	26.3	-59	26.3	-44	26.3	-11	26.3	60
Tax, temporary differences	6.7	-15	-	-	7.1	-3	-	-
Tax effect, non-deductible costs, non-taxable revenues	-8.0	18	2.3	-4	-40.4	17	-1.7	-4
<b>Recognised effective tax</b>	<b>25.0</b>	<b>-56</b>	<b>28.6</b>	<b>-48</b>	<b>-7.0</b>	<b>3</b>	<b>24.6</b>	<b>56</b>

SEK m	Group		Parent Company	
	2010	2009	2010	2009
<b>Tax items recognised directly against shareholders' equity</b>				
Deferred tax attributable to fair value reserve	0	0	0	0
Current tax pertaining to Group contributions	-	-	29	-
<b>Total tax recognised directly against shareholders' equity</b>	<b>0</b>	<b>0</b>	<b>29</b>	<b>0</b>

## Note 11 | Goodwill

SEK m	Group		Parent Company	
	2010	2009	2010	2009
<b>Accumulated costs</b>				
At beginning of the year	233	-	132	-
Assets acquisitions	3	217	3	119
Investments	-	4	-	4
Reclassifications	-	12	-	9
<i>At year-end</i>	<b>236</b>	<b>233</b>	<b>135</b>	<b>132</b>
<b>Accumulated amortisation</b>				
At beginning of the year	-23	-	-13	-
Amortisation	-24	-23	-13	-13
<i>At year-end</i>	<b>-47</b>	<b>-23</b>	<b>-26</b>	<b>-13</b>
<b>Carrying amount at year-end</b>	<b>189</b>	<b>210</b>	<b>109</b>	<b>119</b>

Annual amortisation has been established as the amount that is expected to be recovered within 12 months.

### Recovery time

SEK m	Group		Parent Company	
	2010	2009	2010	2009
Recovery time one year	24	23	13	13
Recovery time > one year	165	187	96	106

## Note 12 | Buildings and land

SEK m	Group		Parent Company	
	2010	2009	2010	2009
<b>Accumulated cost</b>				
At beginning of the year	417	-	23	-
Corporate acquisitions	6	-	-	-
Assets acquisitions	-	390	-	19
Investments	16	27	4	1
Scrappage/divestment	-4	0	-	-
Reclassification	-	1	-	3
<i>At year-end</i>	<b>435</b>	<b>417</b>	<b>27</b>	<b>23</b>
<b>Accumulated depreciation</b>				
At beginning of the year	-13	-	-6	-
Depreciation	-9	-13	-1	-6
<i>At year-end</i>	<b>-22</b>	<b>-13</b>	<b>-7</b>	<b>-6</b>
<b>Carrying amount at year-end</b>	<b>413</b>	<b>404</b>	<b>20</b>	<b>17</b>
– of which, land	159	152	20	17

### Information regarding tax values in Sweden

SEK m	Group		Parent Company	
	2010	2009	2010	2009
Buildings	100	25	-	-
Land	96	40	26	25

Most buildings and land are classified as communication properties for taxation purposes, with a tax value of 0.

Commitments for future investments in Buildings and land amounted to SEK 9m (6). These commitments pertain to the restoration of Svevia-owned quarries. In addition, there were commitments for the restoration of quarries, which are held under usufruct agreements, in the amount of SEK 43m (49). The total sum of SEK 52m (55) is included in the "Provisions" balance-sheet item.

The item "Carrying amount at year-end" included gravel and rock quarries in the amount of SEK 20m (17). Depreciation, which is made pursuant to excavation of materials, amounted to SEK 1m (6) in 2010.

Annual depreciation has been established as the amount that is expected to be recovered within 12 months.

### Recovery period

SEK m	Group		Parent Company	
	2010	2009	2010	2009
Recovery period one year	9	7	1	-
Recovery period > one year	404	397	19	17



## Note 13 | Machinery and equipment

SEK m	Group	
	2010	2009
<b>Accumulated cost</b>		
At beginning of the year	495	-
Corporate acquisitions	10	-
Assets acquisitions	1	352
Investments	92	146
Scrappage/divestment	-5	-3
<i>At year-end</i>	<i>593</i>	<i>495</i>
<b>Accumulated depreciation</b>		
At beginning of the year	-107	-
Corporate acquisitions	-7	-
Depreciation	-109	-107
Scrappage/divestment	2	0
<i>At year-end</i>	<i>-221</i>	<i>-107</i>
<b>Carrying amount at year-end</b>	<b>372</b>	<b>388</b>

There were no major commitments for future investments in Machinery and equipment.  
Annual depreciation has been established as the amount that is expected to be recovered within 12 months.

SEK m	Group	
	2010	2009
<b>Recovery period</b>		
Recovery period one year	109	107
Recovery period > one year	263	281

## Note 14 | Shares in subsidiaries, Parent Company

### Swedish subsidiaries

	Corp. Reg. No.	Registered office	Number of shares	Shareholders' equity, SEK m	Participation/ voting rights	Carrying amount, SEK m
Svevia Fastighet och Maskin AB	556767-9856	Solna	165 766 667	457	100%	497
Wennerström i Järna AB	556395-3768	Solna	2 500	10	100%	12
Grundar'n Vreco Anläggning AB	556529-5952	Solna	1 000	13	100%	13
Svevia Maskin AB	556825-4352	Solna	50 000	0	100%	0
Svevia Fastighet Holding AB	556825-4782	Solna	50 000	0	100%	0
IS Tunnel Construction HB*	969745-4552	Solna	-	-	50%	-
<b>Total</b>						<b>522</b>

In 2010, Svevia acquired two businesses. On 1 July 2010, 100 percent of the shares in Wennerström i Järna AB were acquired and on 1 December 2010, 100 percent of the shares in Grundar'n Vreco Anläggning AB were acquired. Two companies were also formed during the year. Goldcup 6060 AB was renamed Svevia Maskin AB and Goldcup 6075 AB was renamed Svevia Fastighet Holding AB. The newly formed companies did not conduct any business in 2010.

\*IS Tunnel Construction HB is dormant.

## Note 15 | Other long-term holdings of securities

### Specification of securities, Group and Parent Company

SEK m	2010	2009
<b>Accumulated cost</b>		
At beginning of the year	445	-
Investments	216	516
Divestments	-165	-81
Measured at fair value in profit and loss	5	9
Measured at fair value in shareholders' equity	1	1
<b>Carrying amount at year-end</b>	<b>502</b>	<b>445</b>

### Specification of securities

Group/Parent Company	Carrying amount	< 1 year	1-2 years	2-3 years	>3 years	Latest maturity in more than 3 years
<b>Bonds and other interest-bearing securities</b>						
Swedish credit institutions	192	-	50	-	142	2017-06-15
Foreign credit institutions	148	99	35	14	-	
Listed companies, foreign	143	8	44	-	91	2014-05-14
Other	19	-	-	15	4	2014-05-05
<b>Value at year-end</b>	<b>502</b>	<b>107</b>	<b>129</b>	<b>29</b>	<b>237</b>	

## Note 16 | Deferred tax assets/liabilities

### Change during the year, Group

SEK m	Opening balance	Deferred tax in profit and loss	Recognised directly against shareholders' equity	Closing balance, (minus signifies liability)
<b>Deferred tax assets</b>				
Capitalised loss carryforwards	56	-26	-	30
<b>Deferred tax liabilities</b>				
Worked-up revenues	-84	-31	-	-115
Untaxed reserves	-2	-17	-	-19
Other temporary differences	-10	10	0	0
<b>Net, Group</b>	<b>-40</b>	<b>-64</b>	<b>0</b>	<b>-104</b>

### Change during the year, Parent Company

SEK m	Opening balance	Deferred tax in profit and loss	Recognised directly against shareholders' equity	Closing balance, (minus signifies liability)
<b>Deferred tax assets</b>				
Capitalised loss carryforwards	56	-26	-	30
<b>Net, Parent Company</b>	<b>56</b>	<b>-26</b>	<b>-</b>	<b>30</b>

The Parent Company applies the completed contract method for construction projects.

In 2009, the Parent Company recognised a loss and received a taxable loss carry-forward in the amount of SEK 226m for the 2010 tax year. For the 2011 tax year, SEK 115m of the taxable loss carry-forward remains. Some 26.3 percent of the amount was capitalised as a deferred tax asset. The taxable loss carry-forward can be used during a limited period.

The Group applies the percentage-of-completion method for construction contracts.

## Note 17 | Materials and inventories

SEK m	Group		Parent Company	
	2010	2009	2010	2009
Raw materials and supplies	112	133	110	133
Finished goods and goods for resale	10	8	-	-
<b>Total</b>	<b>122</b>	<b>141</b>	<b>110</b>	<b>133</b>

## Note 18 | Construction contracts

SEK m	Group		Parent Company	
	2010	2009	2010	2009
<b>Receivables from project customers under construction contracts</b>				
Worked-up revenues/Costs incurred	3 115	1 899	2 777	2 230
Invoicing	-2 864	-1 725	-2 456	-1 940
<b>Total worked-up non-invoiced revenues</b>	<b>251</b>	<b>174</b>	<b>321</b>	<b>290</b>
<b>Liabilities to project customers under construction contracts</b>				
Invoicing	9 023	9 937	9 454	9 730
Worked-up revenues/Costs incurred	-8 248	-8 981	-8 170	-8 338
<b>Total project invoicing not yet worked up</b>	<b>775</b>	<b>956</b>	<b>1 284</b>	<b>1 392</b>

Construction contracts are recognised as revenue in pace with the working up of the project. During the year, worked-up revenue, which was recognised as income in profit and loss, amounted to SEK 7,749m (7,545) in the Group.

The Parent Company applies the completed contract method, which means that profit recognition in construction contracts is associated with the final recognition of the project.

## Note 19 | Accounts receivable

SEK m	Group		Parent Company	
	2010	2009	2010	2009
Unpaid customer invoices outstanding	1 747	1 622	1 724	1 597
Less uncertain accounts receivable	-4	-23	-3	-20
<b>Total</b>	<b>1 743</b>	<b>1 599</b>	<b>1 721</b>	<b>1 577</b>
<b>Uncertain accounts receivable</b>				
Uncertain accounts receivable at beginning of the year	-23	-	-20	-
Balance assumed on 1 Jan 2009	-	-7	-	-7
Losses recognised during the year	4	2	2	1
Accounts receivable reversed during the year	23	7	22	9
New uncertain accounts receivable during the year	-8	-25	-7	-23
<b>Closing balance</b>	<b>-4</b>	<b>-23</b>	<b>-3</b>	<b>-20</b>
<b>Age analysis of overdue accounts receivable</b>				
< 30 days	98	73	93	56
31–60 days	8	1	7	0
61–90 days	5	4	5	3
>90 days	24	30	24	29

In the "uncertain accounts receivable" provision in 2009, SEK 14m pertained to disputed receivables. Recovered accounts receivable in 2010 amounted to SEK 1m.

## Note 20 | Prepaid expenses and accrued income

SEK m	Group		Parent Company	
	2010	2009	2010	2009
Prepaid insurance premiums	10	9	10	9
Prepaid rent	6	6	3	2
Prepaid leasing fees	4	3	-	-
Accrued interest income	2	2	2	2
Other	44	19	38	18
<b>Total</b>	<b>66</b>	<b>39</b>	<b>53</b>	<b>31</b>

## Note 21 | Financial instruments and financial risk management

Through its operations, the Group is exposed to various types of financial risks. The term financial risks pertains to fluctuations in a company's earnings and cash flow as a result of liquidity, interest rate, currency, raw material, counterparty and financing risks.

The Group's finance policy for the management of financial risks was formulated by the Board and creates a framework of guidelines and rules in the form of risk mandates and limits for the financial operations. The Group's financial transactions and risks are managed centrally by the finance unit of the Parent Company.

The principle for the finance unit is essentially for it to serve as a centralised finance unit with an internal bank, which manages the financial risks at the Group level and is responsible for the Group's conduct in the financial markets. All borrowing and all investments of surplus liquidity, as well as currency and raw

material hedging and currency exchanges, are managed by the finance unit pursuant to the established finance policy.

### Liquidity risk

Liquidity risk is defined as the risk that the Group will not have sufficient access to funds for anticipated and unanticipated expenses. The term "access to funds" refers to cash and cash equivalents or the ability to convert invested funds in time to meet payment obligations.

To hedge liquidity risks, the Group maintains a liquidity buffer and continuously prepares liquidity forecasts to safeguard the said buffer.

Svevia's liquidity is deemed to be strong and its liquidity risk is low.

Granted bank overdraft facilities amounted to SEK 300m (300), of which SEK 0 (0) was utilised.

### Liquidity overview

Positive figures indicate anticipated receipts and negative figures indicate anticipated disbursements, calculated from the balance-sheet date.

#### Group 2010

SEK m	0–30 days	31–60 days	61–90 days	3–12 months	1–5 years	>5 years	Total
<b>Assets</b>							
Other long-term holdings of securities	-	-	-	107	254	141	502
Derivative instruments, assets	-	-	-	0	0	-	0
Accounts receivable	1 379	215	20	129	-	-	1 743
Current investments	-	51	-	-	-	-	51
Cash and cash equivalents	29	-	-	-	-	-	29
<b>Liabilities</b>							
Accounts payable	-635	1	-	-	-	-	-634

#### Group 2009

SEK m	0–30 days	31–60 days	61–90 days	3–12 months	1–5 years	>5 years	Total
<b>Assets</b>							
Other long-term holdings of securities	-	-	-	-	305	139	444
Derivative instruments, assets	-	-	-	-	1	-	1
Accounts receivable	1 270	200	29	100	-	-	1 599
Current investments	100	100	100	140	-	-	440
Cash and cash equivalents	57	133	-	-	-	-	190
<b>Liabilities</b>							
Current liabilities to credit institutes	-	-310	-	-	-	-	-310
Accounts payable	-588	-8	-	-	-	-	-596

Note 21, cont.

### Parent Company 2010

SEK m	0–30 days	31–60 days	61–90 days	3–12 months	1–5 years	>5 years	Total
<b>Assets</b>							
Other long-term holdings of securities	-	-	-	107	254	141	502
Derivative instruments, assets	-	-	-	0	0	-	0
Accounts receivable	1 364	208	20	129	-	-	1 721
Current investments	-	51	-	-	-	-	51
Cash and cash equivalents	9	-	-	-	-	-	9
<b>Liabilities</b>							
Accounts payable	-589	2	-	-	-	-	-587

### Parent Company 2009

SEK m	0–30 days	31–60 days	61–90 days	3–12 months	1–5 years	>5 years	Total
<b>Assets</b>							
Other long-term holdings of securities	-	-	-	-	305	139	444
Derivative instruments, assets	-	-	-	-	1	-	1
Accounts receivable	1 265	192	20	100	-	-	1 577
Current investments	100	100	100	140	-	-	440
Cash and cash equivalents	57	133	-	-	-	-	190
<b>Liabilities</b>							
Current liabilities to credit institutes	-	-310	-	-	-	-	-310
Accounts payable	-550	-7	-	-	-	-	-557

#### Interest-rate risks

Interest-rate risk is defined as the risk that the Group will incur rising costs or falling revenues due to changes in interest rates. Exposure to interest-rate risks is, in all material respects, associated with interest-bearing assets/liabilities.

To control the interest-rate risks, a duration target of six months has been established, with a permitted deviation of ± 90 days.

The CEO is permitted to extend the period by up to max one year.

The Group deploys interest-rate derivative instruments, primarily interest-rate swaps, to manage the interest-rate risks and app-

lies hedge accounting for fixed-income derivative instruments.

The inefficiency of the existing interest-rate hedges is zero and their fair value on the balance-sheet date was a negative SEK 0.3m (0.3). The sensitivity analysis pertaining to the Group's interest-bearing assets and liabilities shows that an increase in the market interest rate by 1 percentage point would result in a decline in the Group's profit by SEK 3.75m (3.5). A decrease in the market interest rate by 1 percentage point would result in a rise in the Group's profit by SEK 3.75m (3.5). Also refer to the table below over the maturity structure of interest-rate risks.

#### Maturity structure for interest-rate risks

SEK m	Group 2010				Group 2009			
	Bonds	Certificates and FRNs	Interest-rate derivative instruments	Liabilities to credit institutions	Bonds	Certificates and FRNs	Interest-rate derivative instruments	Liabilities to credit institutions
Within 1 year	55	469	-	-	88	853	-	-310
1–2 years	-	-	65	-	7	-	-	-
2–3 years	15	-	-	-	97	-	65	-
3–4 years	14	-	-	-	-	-	-	-
4–5 years	-	-	-	-	29	-	-	-
In 5 years or more	-	-	-	-	-	-	-	-
<b>Total</b>	<b>84</b>	<b>469</b>	<b>65</b>	<b>0</b>	<b>221</b>	<b>853</b>	<b>65</b>	<b>-310</b>

Note 21, cont.

### Currency risks

Svevia is exposed to currency risks related to both transaction risks and translation exposure risks. Transaction risks pertain to the effects of exchange-rate fluctuations on consolidated profit and loss, meaning the effect of currencies on anticipated future cash flows.

Translation exposure risk pertains to the risk that exchange-rate fluctuations will affect the value of the Group's assets and liabilities held in foreign currencies.

Translation exposure is reduced by financing assets with liabilities in the same currency, when this is financially advantageous and possible. Since the Group's operations are almost exclusively conducted in Sweden, this risk is highly limited with the exception of a number of currency accounts (NOK, DKK, EUR, USD), which are managed by the finance unit.

Since the Group's operations are almost exclusively conducted in Sweden and invoiced in SEK, the transaction risk is limited. Non-hedged currency risk exposure must never exceed SEK 50m on a rolling 12-month basis for the Group.

At year-end, the transaction risk amounted to a negative SEK 90m (-72), of which EUR accounted for 88 percent (90). At year-end, the translation exposure risk amounted to a negative SEK 4m (pos: 0.6), of which EUR accounted for 93 percent (95).

Of the total currency exposure, 49 percent is hedged.

The Group deploys currency derivative instruments, primarily currency forward contracts, to manage exchange-rate risks and applies hedge accounting for currency derivative instruments.

The inefficiency of existing currency hedges was 0 (0) and their fair value was a negative SEK 0.5m (0.2) on the balance-sheet date. The sensitivity analysis pertaining to exchange-rate fluctuations shows that an increase in the SEK by 1 percentage point would mean an increase in the Group's profit by SEK 0.9m (0.7). Conversely, a decline in the SEK would mean a decline in the Group's profit by SEK 0.9m (0.7).

### Commodity risks

The term commodity risk refers to the effect on consolidated profit and loss of a change in the price of commodities. Consumption forecasts are prepared for the most important raw materials.

Forecasts are made per raw material for the coming 15

months.

To minimise volatility, what is known as natural hedging is preferred; meaning to first associate the project's revenues to related costs via contract arrangements such as indexing or "surcharges."

The target for the hedged portion, calculated as a percentage of the net position, shall generally be equivalent to 50 percent of the exposure for the following 12 months. However, the hedged portion may not exceed 100 percent.

At year-end, the raw-material exposure was SEK 349m (290), of which SEK 165m (128) was not hedged. The sensitivity analysis pertaining to price fluctuations associated with non-hedged risk exposure shows that a price increase of 1 percentage point for Svevia's most important raw materials, bitumen, salt, fuel oil and diesel, would reduce profit by SEK 1.7m (1.3). Conversely, a price decrease of 1 percentage point for these raw materials would lead to a profit improvement of SEK 1.7m (1.3).

### Counterparty risks

Counterparty risks or credit risks pertain to the risk that the Group's financial counterparties may be unable to fulfil their obligations, which could have an adverse effect on the Group's earnings.

Counterparty risks are limited by conducting transactions with financial institutions and industrial companies with a high credit rating, and by investing cash and cash equivalents in financially secure institutions and companies.

Cash and cash equivalents shall be invested in companies in the Government sphere or with counterparties whose credit rating is equal to or better than A1/P1/K1 in the short term (meaning <12 months) or A- in the long term (meaning >12 months).

To limit the counterparty risk, investments must be spread between several counterparties. The highest total level of exposure toward a single counterparty may not exceed the lower of either 50 percent of all of the Group's financial investments or SEK 500m (nominal amount).

### Financing risk/Project financing

Financing risk is the risk of difficulties in financing capital needs with external financing at any given time.

The aim is for most of the continuous financing needs to be covered by construction contracts and payment flows in the projects. The Group strives to avoid pledging assets to secure

### Maximum exposure to credit risks at beginning of the year

SEK m	Group		Parent Company	
	2010	2009	2010	2009
Other long-term holdings of securities	502	445	502	445
Accounts receivable	1 743	1 599	1 721	1 577
Current investments	51	440	51	440
Cash and cash equivalents	29	190	9	190
<b>Total</b>	<b>2 325</b>	<b>2 674</b>	<b>2 283</b>	<b>2 652</b>

### Measurement method for financial assets and liabilities

The following table shows the valuation method used in the determination of fair value.

The Group used the following definitions of the measurement method:

Level 1. The measurement is determined by market prices, as quoted on an active market.

Level 2. Fair value is determined on the basis of directly or indirectly observable market data that is not included in level 1.

Level 3. Non-observable data: Due to significant assumptions in the measurement, observable market data cannot be used.

This item is generally measured at accrued cost.

Note 21, cont

**Group and Parent Company 2010**

SEK m	2010				2009			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Other long-term holdings of securities	-	385	-	385	-	328	-	328
Derivative instruments, assets	-	0	-	0	-	1	-	1
<b>Total financial assets</b>	-	385	-	385	-	329	-	329
Financial liabilities	-	-	-	-	-	-	-	-

**Note 22** | Classification of financial assets and liabilities

**Group 2010**

SEK m	Assets hold-to-maturity	Assets available-for-sale	Derivative instruments	Loan and accounts receivable	Financial liabilities	Total carrying amount	Total fair value of financial assets and liabilities
Other long-term holdings of securities	118	384	0	-	-	502	502
Accounts receivable	-	-	-	1 743	-	1 743	1 743
Current Investments	51	-	-	-	-	51	51
Cash and cash equivalents	-	-	-	29	-	29	29
<b>Total assets</b>	<b>169</b>	<b>384</b>	<b>0</b>	<b>1 772</b>	-	<b>2 325</b>	<b>2 325</b>
Accounts payable	-	-	-	-	634	634	634
<b>Total liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>634</b>	<b>634</b>	<b>634</b>

**Group 2009**

Other long-term holdings of securities	116	328	1	-	-	445	445
Accounts receivable	-	-	-	1 599	-	1 599	1 599
Current Investments	440	-	-	-	-	440	440
Cash and cash equivalents	-	-	-	190	-	190	190
<b>Total assets</b>	<b>556</b>	<b>328</b>	<b>1</b>	<b>1 789</b>	-	<b>2 674</b>	<b>2 674</b>
Current liabilities to credit institutes	-	-	-	-	310	310	310
Accounts payable	-	-	-	-	596	596	596
<b>Total liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>906</b>	<b>906</b>	<b>906</b>

**Parent Company 2010**

Other long-term holdings of securities	118	384	0	-	-	502	502
Accounts receivable	-	-	-	1 721	-	1 721	1 721
Current Investments	51	-	-	-	-	51	51
Cash and cash equivalents	-	-	-	9	-	9	9
<b>Total assets</b>	<b>169</b>	<b>384</b>	<b>0</b>	<b>1 721</b>	-	<b>2 283</b>	<b>2 283</b>
Accounts payable	-	-	-	-	587	587	587
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>587</b>	<b>587</b>	<b>587</b>

**Parent Company 2009**

Other long-term holdings of securities	116	328	1	-	-	445	445
Accounts receivable	-	-	-	1 577	-	1 577	1 577
Current Investments	440	-	-	-	-	440	440
Cash and cash equivalents	-	-	-	190	-	190	190
<b>Total assets</b>	<b>556</b>	<b>328</b>	<b>1</b>	<b>1 767</b>	<b>0</b>	<b>2 652</b>	<b>2 652</b>
Current liabilities to credit institutes	-	-	-	-	310	310	310
Accounts payable	-	-	-	-	557	557	557
<b>Total liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>867</b>	<b>867</b>	<b>867</b>

## Note 23 | Shareholders' equity

Svevia inSvevia holds no minority interests, which means that all capital is attributable to the Parent Company's shareholders. According to Swedish law, shareholders' equity shall be divided between restricted and unrestricted funds.

Unrestricted funds in the Parent Company are considered available as dividends.

The Parent Company's unrestricted funds comprise earnings brought forward including profit for the year, share premium reserves and the fair-value reserve.

The share premium reserve comprises paid-in capital in excess of the quotient value resulting from a new share issue.

The Group does not divide equity into restricted and unrestricted amounts.

Capital contributions in the Group comprise paid in capital in excess of the quotient value resulting from a new share issue.

The Group's earnings brought forward include profit for the year and profit for previous years not distributed as dividends.

Also included in the Group's earnings brought forward is the shareholders' equity portion of the Group's untaxed reserves.

The Group's reserves include the translation reserves and the fair-value fund.

## Note 24 | Other provisions

2010

SEK m	Restruc- turing	Guarantee commit- ments	Restoration of gravel removal	Other provisions	Total
Carrying amount at beginning of the year	2	47	55	121	225
Provisions made during the year	4	16	3	42	65
Reclassification	-	-	-	9	9
Reclassification within provisions	-	1	0	-1	0
Amount utilised	-1	-16	-3	-33	-53
Unutilised amount reversed	-	-24	-3	-24	-51
Carrying amount at year-end, Parent Company	5	24	52	114	195
Carrying amount at beginning of the year, Group	-	-	-	1	1
Unutilised amount reversed, subsidiaries	-	-	-	-1	-1
<b>Carrying amount at year-end, Group</b>	<b>5</b>	<b>24</b>	<b>52</b>	<b>114</b>	<b>195</b>
Commitments for provisions are expected to be settled within:					
1 year	3	13	3	50	69
1-5 years	2	11	11	62	86
More than 5 years	-	-	38	2	40

The restructuring reserve pertains to employees who have received employment-termination notices but have not yet been laid off.



## Note 25 | Interest bearing liabilities

Bank overdraft facilities SEK m	Group		Parent Company	
	2010	2009	2010	2009
Granted credit facilities	300	300	300	300
Drawn amount	-	-	-	-
Undrawn amount	300	300	300	300

### Liabilities to credit institutes

SEK m	Group		Parent Company	
	2010	2009	2010	2009
Promissory note loans, with an expected maturity within 1 year	-	310	-	310

## Note 26 | Accrued expenses and deferred income

SEK m	Group		Parent Company	
	2010	2009	2010	2009
Accrued personnel-related expenses	290	301	289	297
Deferred income	11	9	0	1
Other	171	154	162	144
<b>Total</b>	<b>472</b>	<b>464</b>	<b>451</b>	<b>442</b>

## Note 27 | Transactions with related companies

Transactions with related companies are conducted on market-based terms and conditions and all operations are competitive.

Related companies are defined as companies in which Svevia can exercise a controlling interest over operational and financial decisions. The realm of related companies also encompasses the companies and persons who are able to exercise a controlling influence over Svevia's operational and financial decisions.

Svevia is a wholly state-owned company. All transactions with the Government, such as taxes and social security fees have been exempted in this Note.

Svevia's products and services are offered to the Government, Government authorities and Government companies in competition with other suppliers of equal value on commercial terms and conditions. Svevia acquires products and services from Government companies and authorities in the same manner.

Of Svevia's sales in 2010, 63 percent (66) pertain to Government authorities, of which the Swedish Transport Administration is the largest customer comprising 58 percent (62) of sales.

Transactions with Government companies are conducted on a limited scale and pertain to customary business transactions.

Svevia has not issued any pledged assets or contingent liabilities.

Svevia AB has engaged in transactions with subsidiaries. Invoices from Svevia Fastighet och Maskin AB to the Parent Company amounted to SEK 584m (605), from Grundar'n Vreco Anläggning to AB SEK 1m and from Wennerström i Järna AB to SEK 0.6m. Invoices to Svevia Fastighet och Maskin AB from the Parent Company amounted to SEK 156m (171), to Grundar'n Vreco Anläggning AB to SEK 0.7m, and to Wennerström i Järna AB to SEK 0.2m. Outstanding receivables from subsidiaries amounted to SEK 289m (263). In 2010, Group contributions of SEK 112 m were received from Svevia Fastighet och Maskin AB, and dividends totalling SEK 48m were paid during the year.

No transactions or receivables/liabilities were made from Svevia AB to senior executives/the Board

## Note 28 | Business combinations

In the 2010 financial year, minor corporate acquisitions were made including all of the shares in Wennerströms i Järna AB and Grundar'n Vreco Anläggning AB and an asset acquisition from Wärmes Asfalt AB. Since the date of acquisition, the acquired units have contributed SEK 5m to the Group's net sales and a negative SEK 1m to the Group's earnings. Had the acquisitions been made on 1 January 2010, the acquired operations would have contributed SEK 39m to the Group's net sales and SEK 6m to the Group's earnings.

Total investments amounted to SEK 29m, with a net outflow of SEK 6m. The acquisitions are recognised in the condensed statement since they have no significant impact on the Group's earnings and position.

### Net assets, liabilities and contingent liabilities in the acquired subsidiaries:

SEK m	Carrying amount on acquisition	Fair value recognised by the Group
Tangible fixed assets	7	10
Current receivables	8	9
Cash and cash equivalents	22	22
Deferred tax liabilities	-2	-3
Current liabilities	-6	-6
<b>Net identifiable assets and liabilities</b>	<b>29</b>	<b>32</b>
Goodwill		-3
Purchase consideration		29
Cash and cash equivalents, acquired		-22
Less unpaid portion of acquisition price		-1
<b>Net outflows</b>		<b>6</b>

## Note 29 | Cash flow

SEK m	Group		Parent Company	
	2010	2009	2010	2009
<b>Adjustments for non-cash items</b>				
Depreciation/amortisation	142	143	14	18
Change in provisions	-28	110	-27	109
Capital gains on the sale of fixed assets	-11	-7	-	-
Changes in the values of financial instruments	-4	-8	-4	-8
Other	-6	-	1	-
<b>Total</b>	<b>93</b>	<b>238</b>	<b>-16</b>	<b>119</b>
<b>Interest paid</b>				
Interest received	18	16	23	20
Interest paid	-2	-5	-2	-4
<b>Cash and cash equivalents</b>				
The following sub-components are included in cash and cash equivalents:				
Cash and bank	29	57	9	57
Current investments, equivalent to cash and cash equivalents	-	133	-	133
<b>Total</b>	<b>29</b>	<b>190</b>	<b>9</b>	<b>190</b>

## Note 30 | Dates of forthcoming financial reports

Svevia's Annual Report, Sustainability Report and interim reports are published at Svevia's website [Svevia.se](http://Svevia.se) on the following dates:

Annual Report 2010	31 March 2011
Interim report Jan–March	27 April 2011
Interim report Jan–June	22 July 2011
Interim report Jan–Sept	27 October 2011

# Statement of assurance and the signatures of the Board and CEO

The consolidated financial statements and the Annual Report were prepared in accordance with the Swedish Annual Accounts Act (ÅRL) and the recommendations of the Swedish Financial Accounting Standards Council (RR) and provide a fair and accurate impression of the Group and Parent Company's position and earnings.

The administration report for the Group and the Parent Company provides a fair and accurate overview of the Group and Parent Company's operations, position and earnings and describes the significant risks and uncertainties faced by the Parent Company and the companies included in the Group.

Solna, 25 March 2011

**Christina Rogestam**  
*Chair of the Board*

**Christer Bådholm**  
*Board member*

**Pia Gideon**  
*Board member*

**Patrik Jönsson**  
*Board member*

**Ola Salmén**  
*Board member*

**Johan Trouvé**  
*Board member*

**Åsa Söderström Jerring**  
*Board member*

**Moody Israelsson**  
*Board member,  
Employee representative*

**Martin Harr**  
*Board member,  
Employee representative*

**P-O Wedin**  
*CEO*

Our auditor's report was issued on 25 March 2011.

**Deloitte AB**  
Tommy Mårtensson  
*Authorised Public Accountant*

# Auditor's Report

To the Annual General Meeting of Svevia AB (publ.) Corporate Registration Number 556768-9848

We have audited the Annual Report, the consolidated financial statements, the accounts and the administration of the Board of Directors and the CEO of Svevia AB for the 2010 financial year. The Company's Annual Report is included in the printed version of this document on pages 38–72. The Board of Directors and the CEO are responsible for these financial statements and the administration of the Company, and for ensuring that the Annual Accounts Act is applied when the Annual Report and the consolidated financial statements are compiled. Our responsibility is to express an opinion on the Annual Report, consolidated financial statements and the administration based on our audit.

We conducted our audit in accordance with Generally Accepted Auditing Standards in Sweden. Those standards require that we plan and perform the audit to provide high but not absolute assurance that the Annual Report and the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing

the accounting principles used and their application by the Board of Directors and the CEO, evaluating the material estimations made by the Board of Directors and CEO when compiling the Annual Report and the consolidated financial statements, and evaluating the overall presentation of information in the Annual Report and consolidated financial statements. We examined significant decisions, actions taken and circumstances of the company in order to be able to determine the possible liability to the company of any Board member or the CEO or whether they have in some other way acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

We recommend that the Annual General Meeting adopt the income statements and balance sheets of the Parent Company and the Group, that the profit in the Parent Company be dealt with in accordance with the proposal in the Report of the Board of Directors, and that the members of the Board and the CEO be discharged from liability for the financial year.

Stockholm, 25 March 2011

**Deloitte AB**  
Tommy Mårtensson  
*Authorised Public Accountant*



### Svevia clears snow on northern link

On 22 March 2010, the snow was 95 centimetres deep in Hemavan in the Västerbotten province, 40 kilometres from the Norwegian border. This was nothing compared with the record snow-depth of 220 centimetres in March 1943, although it was still enough to make the roads unusable without professional snow clearance.

The European Route E12 is one of three

mountain passes to Norway in Västerbotten. Svevia keeps it accessible and safe, year-round. The first snow falls in October, and the thaw begins in April.

The European Route E12 is an important thoroughfare for commuting, public transportation, freight traffic and tourism. It connects the town of Mo i Rana in Norway with Helsinki in

the East, where the Route offers connections to St. Petersburg and further East. Heading south from Tallinn, the European Route E67 leads to Poland and Central Europe through the Baltic nations. Svevia ensures that people and freight have a clear path in this northern link of the European traffic system.



### A wedding without obstacles with Svevia

The wedding of Swedish Crown Princess Victoria became a national festival for Sweden and an important world event. Everyone knows that events require solid planning and the festivities on 19 June 2010 were no exception. Svevia's preparations began several weeks earlier. How would participants be able to move around and

how would Stockholm be decorated? There were flowers to be planted, signs to be posted and flags to be raised. And the participant would be able to see the bridal couple along the entire path of the procession with a minimum of disruptions.

"We appointed Svevia to lend, assemble and

remove the blockade material. The implementation was flawless and the blockade along the path of the procession were in place entirely according to plan," said Kjell Lindgren, Press Spokesman for the Police Authority in the County of Stockholm.



### Traffic flows when Svevia is the contractor

Since 25 October 2010, traffic is less congested in Malmö. This was the date on which the Hyllie junction was opened, a project where Svevia built a complex traffic junction that works for all those involved, is attractive and takes its surroundings into account. Not just after construction but also during.

"Svevia has done an exceptional job. I particularly appreciated the positive working climate.

Traffic has functioned well during the construction period and Svevia came up with a solid solution that facilitates accessibility," says Ingrid Petermann from the City of Malmö.

The traffic junction includes eight bridges with an ample number of on and off ramps. Overpasses make it easier for pedestrians, cyclists and even those on horseback. The green areas were given particular attention -

more than 200 trees were planted. Significant noise protection installations spare the surrounding environment.

During the construction of the Hyllie traffic junction, Svevia's knowledge of traffic, roads, bridges, green areas and noise reduction were put into collaboration. The result was a well-functioning entity. Svevia is the considerate contracting company.





### Svevia lays the foundation for wind power

In September 2010, it was finalised that Svevia was to conduct the earthworks and civil-engineering work on at least half of the 250 new wind turbines in Southern Sweden. The customer is Arise Windpower, an integrated wind-power company with a project portfolio comprising more than 900 MW.

"We have now appointed Svevia for three projects and are highly satisfied with their work.

Svevia has easily met the stringent requirements that we have imposed on quality, cost efficiency and speed. Accordingly, it is natural to expand the partnership to encompass a greater portion of our planned expansion in Southern Sweden," says Peter Nygren, President of Arise Windpower AB.

More funds than ever before are being invested in the expansion of renewable energy

in Sweden, and especially in wind power. Increased demand and ambitious political goals concerning more climate-intelligent solutions will promote a rapid continued expansion throughout the country.

Svevia is experienced in all phases of the process and is currently Sweden's leading partner for wind-power producers.



### Svevia's unique asphalt utilises old tyres

Can asphalt be made from old tyres? Yes, and there are multiple advantages: a softer and more comfortable surface for road users, a better environment through the use of recycled materials and a longer useful life than with conventional asphalt.

The asphalt has primarily been used in the US, although it is now being spread worldwide. Svevia is currently the only company in the Nordic region to produce and offer binding agents for rubber asphalt. The rubber operation

is mobile and can easily be moved and connected to various asphalt plants.

In Sweden, there are a total of 15 stretches totalling 60 kilometres of road that use the new paving method. Several of these are heavily trafficked, such as the European Route E6 by Ullevi in Gothenburg, the European Route E18 by Bergshamra, outside Stockholm, toward Norrtälje, and the European Route E4 north of Helsingborg.

"This is a highly interesting and adept material

with solid properties and major potential. The Swedish Transport Administration wants to advance the concept for other applications," says Thorsten Nordgren, Operational Coordinator at the Swedish Transport Administration, which is the customer and has evaluated the asphalt.

"Rubber asphalt is a smart solution. We are very pleased to have rubber asphalt in our product portfolio. Svevia is currently the only contractor in the entire Nordic region to supply the product in the market. We foresee a bright future for rubber asphalt ahead," says Mansour Ahadi, Department Manager at Svevia.



### Svevia helps isolated households

The cold and snowy winter of 2010 ended abruptly in May when a warm weather front from Russia hit during Ascension Weekend. Water masses washed away roads and bridges and closed off the railway between Kiruna and Narvik for a few days.

The residents of inland Norrbotten and Västerbotten were hit the hardest. In the towns of Arjeplog, Arvidsjaur, Vilhelmina and Storuman, some 40 households were isolated for up to five

days when approximately 50 roads became inaccessible.

The Swedish Transport Administration estimated approximately 200 cases of road damage due to the floods and landslides. Per-Mats Öhberg of the Swedish Transport Administration headed work on restoring the roads. This was the first time that he experienced such a sudden melting of the snow in the mountains. He compares it with 1995, when the rivers flood-

ed. "The roads survived better than now."

When it was at its most hectic, up to 300 people, of which about 150 were from Svevia, worked on everything from crisis management to civil-engineering. Svevia's efforts made a strong contribution to the roads quickly being suitable for driving again.

"Svevia's professional and effective actions resolved many problems," says Per-Mats Öhberg.

### **More information about Svevia**

At our website, [www.svevia.se](http://www.svevia.se), you will find more information concerning Svevia. We also publish a magazine På Väg, featuring news and reports about Svevia, but also about developments in the industry. The magazine is issued six times a year. The subscription is free of charge and can be ordered through the website, [www.svevia.se/prenumerera](http://www.svevia.se/prenumerera), or at the address listed below:

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### **Annual General Meeting**

Svevia AB's AGM will be held on 26 April 2011, at 1:00 p.m. at the Strax Intill conference centre at Hemvärnsgatan 15 in Solna.

### **Calendar**

The Group's interim reports will be published on the following dates:

First quarter 27 April 2011  
Second quarter 22 July 2011  
Third quarter 27 October 2011





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Own path

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