Year-end Report January - December 2016

TINGSTADSTUNNELN
Gothenburg

Improved profitability and strong cash flow

October - December 2016

- Operative net sales SEK 13,795 million (12,128)
- Operative operating profit SEK 641 million (-220)
- Operative operating margin 4.6 percent (-1.8)
- Pre-tax profit SEK 668 million (-224)
- Earnings per share SEK 1.90 (-0.46)
- Orders received SEK 10,367 million (9,704)
- Cash flow before financing SEK 2,024 million (709)

January - December 2016

- Operative net sales SEK 46,489 million (44,252)
- Operative operating profit SEK 2,075 million (1,052)
- Operative operating margin 4.5 percent (2.4)
- Pre-tax profit SEK 2,050 million (906)
- Earnings per share SEK 5.85 (2.71)
- Orders received SEK 41,445 million (37,812)
- Order backlog SEK 33,572 million (26,991)
- Cash flow before financing SEK 2,651 million (1,787)
- Net debt SEK 1,862 million (3,118)
- Equity/assets ratio 29.7 percent (28.8)
- The Board proposes a dividend of SEK 3.60 (2.60) per share

PEAB
THE NORDIC COMMUNITY BUILDER

Comments from the CEO

Peab ended 2016 strongly and the year as a whole was characterized by improved profitability, strong cash flow and a reinforced financial position. The improved profit stems from Industry and Project Development but the contract operations in Construction and Civil Engineering are showing stable results. Our business model with four complementary business areas gives us a good position in a market with stable conditions.

MARKET CONDITIONS

Building construction investments in Sweden swelled dramatically in 2016 with growth in every segment except industrial construction investments. Housing construction volumes and other building construction in 2017 are expected to remain on a high level. However, capacity limits regarding personnel and material deliveries may lead to less growth than in record year 2016. The level of building construction in Norway is expected to remain the same in 2017 after slightly rising in 2016. Building construction investments rose in Finland for the second year in a row due to an improvement in the Finnish economy. Nonetheless, despite a good housing market lower growth is expected in 2017. The market conditions for civil engineering in Sweden and Norway in the next few years are considered good with continued growth.

ORDER SITUATION

Orders received has increased in every quarter. The level of orders received for the entire year amounted to SEK 41.4 billion (37.8). Orders have increased in all the business areas. This has led to a larger order backlog which at the end of December was SEK 33.6 billion (27.0).

BUSINESS AREA DEVELOPMENT

Net sales in business area Construction contracted in 2016 by two percent and the operating margin contracted slightly compared to last year not counting the write-down of SEK -800 million for the project Mall of Scandinavia during the fourth quarter of 2015. Net sales in business area Civil Engineering grew in 2016 but the operating margin was slightly lower. There are a number of infrastructure projects still in the early stages where the first year has been filled with preparatory work and therefore no net sales to speak of have been generated. Both net sales and profit increased in business area Industry during the year. Sales volumes and profit increased in Cement, Gravel and Rock, Asphalt as well as Rentals. Net sales in business area Project Development were on par with last year while profit improved in both Housing Development and Property Development. The operating margin in Housing Development continues to develop positively and amounted to 8.5 percent compared to 6.5 percent for 2015. The result in Property Development included an effect on profit of SEK 104 million for the partial divestment of a hotel property and the development rights for offices at Hyllie Station Square in Malmö.

GROUP DEVELOPMENT

Operative net sales amounted to SEK 46,489 million (44,252) in 2016. Operative operating profit improved to SEK 2,075 million (1,052), which meant an operative operating margin of 4.5 percent (2.4). Excluding the write-down of SEK -800 million for the project Mall of Scandinavia during the fourth quarter of 2015 the operative operating margin was 4.1 percent for the entire year of 2015. Cash flow before financing improved to SEK 2,651 million (1,787). Net debt was SEK 1,862 million (3,118). Improved net financial items contributed to an increase in pre-tax profit to SEK 2,050 million (906).

OUTLOOK FOR THE FUTURE

Our business model with four complementary business areas gives us a good position in the future in a market with stable conditions. Our improvement work is producing results and we are clearly on the right road. Our capital intensive operations in Industry and Project Development are generating substantial earnings and the contract operations in Construction and Civil Engineering are showing stable results in a market characterized by tough competition, shortage of resources and high expenses.

Looking at the Group as a whole we are very pleased to note we have achieved all our financial goals in 2016. Our financial position has been reinforced in January through the sales of the assets in Arenastaden in Solna. Given the stable market prospects, our financial position and the balanced need for investments the board believes there is room to propose raising dividends to SEK 3.60 (2.60) per share.

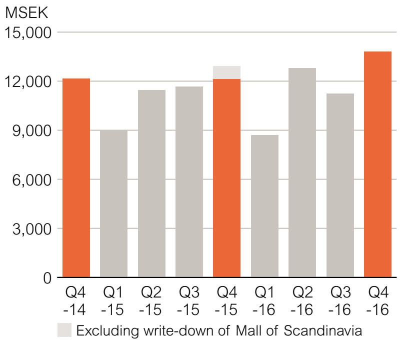
Fully focused on the working environment and sustainable operations we continue to further our endeavor to be the best company in the industry. We have established three target areas to achieve this:

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

Jesper Göransson
CEO and President

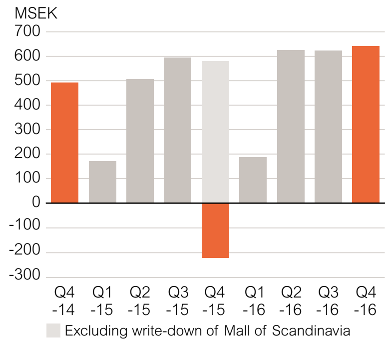
Year-end Report January - December 2016

Operative net sales



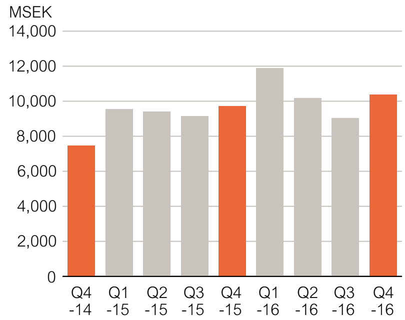
Group operative net sales for 2016 amounted to SEK 46,489 million (44,252), which was an increase of five percent. Excluding the write-down of the project Mall of Scandinavia of SEK -800 million during 2015 operative net sales were SEK 45,052 million, which was an increase of three percent.

Operative operating profit



Operative operating profit for 2016 amounted to SEK 2,075 million compared to SEK 1,052 million for the last year. Excluding the write-down of the project Mall of Scandinavia of SEK -800 million during 2015 the operative operating profit was SEK 1,852 million.

Orders received



Orders received for 2016 amounted to SEK 41,445 million compared to SEK 37,812 million for the last year. Order backlog amounted to SEK 33,572 million compared to SEK 26,991 million at the end of 2015.

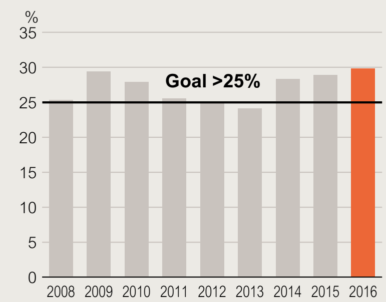
Group

MSEK	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Operative net sales [1]	13,795	12,128	46,489	44,252
Net sales	13,879	12,224	46,337	44,376
Operative operating profit [1]	641	-220	2,075	1,052
Operative operating margin, % [1]	4.6	-1.8	4.5	2.4
Operating profit	673	-217	2,098	1,009
Operating margin, %	4.8	-1.8	4.5	2.3
Pre-tax profit	668	-224	2,050	906
Profit for the period	561	-136	1,727	798
Earnings per share, SEK	1.90	-0.46	5.85	2.71
Return on equity, %	20.1 [2]	9.9 [2]	20.1	9.9
Net debt	1,862	3,118	1,862	3,118
Equity/assets ratio, %	29.7	28.8	29.7	28.8
Number of employees	13,869	13,300	13,869	13,300

[1] Operative net sales and operative operating profit are reported according to percentage of completion method corresponding segment reporting. Net sales and operating profit are reported according to legal accounting.
[2] Calculated on rolling 12 months.

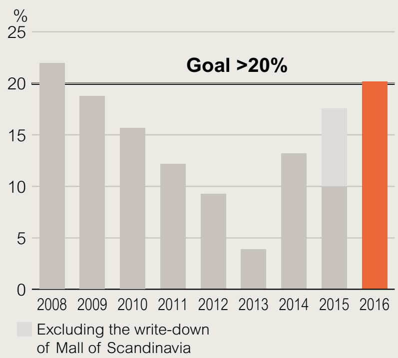
Financial goals

Equity/assets ratio



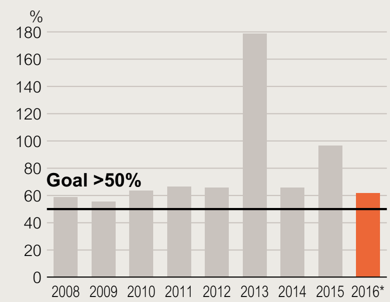
The target figure for the equity/assets ratio is at least 25 percent. On 31 December 2016 the equity/assets ratio was 29.7 percent compared to 28.8 percent at the end of 2015.

Return on equity



The target figure for return on equity is a yield of at least 20 percent. The return on equity was 20.1 percent (9.9). Excluding the write-down of the project Mall of Scandinavia of SEK -800 million during 2015 the return on equity was 17.5 percent.

Dividends



* Board of Directors' proposal for 2016 to the AGM

The target figure for dividends is at least 50 percent of profit after tax. The Board's proposal for a dividend in 2016 of SEK 3.60 (2.60) per share corresponds to 61 percent (96) of profit for the year.

NET SALES AND PROFIT 1)

October - December 2016

Group operative net sales for the fourth quarter 2016 amounted to SEK 13,795 million (12,128), which was an increase of 14 percent. Excluding the write-down of SEK -800 million for the project Mall of Scandinavia during the fourth quarter of 2015 operative net sales amounted to SEK 12,928 million. Adjustments in housing reporting affected net sales by SEK 84 million (96). Group net sales for the fourth quarter 2016 increased to SEK 13,879 million (12,224). Of the quarter's net sales SEK 2,273 million (2,203) were attributable to sales and production outside Sweden.

Net sales remained the same in business area Construction and Project Development compared with the same quarter last year. Net sales increased by ten percent in Civil Engineering and by 17 percent in Industry.

Operative operating profit for the fourth quarter 2016 amounted to SEK 641 million (-220) and the operative operating margin improved to 4.6 percent (-1.8). Excluding the write-down of the project Mall of Scandinavia with SEK -800 million operating profit amounted to SEK 580 million and the operating margin to 4.5 the comparable period.

The operating margin in business area Construction was 2.1 percent (2.1 excluding the write-down of the project Mall of Scandinavia). The operating margin in business area Civil Engineering was 3.6 percent (4.2). Business area Industry reported an improved operating margin of 6.6 percent (6.0). Project Development improved its operating profit and margin as a result of a continued strong housing market.

Eliminations and reversal of internal profit in our own projects has affected the result net by SEK -50 million (-16). Elimination is reversed in connection with the external divestment of a project. Adjustments in housing reporting affected operating profit by SEK 32 million (3). Operating profit for the fourth quarter 2016 was SEK 673 million (-217). The operating margin amounted to 4.8 percent (-1.8).

Depreciation and write-downs for the fourth quarter were SEK 232 million (221).

Net financial items improved to SEK -5 million (-7). Net interest improved to SEK -11 million (-15).

Pre-tax profit was SEK 668 million (-224).

Profit for the fourth quarter improved to SEK 561 million (-136).

January - December 2016

Group operative net sales for 2016 amounted to SEK 46,489 million (44,252), which was an increase of five percent. Excluding the write-down of SEK -800 million for the project Mall of Scandinavia during 2015 the operative net sales amounted to SEK 45,052 million.

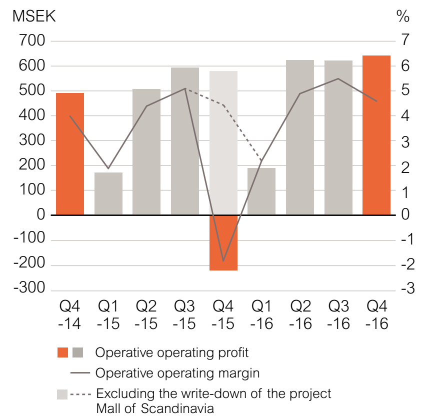
After adjustments for acquired and divested units net sales increased by five percent compared to the last year. Adjustments in housing reporting affected net sales by SEK -152 million (124). Group net sales for the entire year of 2016 increased to SEK 46,337 million (44,376).

Net sales in business area Construction contracted by two percent excluding the write-down of the project Mall of Scandinavia. Net sales in business area Civil Engineering increased by three percent and in Industry by 13 percent. Net sales in Project Development were the same as last year.

Of the period's net sales SEK 7,729 million (7,596) were attributable to sales and production outside Sweden.

Operative operating profit for 2016 amounted to SEK 2,075 million (1,052) and the operative operating margin improved to 4.5

Operative operating profit and operative operating margin



percent (2.4). Excluding the write-down of the project Mall of Scandinavia with SEK -800 million during the fourth quarter 2015, operating profit amounted to SEK 1,852 million and the operating margin to 4.1 percent for the entire year of 2015.

The margin in business area Construction was 2.2 percent (2.3 excluding the write-down of the project Mall of Scandinavia). In Civil Engineering the operative margin decreased to 3.3 percent (3.6). Business area Industry reported greater profit than in the corresponding period last year and the operative margin improved to 6.2 percent (6.0). Project Development reported improved operating profit and operating margin as a result of the still strong housing market as well as the partial divestment of a hotel property and the development rights for offices at Hyllie Station Square in Malmö, generating a positive effect on profit of SEK 104 million.

Eliminations and reversal of internal profit in our own projects has affected the result by net SEK -75 million (-50). Elimination is reversed in connection with the external divestment of a project. Adjustments in housing reporting affected operating profit by SEK 23 million (-43). Operating profit for 2016 improved to SEK 2,098 million (1,009) and the operating margin to 4.5 percent (2.3).

Depreciation and write-downs for the year were SEK 862 million (842).

Net financial items amounted to SEK -48 million (-103). Net interest improved to SEK -71 million (-99), as a result of lower net debt during the year.

Pre-tax profit was SEK 2,050 million (906).

Tax for the year amounted to SEK 323 million (108), equal to 16 percent (12) tax.

Profit for the year improved to SEK 1,727 million (798).

SEASONAL VARIATIONS

Group operations, particularly in Industry and Civil Engineering, are affected by fluctuations that come with the cold weather during the winter half of the year. Normally the first quarter is weaker than the rest of the quarters during the year.

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

FINANCIAL POSITION

The equity/assets ratio on 31 December 2016 was 29.7 percent compared to 28.8 percent at the previous year-end. Interest-bearing net debt amounted to SEK 1,862 million compared to SEK 3,118 million at the end of 2015. The average interest rate in the loan portfolio, including derivatives, was 2.6 percent (2.4) on 31 December 2016.

Group liquid funds, including unutilized credit facilities, were SEK 6,062 million at the end of the year compared to SEK 4,953 million on 31 December 2015.

At the end of the year Group contingent liabilities, excluding joint and several liabilities in trading and limited partnerships, amounted to SEK 6,903 million compared to SEK 6,104 million on 31 December 2015. SEK 4,498 million (3,778) of contingent liabilities was surety given for credit lines for tenant-owned apartments under production.

INVESTMENTS AND DIVESTMENTS

During the fourth quarter SEK 288 million (168) was net invested in tangible and intangible fixed assets. During 2016 SEK 1,449 million (515) was net invested in tangible and intangible fixed assets. The investments are primarily attributable to investments in machinery and acquisition of operations in the business areas Industry and Civil Engineering. The comparable period contained the disposal of operations as well as operations property.

Net divestments in project and development properties, which are recognized as inventory items, totaled SEK 91 million (net investments of SEK 622 million) during the fourth quarter. During the fourth quarter 2015 housing development rights corresponding to around 700 apartments were acquired on the old Råsunda property in Solna. Net investments in project and development property totaled SEK 324 million (291) during 2016.

CASH FLOW

October - December 2016

Cash flow from current operations during the fourth quarter was SEK 2,134 million (1,330). The increase in cash flow is due to improved profit and reduced operating capital.

Cash flow from investment activities was SEK -110 million compared to SEK -621 million for the comparable period. The cash flow includes investments in machines as well as repayment of loans from partially owned companies. The comparable period contained investments in machines as well as an increase in loans to partially owned companies.

Cash flow before financing during the fourth quarter amounted to SEK 2,024 million compared to SEK 709 million for the same quarter last year.

Cash flow from financing operations during the fourth quarter amounted to SEK -1,316 million (-55) and the change is due to repayment of loans.

January - December 2016

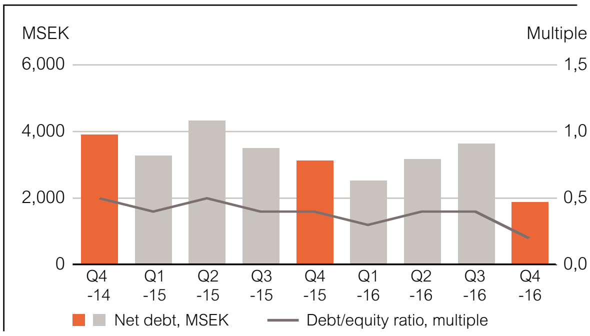
Cash flow from current operations was SEK 3,455 million (2,825), of which the partial divestment of property in Hyllie was SEK 508 million. The last year included the sale of cold storage space in Bjuv for SEK 590 million.

Cash flow from investment activities was SEK -804 million compared to SEK -1,038 million for the comparable year.

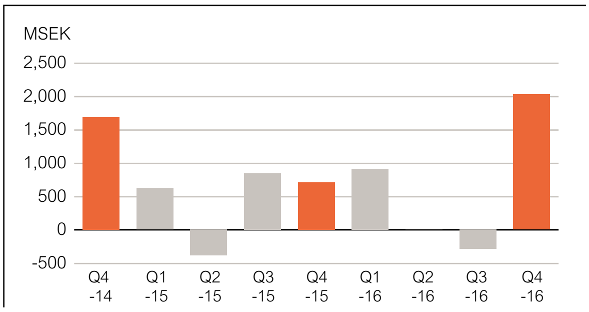
Cash flow before financing amounted to SEK 2,651 million compared to SEK 1,787 million for the last year.

Cash flow from financing operations amounted to SEK -2,613 million (-1,663) and is due to repayment of loans along with paid dividends of SEK 767 million (664).

Net debt and debt/equity ratio



Cashflow before financing



ORDERS RECEIVED AND ORDER BACKLOG

October - December 2016

Orders received for the fourth quarter 2016 amounted to SEK 10,367 million compared to SEK 9,704 million for the same period last year. The level of orders received has risen in Construction and Project Development. Orders received for the fourth quarter primarily consisted of housing projects.

January - December 2016

Orders received for 2016 amounted to SEK 41,445 million compared to SEK 37,812 million for the last year. The level of orders received has risen in all the business areas. Two major highway projects are included in the orders received in business area Civil Engineering, E6 Trondheim in Norway and reconstruction of E45 outside Gothenburg, each worth around SEK 1 billion. There continues to be a broad spread geographically of housing projects in orders received for 2016.

Order backlog yet to be produced at the end of the year amounted to SEK 33,572 million compared to SEK 26,991 million at the end of last year. Of the total order backlog, 34 percent (30) is expected to be produced after 2017 (2016). Swedish operations accounted for 84 percent (84) of the order backlog.

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

Orders received and order backlog

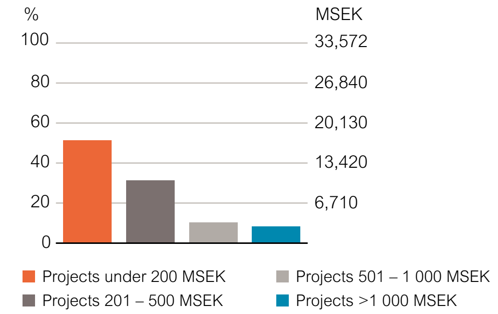
Orders received MSEK	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Construction	7,083	6,488	27,883	25,999
Civil Engineering	1,648	2,666	12,089	10,433
Project Development	3,661	2,499	8,245	6,498
Eliminations	-2,025	-1,949	-6,772	-5,118
Group	**10,367**	**9,704**	**41,445**	**37,812**

Order backlog MSEK	31 Dec 2016	31 Dec 2015
Construction	24,160	19,529
Civil Engineering	8,679	7,292
Project Development	6,853	4,357
Eliminations	-6,120	-4,187
Group	**33,572**	**26,991**

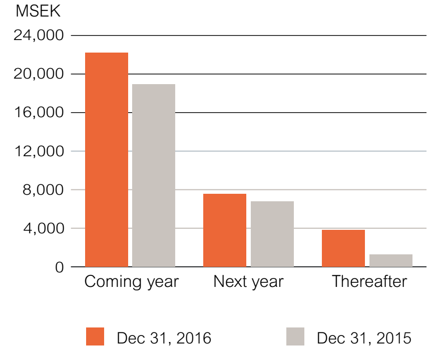
EXAMPLES OF MAJOR PROJECTS AND CONTRACTS OBTAINED IN THE FOURTH QUARTER:

- Construction of 80 apartments in central Kolbotn located on the outskirts of Oslo. The customer is Kantor Terrasse AS, and the contract is worth NOK 192 million.
- Construction of a nursing home with 140 apartments for rent in Jyväskylä in the middle of Finland. The customer is Jyväskylä Vuokra-Asunnot Oy and the contract is worth EUR 16 million.
- Construction of four apartment buildings in Lørenskog Stasjonsby in Norway. The customer is Selvaag Bolig and the order is worth NOK 135 million.
- Renovation and extension of Kämpetorp School in Hägersten, south of Stockholm. The customer is SISAB, and the contract is worth SEK 262 million.
- Construction of a hotel and apartments in Landskrona. The customer is Arne Paulssons Byggnads AB, and the contract is worth SEK 310 million.
- Construction of a new train depot in Eskilstuna. The customer is Eskilstuna Municipality and the contract is worth SEK 399 million.
- Construction of 96 apartments in Helsinki, Finland. The customer is Auratum Apartments Helsinki Oy which is part of the Auratum Group. The contract is worth EUR 35 million.
- Construction of the housing project Himmel & Hav in Tromsö, Norway. The contract is worth NOK 182 million.
- Construction of an office building in Örebro. The customer is Castellum and the contract is worth around SEK 290 million.
- Renovation and extension of the current District Court in Helsingborg. The customer is Wihlborgs AB, and the contract is worth SEK 170 million.

Project allocation of order backlog, 31 Dec 2016



Order backlog allocated over time



COMMENTS ON THE BUSINESS AREAS

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

Recognition of internal projects between business areas Construction and Project Development

The net sales and profit in business area Construction presented refer to the contract construction in our own housing projects, in rental projects and other projects for business area Project Development. The percentage of completion method is used in this reporting. Net sales for both contract construction and the developer part of our own housing projects are reported in business area Project Development. The booked result consists of the result in the developer part using the percentage of completion method.

Presentation of property projects on our own balance sheet

The underlying sales value of property projects on our own balance sheet that are sold in the form of a company via shares is recognized as net sales and the booked value on the balance sheet is recognized as an expense.

Group functions

In addition to the business areas, central companies, certain subsidiaries and other holdings are presented as Group functions. The central companies primarily consist of the parent company Peab AB, Peab Finans and Peab Support (Shared service center).

Net sales and operating profit per business area

	Net sales				Operating profit			
MSEK	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Construction	6,992	6,978	24,121	24,645	147	145	542	575
Civil Engineering	3,292	2,992	10,740	10,448	120	126	355	381
Industry	3,462	2,948	12,161	10,800	227	178	753	648
Project Development	2,385	2,275	7,639	7,605	257	193	622	398
– of which Property Development	*148*	*308*	*1,385*	*1,634*	*20*	*25*	*89*	*10*
– of which Housing Development	*2,237*	*1,967*	*6,254*	*5,971*	*237*	*168*	*533*	*388*
Group functions	242	209	897	836	-60	-46	-122	-100
Eliminations	-2,578	-2,474	-9,069	-9,282	-50	-16	-75	-50
Operative excluding write-down 1)	**13,795**	**12,928**	**46,489**	**45,052**	**641**	**580**	**2,075**	**1,852**
Construction - write-down of project Mall of Scandinavia	–	-800	–	-800	–	-800	–	-800
Operative 1)	**13,795**	**12,128**	**46,489**	**44,252**	**641**	**-220**	**2,075**	**1,052**
Adjustment for housing reporting 2)	84	96	-152	124	32	3	23	-43
Legal	**13,879**	**12,224**	**46,337**	**44,376**	**673**	**-217**	**2,098**	**1,009**

Operating margin per business area

%	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Construction	2.1	2.1	2.2	2.3
Civil Engineering	3.6	4.2	3.3	3.6
Industry	6.6	6.0	6.2	6.0
Project Development	10.8	8.5	8.1	5.2
– of which Property Development	*13.5*	*8.1*	*6.4*	*0.6*
– of which Housing Development	*10.6*	*8.5*	*8.5*	*6.5*
Group functions				
Eliminations				
Operative excluding write-down 1)	**4.6**	**4.5**	**4.5**	**4.1**
Construction - write-down of project Mall of Scandinavia				
Operative 1)	**4.6**	**-1.8**	**4.5**	**2.4**
Adjustment for housing reporting 2)				
Legal	**4.8**	**-1.8**	**4.5**	**2.3**

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

2) *Adjustment in reporting to the completion method (IAS 18) for our single homes and housing in Finland and Norway*

BUSINESS AREA CONSTRUCTION

With local roots close to customers business area Construction performs contract work for both external and internal customers, primarily for business area Project Development. Construction projects include everything from new production of housing, public and commercial premises to renovations and extensions as well as construction maintenance.

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

NET SALES AND PROFIT

October- December 2016

Net sales for the fourth quarter 2016 amounted to SEK 6,992 million (6,178). Excluding the write-down of the project Mall of Scandinavia by SEK -800 million net sales amounted to SEK 6,978 million in the comparable period.

Operating profit for the fourth quarter amounted to SEK 147 million (-655) and the operating margin was 2.1 percent (-10.6). Excluding the write-down of the project Mall of Scandinavia operating profit amounted to SEK 145 million and the operating margin to 2.1 percent in the comparable period.

January - December 2016

Net sales for 2016 amounted to SEK 24,121 million (23,845). Excluding the write-down of the project Mall of Scandinavia net sales amounted to SEK 24,645 million in the comparable year.

Operating profit for the year amounted to SEK 542 million (-225) and the operating margin was 2.2 percent (-0.9). Excluding the write-down of the project Mall of Scandinavia operating profit amounted to SEK 575 million and the operating margin to 2.3 percent in the comparable year.

ORDERS RECEIVED AND ORDER BACKLOG

October - December 2016

Orders received during the fourth quarter amounted to SEK 7,083 million (6,488). Orders received for the fourth quarter consisted for the most part of housing projects, spread widely geographically.

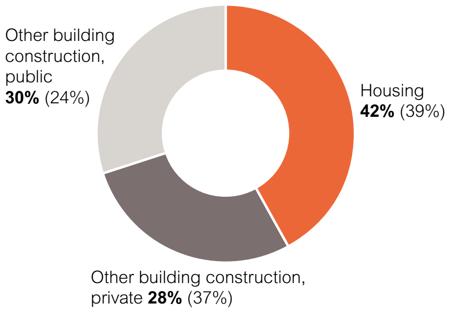
January - December 2016

Orders received increased by seven percent compared to last year and amounted to SEK 27,883 million (25,999). Orders received are well diversified in terms of products and geography although the majority consist of housing projects.

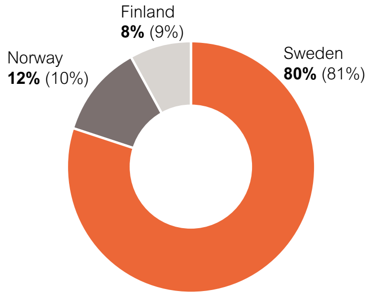
Order backlog 31 December 2016 amounted to SEK 24,160 million (19,529).

Net sales

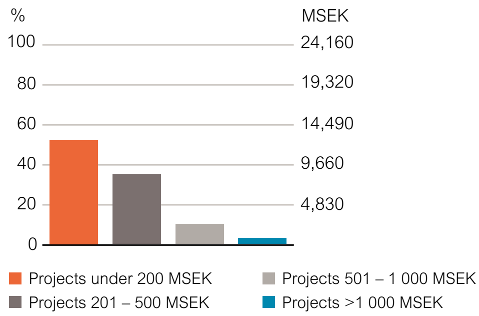
per type of operation, 2016



per geographic market, 2016



Project allocation of order backlog, 31 Dec 2016



Key ratios

	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Net sales, MSEK	6,992	6,178	24,121	23,845
Operating profit, MSEK	147	-655	542	-225
Operating margin, %	2.1	-10.6	2.2	-0.9
Orders received, MSEK	7,083	6,488	27,883	25,999
Order backlog, MSEK	24,160	19,529	24,160	19,529
Number of employees	6,600	6,320	6,600	6,320

BUSINESS AREA CIVIL ENGINEERING

Business area Civil Engineering is a leading civil engineering supplier in Sweden with operations in Norway and Finland as well. The business area builds and maintains roads, railroads, bridges and other infrastructure. Peab's civil engineering operations are primarily directed at the local market and are organized in geographic regions and specialized product areas.

Local market works with landscaping and pipelines, foundation work and builds different kinds of facilities.

Infrastructure and heavy construction builds roads, railroads, bridges, tunnels and ports. It also builds heavier facilities for industry and the public sector.

Operation and maintenance provides just that for national and municipal highways and street networks as well as cares for parks and outdoor property. It also operates sewage and water supply networks.

NET SALES AND PROFIT

October - December 2016

Net sales for the fourth quarter 2016 amounted to SEK 3,292 million (2,992), which was an increase with ten percent.

Operating profit for the fourth quarter 2016 amounted to SEK 120 million (126) and the operating margin was 3.6 percent (4.2).

January - December 2016

Net sales for 2016 increased by three percent and amounted to SEK 10,740 million (10,448).

Operating profit for 2016 decreased to SEK 355 million (381) and the operating margin to 3.3 percent (3.6). There are a number of infrastructure projects still in the early stages where the first year has been filled with preparatory work and therefore no net sales to speak of have been generated.

Net sales in the product area Local market grew but the operating profit contracted slightly. Net sales in Operation and maintenance increased and profit improved. Net sales decreased in Infrastructure but the margin improved.

ORDERS RECEIVED AND ORDER BACKLOG

October - December 2016

Orders received during the fourth quarter 2016 amounted to SEK 1,648 million (2,666).

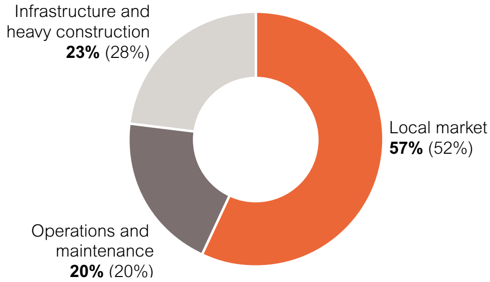
January - December 2016

Orders received during 2016 amounted to SEK 12,089 million (10,433), an increase by 16 percent. The increase is primarily due to Infrastructure through two major highway projects, E6 Trondheim in Norway and reconstruction of E45 outside Gothenburg, each worth around SEK 1 billion.

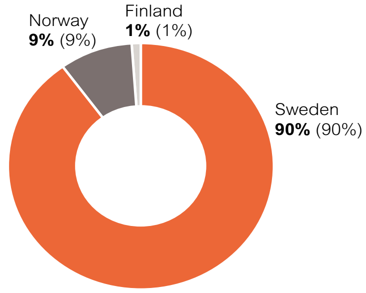
Order backlog on 31 December 2016 amounted to SEK 8,679 million (7,292).

Net sales

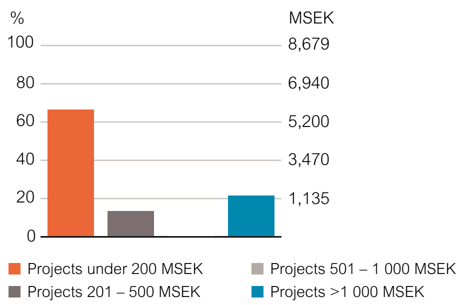
per type of operation, 2016



per geographic market, 2016



Project allocation of order backlog, 31 Dec 2016



Key ratios

	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Net sales, MSEK	3,292	2,992	10,740	10,448
Operating profit, MSEK	120	126	355	381
Operating margin, %	3.6	4.2	3.3	3.6
Orders received, MSEK	1,648	2,666	12,089	10,433
Order backlog, MSEK	8,679	7,292	8,679	7,292
Number of employees	3,080	3,019	3,080	3,019

BUSINESS AREA INDUSTRY

Business area Industry is a complete supplier of all the products and services needed in order to carry out construction and civil engineering projects cost efficiently.

Business area Industry is run in seven product areas; Asphalt, Concrete, Gravel and Rock, Transportation and Machines, Foundations, Rentals and Construction System (Industrial Construction). All of them work on the Nordic construction and civil engineering markets.

NET SALES AND PROFIT

October - December 2016

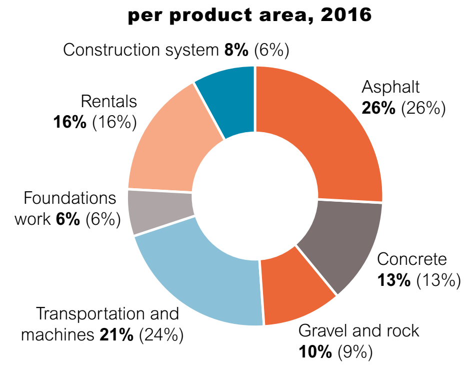
Net sales for the fourth quarter 2016 increased by 17 percent and amounted to SEK 3,462 million (2,948) with increases in most of the product areas. Operating profit for the fourth quarter 2016 amounted to SEK 227 million (178). The operating margin increased to 6.6 percent (6.0). Sales volumes increased in Concrete, Gravel and Rock, Asphalt as well as Rentals in the fourth quarter.

January - December 2016

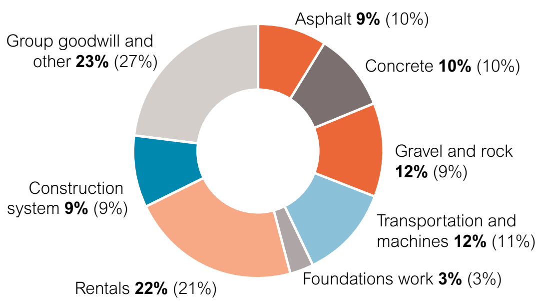
Net sales for 2016 increased by 13 percent and amounted to SEK 12,161 million (10,800) with increases in most of the product areas. After adjustments for acquired and divested units net sales increased by twelve percent compared to last year. Operating profit for 2016 amounted to SEK 753 million (648) and the operating margin was 6.2 percent (6.0). Sales volumes and profit increased in Concrete, Gravel and Rock, Asphalt as well as Rentals during the year.

Capital employed in Industry at the end of the year amounted to SEK 5,416 million (4,885). The increase is largely due to investments in machinery as well as the acquisition of operations in the gravel and rock operations in Kållered. The acquisition, which was carried out during the third quarter, strengthens Peab's position in gravel and rock in the Gothenburg region. Net sales in the business were SEK 110 million during the fiscal year of 2015.

Net sales



Capital employed, 31 Dec 2016



Key ratios

	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Net sales, MSEK	3,462	2,948	12,161	10,800
Operating profit, MSEK	227	178	753	648
Operating margin, %	6.6	6.0	6.2	6.0
Capital employed, MSEK	5,416	4,885	5,416	4,885
Number of employees	3,385	3,204	3,385	3,204
Concrete, thousands of m^3 [1)]	307	290	1,101	990
Asphalt, thousands of tons [1)]	671	607	2,589	2,353
Gravel and rock, thousands of tons [1)]	3,936	3,054	13,109	11,005

1) Refers to sold volume

BUSINESS AREA PROJECT DEVELOPMENT

Business area Project Development is responsible for the Group's acquisition, development and sales of housing and commercial property. The ability to understand and predict society's and customers' needs and demands regarding location and design is what makes Peab successful when it comes to developing attractive and sustainable housing and property.

Project Development takes place in wholly owned projects or in cooperation with other partners through joint ventures. The area is run in two segments – Housing Development and Property Development.

Housing Development develops all kinds of housing such as apartment buildings in tenancy ownership, ownership and rental form as well as single homes.

Operations in Property Development revolve around the acquisition, development and divestiture of commercial property in wholly owned and partly owned companies. As a property developer Peab has broad range of expertise in enriching and developing areas and land for commercial space or uses such as offices, malls, hotels, industries and sports facilities.

Projects in wholly owned companies consist of everything from land for development in the process of being zoned to completed projects ready for divestment.

Peab's primary ambition is to work with development projects based on the development rights on our own balance sheet. Collaboration with other partners via joint ventures may take place from time to time during a project. The goal is to create capital efficient developments with partners that bolster business and profit generation.

GLÄDJEN
Hornsbergs strand

NET SALES AND PROFIT

October - December 2016

Operative net sales for the fourth quarter 2016 in business area Project Development amounted to SEK 2,385 million (2,275). Operative operating profit increased to SEK 257 million (193).

January - December 2016

Operative net sales for 2016 in business area Project Development amounted to SEK 7,639 million (7,605). Operative operating profit increased to SEK 622 million (398).

Capital employed in Project Development at the end of the year amounted to SEK 10,281 million (10,838).

Capital employed

MSEK	31 Dec 2016	31 Dec 2015
Development rights for housing	4,125	3,831
Commercial development rights	675	543
Projects under construction, Property Development	736	944
Investment properties, Property Development	1,246	1,244
Participation in joint ventures	682	693
Financial statements and others	2,817	3,583
Total	**10,281**	**10,838**

Key ratios

	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Operative net sales [1], MSEK	2,385	2,275	7,639	7,605
of which Property Development	*148*	*308*	*1,385*	*1,634*
of which Housing Development [1]	*2,237*	*1,967*	*6,254*	*5,971*
Operative operating profit [1], MSEK	257	193	622	398
of which Property Development	*20*	*25*	*89*	*10*
of which Housing Development [1]	*237*	*168*	*533*	*388*
Operative operating margin [1], %	10.8	8.5	8.1	5.2
of which Property Development	*13.5*	*8.1*	*6.4*	*0.6*
of which Housing Development [1]	*10.6*	*8.5*	*8.5*	*6.5*
Capital employed at the end of period, MSEK	10,281	10,838	10,281	10,838
Orders received Housing Development, MSEK	3,661	2,499	8,245	6,498
Order backlog Housing Development, MSEK	6,853	4,357	6,853	4,357
Number of employees	321	285	321	285

[1] According to the percentage of completion method (IAS11).

BUSINESS AREA PROJECT DEVELOPMENT

HOUSING DEVELOPMENT

October - December 2016

Operative net sales for the fourth quarter 2016 in Housing Development amounted to SEK 2,237 million (1,967). Operative operating profit increased to SEK 237 million (168) and the operative operating margin improved to 10.6 percent (8.5).

The number of start-ups of our own developed homes has increased and amounted to 1,003 units (876). A large proportion is related to the Stockholm region. The number of sold homes during the fourth quarter 2016 was 575 (890).

January - December 2016

Operative net sales for 2016 in Housing Development amounted to SEK 6,254 million (5,971). Operative operating profit increased to SEK 533 million (388) and the operative operating margin improved to 8.5 percent (6.5) primarily as a result of the strong demand on the housing market.

The number of start-ups of our own developed homes has increased and amounted to 2,651 units (2,363) with a good geographic spread. The number of sold homes during 2016 was 2,044 (2,295). The number of own developed homes in production at the end of the year was 4,381 (4,043). The level of sold homes in production was 69 percent compared to 82 percent at previous year-end. The number of repurchased homes per 31 December 2016 was 50 (61).

Development rights for housing

Number, approx.	31 Dec 2016	31 Dec 2015
Development rights on our own balance sheet	17,300	17,400
Development rights via joint ventures	3,900	4,400
Development rights via options etc.	7,200	6,800
Total	**28,400**	**28,600**

Own housing development construction

	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Number of housing starts during the period	1,003	876	2,651	2,363
Number of sold homes during the period	575	890	2,044	2,295
Total number of homes under construction, at the end of the period	4,381	4,043	4,381	4,043
Share of sold homes under construction, at the end of the period	69%	82%	69%	82%
Number of repurchased homes in the balance sheet, at the end of the period	50	61	50	61


BLÅSUT
Stockholm

BUSINESS AREA PROJECT DEVELOPMENT

PROPERTY DEVELOPMENT

Net sales and operating profit from operations is derived from managing wholly owned property, shares in the result from partly owned companies as well as capital gains/losses from the divestiture of completed projects and shares in partly owned companies.

October - December 2016

During the fourth quarter 2016 net sales in Property Development were SEK 148 million (308) and operating profit was SEK 20 million (25). There were no significant property sales during the quarter.

January- December 2016

During 2016 net sales in Property Development were SEK 1,385 million (1,634) and operating profit was SEK 89 million (10). The period included the partial divestment of a hotel property and the development rights for offices at Hyllie Station Square in Malmö. The underlying property value amounted to SEK 777 million and the effect on profit was SEK 104 million. The previous year included the sale of a cold storage space in Bjuv for an underlying property value of SEK 590 million. The total effect on profit of property divestments amounted to SEK 136 million (32).

Projects under construction included in the capital employed in Property Development were, among others, a parking garage in Ulriksdal and a hotel in Västerås. Investment properties include, among others, an office building in Ulriksdal, one in Helsinki and one in Sigtuna. Financial statements and others include borrowing to partly owned companies and working capital.

Arenastaden

In December 2016 Peab and Fabege agreed that Peab would sell a number of assets in Solna to Fabege. The measures were carried out on 12 January 2017 and will be reported during the first quarter of 2017. For more information about this transaction see page 15.

BASAREN
Annedal

Strategic joint ventures

Fastighets AB Centur
Owns, manages and develops commercial property.
Peab's share: 50 percent
Partner: Balder
Geography: Stockholm, Gothenburg and the Öresund region
Book value on properties, 31 December 2016: SEK 4,682 million

Tornet Bostadsproduktion AB
Builds and manages attractive and environmentally friendly rentals in larger cities in Sweden.
Peab's share: 31 percent
Partner: Riksbyggen, Folksam and Balder
Geography: Stockholm, the Mälaren region, Gothenburg and the Öresund region
Book value on properties, 31 December 2016: SEK 2,234 million

THE CONSTRUCTION MARKET

Sweden

Sweden is experiencing good growth and an economic boom which will continue to get stronger. Growth in 2016 was primarily driven by public and private consumption along with rising investments, where building construction has been a main factor. The strong economy is expected to hold throughout 2017 according to Industrifakta's forecasts. Growth is expected to decelerate as both consumption and investments are likely to develop less rapidly. Growth in building construction was strong and broad in 2016 and basically only industrial building construction went in the opposite direction. The considerable development in building construction start-ups may have a negative effect in 2017, primarily due to a lack of personnel and material, followed by a leveling out in 2018. The forecast for civil engineering construction indicates some increase last year, largely due to notable escalation of investments in water and sewage plants. Investment volumes this year and next are expected to be somewhat higher than in 2016.

Norway

Last year's economic growth is estimated to land at around one percent. The weak development is largely due to a drop in investments in the oil industry. Despite an expansive financial policy growth in household consumption declined and unemployment rose. Driven primarily by increasing investments and accelerating household consumption there should be greater growth in 2017 according to Industrifakta. Building construction is expected to have increased somewhat in 2016. Total building construction investments will probably remain on more or less the same level in 2017-2018. Housing construction might contract but public investments and civil engineering is forecasted to grow.

Finland

The Finnish economy seems to have come out on the other side of the recession. Household consumption and rising investments are expected to have contributed to a GDP increase of slightly more than one percent in 201. Continued growth over the next two years will probably be moderate with an increase of around one percent a year according to Industrifakta's forecasts. Although unemployment will most likely decrease it is still expected to remain on a relatively high level, which will deter household consumption. Finnish building construction investments were strong for the second year in a row. This might have a slight negative effect in 2017, which can be followed by a slight increase in 2018. Civil engineering construction appears to have grown last year and there may even be growth in 2017.

Housing

	2016	2017	2018
Sweden	↑	↘	↗
Norway	↗	→	↘
Finland	↗	→	↗

Forecast for started-up housing investments, new and renovations
Source: Industrifakta

Other building construction

	2016	2017	2018
Sweden	↑	↘	→
Norway	↗	→	↗
Finland	↗	↘	→

Forecast for started-up other building construction investments, new and renovations (Industry, office/retail etc. and public premises)
Source: Industrifakta

Civil engineering

	2016	2017	2018
Sweden	↗	→	–
Norway	↑	↑	–
Finland	↗	↗	–

Forecast for civil engineering investments
Source: Industrifakta

- ● Worse forecast compared to the previous quarterly report
- ● Better forecast compared to the previous quarterly report
- ● Same forecast compared to the previous quarterly report

RISKS AND UNCERTAINTY FACTORS

Peab's business is exposed to operational and financial risks. The impact of these risks on Peab's result and position depends on how well we handle the day-to-day business. In addition, Peab faces circumstantial risks such as developments in the economy and altered conditions like changes in laws and regulations and other political decisions.

Profitability in Peab's project development of housing is affected by, in addition to the risks connected with production, circumstantial conditions such as the economy, shifts in interest rates, customers' willingness to buy as well as other market conditions.

Handling operational risks is a constant ongoing process since there are always a large number of projects that are beginning, up and running and ending. Operational risks are taken care of in the line organization in each business area. The financial risks are connected to tying up capital and the need for capital, primarily in the form of interest rate risk and refinancing risk. Financial risks are dealt with on Group level.

The risks and uncertainty factors described in the 2015 Annual Report are to all extents and purposes still relevant at the end of 2016.

HOLDINGS OF OWN SHARES

At the beginning of 2016 Peab's own B shareholding was 1,086,984 which corresponds to 0.4 percent of the total number of shares. No changes have taken place during 2016.

THE PEAB SHARE

Peab's B share is listed on the Nasdaq Stockholm, Large Cap list. As of 31 December 2016, the price of the Peab share was SEK 72.30 an increase of eleven percent during 2016. During the same period, the Swedish stock market increased by six percent according to the general index in the business magazine "Affärsvärlden". During 2016 the Peab share has been quoted at a maximum of SEK 77.30 and a minimum of SEK 54.60.

IMPORTANT EVENTS DURING THE PERIOD

The Hyllie Deal

The Annual General Meeting on 10 May 2016 approved the Board of Director's proposal to transfer 50 percent of the shares in Peab's fully owned subsidiary Peab FU Linné AB with the subsidiaries Annehem Hyllie Point 3 AB and Annehem Hyllie Point 4 AB to Volito Fastigheter AB. Peab FU Linné AB and the subsidiaries own the properties Värdshuset 5 and Värdshuset 4 that contain a hotel and development rights for offices. The property is situated at Hyllie Station Square in Malmö, Sweden.

The purchase price for the transfer is based on an underlying property value of SEK 777 million, of which SEK 565 million refer to Värdshuset 5 (the hotel) and SEK 212 million to Värdshuset 4 (development rights for offices etc.). The Board of Directors believed that based on the fairness opinion and value evaluations conducted that the terms for the negotiated transfer, including the purchase price, were on par with market terms and that the underlying contracts contain the customary guarantees and conditions.

Karl-Axel Granlund, member of the Board of Directors of Peab AB is also indirectly the principle owner of Volito AB and therefore indirectly controls Volito Fastigheter AB. The Board of Directors therefore considered the transfer to be a transaction with related parties that according to the Leo Law and general good practice on the stock market should be submitted to the Annual General Meeting for approval.

The transaction had a positive effect on Peab's profit of SEK 104 million in the second quarter of 2016 and net debt in Peab contracted by around SEK 500 million.

Arenastaden

In December 2016 Peab and Fabege agreed that Peab would sell a number of assets in Solna to Fabege:
- Peab's entire holdings in Arenabolaget i Solna KB which owns Friends Arena, corresponding to 17.2 percent.
- All Peab's receivables to Arenabolaget i Solna KB.
- Peab's entire holdings in Fastighetsbolaget Visio Utveckling AB, corresponding to 50 percent, which owns assets connected to Friends Arena as well as development rights in Solna.
- Property and development rights in Ulriksdal.

The divestitures in Ulriksdal refer to the completed property Distansen 6 that has 11,000 m^2 rentable space where Johnson & Johnson rents as well as a garage with 327 parking spaces and 15,000 m^2 commercial development rights.

The divestitures in Ulriksdal generate a positive operating result of approximately SEK 180 million. The divestitures of assets connected to Arenabolaget and Visio generate a negative operating result of approximately SEK 180 million. In a compound deal Fabege took over the assets in Arenabolaget and Visio at the same time property and building rights in the Ulriksdal area were turned over. All these transactions were based on the condition that they were carried out at the same time as the takeover in January 2017.

The transactions were implemented on 12 January 2017 and will be recognized in the first quarter of 2017. The transactions will have no net effect on the result while Peab's liquidity increase by some SEK 900 million and net debt contract by around SEK 500 million.

Changes in Peab's executive management

The new Business Area Construction Manager will be Stefan Danielsson, previously Deputy Business Area Construction Manager. He succeeds Roger Linnér, who will continue to be COO. The new Business Area Project Development Manager will be Göran Linder, previously Deputy Business Area Project Development Manager. He succeeds Tomas Anderson, who will continue to function as an advisor to Göran Linder. At the same time HR Director Tina Hermansson Berg will leave Peab.

After the above mentioned changes, which was implemented on 1 January 2017, Peab's executive management consists of the following persons; Jesper Göransson (CEO and President), Roger Linnér, (COO), Niclas Winkvist (CFO), Stefan Danielsson (BA Construction Manager), Karl-Gunnar Karlsson (BA Civil Engineering and BA Industry Manager) and Göran Linder (BA Project Development Manager).

Report on the Group income statement in summary

MSEK	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Net sales	13,879	12,224	46,337	44,376
Production costs	-12,552	-11,793	-41,948	-41,151
Gross profit	**1,327**	**431**	**4,389**	**3,225**
Sales and administrative expenses	-709	-674	-2,428	-2,296
Other operating income	59	39	149	112
Other operating costs	-4	-13	-12	-32
Operating profit	**673**	**-217**	**2,098**	**1,009**
Financial income	66	60	195	157
Financial expenses	-71	-67	-243	-260
Net finance	**-5**	**-7**	**-48**	**-103**
Pre-tax profit	**668**	**-224**	**2,050**	**906**
Tax	-107	88	-323	-108
Profit for the period	**561**	**-136**	**1,727**	**798**
Profit for the period, attributable to:				
Shareholders in parent company	561	-136	1,727	798
Non-controlling interests	0	0	0	0
Profit for the period	**561**	**-136**	**1,727**	**798**
Key ratios				
Earnings per share before and after dilution, SEK	1.90	-0.46	5.85	2.71
Average number of outstanding shares, million	295.0	295.0	295.0	295.0
Return on capital employed, %			16.2	8.2
Return on equity, %			20.1	9.9

Report on the Group income statement and other comprehensive income in summary

MSEK	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Profit for the period	**561**	**-136**	**1,727**	**798**
Other comprehensive income				
Items that can be reclassified or have been reclassified to income for the period				
Translation differences for the period from translation of foreign operations	-17	-70	166	-155
Translation differences transferred to profit for the period	-1	1	-1	1
Changes for the period in fair value of available-for-sale financial assets	142	52	153	90
Changes in fair value of cash flow hedges for the period	5	22	31	28
Shares in joint ventures' other comprenhensive income	1	0	1	-1
Tax referring to items that can be reclassified or have been reclassified to income for the period	-7	-10	1	-18
	123	**-5**	**351**	**-55**
Items that cannot be reclassified to income for the period				
Revaluation of defined benefit pension plans	0	0	0	0
Tax referring to items that cannot be reclassified to income for the period	0	0	0	0
	0	**0**	**0**	**0**
Other comprehensive income for the period	**123**	**-5**	**351**	**-55**
Total comprehensive income for the period	**684**	**-141**	**2,078**	**743**
Total comprehensive income for the period, attributable to:				
Shareholders in parent company	684	-141	2,078	743
Non-controlling interests	0	0	0	0
Total comprehensive income for the period	**684**	**-141**	**2,078**	**743**

Report on financial position for the Group in summary

MSEK	31 Dec 2016	31 Dec 2015
Assets		
Intangible assets	2,036	1,994
Tangible assets	4,277	3,654
Interest-bearing long-term receivables	1,762	2,199
Other financial fixed assets	1,757	1,374
Deferred tax recoverables	69	102
Total fixed assets	**9,901**	**9,323**
Project and development properties	7,007	6,742
Inventories	364	363
Work-in-progress	1,203	1,010
Interest-bearing current receivables	336	210
Other current receivables	11,736	9,520
Short-term holdings	–	8
Liquid funds	1,062	865
Total current assets	**21,708**	**18,718**
Total assets	**31,609**	**28,041**
Equity and liabilities		
Equity	**9,380**	**8,076**
Liabilities		
Interest-bearing long-term liabilities	2,728	3,301
Deferred tax liabilities	372	455
Other long-term liabilities	776	749
Total long-term liabilities	**3,876**	**4,505**
Interest-bearing current liabilities	2,294	3,099
Other current liabilities	16,059	12,361
Total current liabilities	**18,353**	**15,460**
Total liabilities	**22,229**	**19,965**
Total equity and liabilities	**31,609**	**28,041**
Key ratios		
Capital employed	14,402	14,476
Equity/assets ratio, %	29.7	28.8
Net debt	1,862	3,118
Equity per share, SEK	31.80	27.38
Number of outstanding shares at the end of the year, million	295.0	295.0

Report on changes in Group's equity in summary

MSEK	31 Dec 2016	31 Dec 2015
Equity attributable to shareholders in parent company		
Opening equity on 1 January	**8,076**	**7,997**
Profit for the year	1,727	798
Other comprehensive income for the year	351	-55
Comprehensive income for the year	**2,078**	**743**
Cash dividend	-767	-664
Acquisition of non-controlling interests, previous controlling interests	-7	–
Closing equity	**9,380**	**8,076**
Non-controlling interests		
Opening equity on 1 January	**0**	**0**
Comprehensive income for the year	0	0
Disposal of partially owned subsidiaries, end of controlling interest	0	–
Closing equity	**–**	**0**
Total closing equity	**9,380**	**8,076**

Report on Group cash flow in summary

MSEK	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Cash flow from current operations before changes in working capital	**1,021**	**620**	**2,903**	**2,354**
Increase (-) / Decrease (+) of project and development properties	81	-369	-146	-39
Increase (-) / Decrease (+) of inventories	71	76	-158	158
Increase (-) / Decrease (+) of current receivables / current liabilities	961	1,003	856	352
Cash flow from changes in working capital	**1,113**	**710**	**552**	**471**
Cash flow from current operations	**2,134**	**1,330**	**3,455**	**2,825**
Acquisition of subsidiaries/ businesses	-1	-10	-137	-30
Disposal of subsidiaries/ businesses	–	–	5	75
Acquisition of fixed assets	-478	-681	-1,537	-1,591
Sales of fixed assets	369	70	865	508
Cash flow from investment operations	**-110**	**-621**	**-804**	**-1,038**
Cash flow before financing	**2,024**	**709**	**2,651**	**1,787**
Cash flow from financing operations	-1,316	-55	-2,613	-1,663
Cash flow for the period	**708**	**654**	**38**	**124**
Cash at the beginning of the period	270	282	873	812
Exchange rate differences in cash	84	-63	151	-63
Cash at the end of the period	**1,062**	**873**	**1,062**	**873**

Parent company

The parent company Peab AB's net sales for 2016 amounted to SEK 242 million (267) and mainly consisted of internal Group services. The parent company has received Group contribution net with SEK 2,377 million (220). Profit after tax amounted to SEK 1,221 million (63).

The parent company's assets mainly consist of participations in Group companies amounting to SEK 11,811 million (11,776) and shares in Lemminkäinen Oyj worth SEK 480 million (310). The assets have been financed from equity of SEK 6,524 million (5,900) and long-term liabilities amounting to SEK 7,281 million (6,465).

The parent company is indirectly affected by the risks described in the section Risks and Uncertainty Factors.

Report on the parent company income statement in summary

MSEK	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Net sales	66	79	242	267
Administrative expenses	-116	-101	-404	-284
Operating profit	**-50**	**-22**	**-162**	**-17**
Result from financial investments				
Profit from participation in Group companies	0	-200	0	0
Other financial items	-35	-34	-138	-149
Result after financial investments	**-85**	**-256**	**-300**	**-166**
Appropriations	1,855	220	1,855	220
Pre-tax profit	**1,770**	**-36**	**1,555**	**54**
Tax	-378	-19	-334	9
Profit for the period	**1,392**	**-55**	**1,221**	**63**

Report on the parent company income statement and other comprehensive income in summary

MSEK	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Profit for the period	**1,392**	**-55**	**1,221**	**63**
Other comprehensive income				
Items that can be reclassified or have been reclassified to income for the period				
Changes for the period in fair value of available-for-sale financial assets	138	41	170	87
Total comprehensive income for the period	**1,530**	**-14**	**1,391**	**150**

Report on financial position for the parent company in summary

MSEK	31 Dec 2016	31 Dec 2015
Assets		
Machinery and equipment	1	1
Participation in Group companies	11,811	11,776
Other securities held as fixed assets	480	310
Deferred tax recoverables	99	88
Total fixed assets	**12,391**	**12,175**
Accounts receivable	1	1
Receivables from Group companies	2,444	1,263
Tax assets	–	4
Other current receivables	4	3
Prepaid expenses and accrued income	10	7
Liquid funds	0	8
Total current assets	**2,459**	**1,286**
Total assets	**14,850**	**13,461**
Equity and liabilities		
Equity	**6,524**	**5,900**
Untaxed reserves	**522**	**0**
Other provisions	28	25
Total provisions	**28**	**25**
Liabilities to Group companies	7,281	6,465
Total long-term liabilities	**7,281**	**6,465**
Accounts payable	28	24
Liabilities to Group companies	58	992
Income tax liabilities	339	–
Other liabilities	7	7
Accrued expenses and deferred income	63	48
Total current liabilities	**495**	**1,071**
Total liabilities	**7,776**	**7,536**
Total equity and liabilities	**14,850**	**13,461**

NOTE 1 ACCOUNTING PRINCIPLES

The quarterly report has been prepared according to the IFRS standards that have been adopted by EU as well as the interpretations that have been adopted by EU of the valid standards, IFRICs. This report has been prepared according to IAS 34, Interim financial reporting. In addition to the financial reports and their accompanying notes further information according to IAS 34.16A can be found in other sections of the quarterly report. New standards and interpretations have not had any material effect on Group accounting.

The parent company reports have been prepared according to the Swedish Company Accounts Act and RFR 2, Accounting rules for legal entities.

The quarterly report has otherwise been prepared according to the same accounting principles and conditions described in the Annual Report 2015.

NOTE 2 OPERATING SEGMENT

Group Jan-Dec 2016

MSEK	Con-struction	Civil Engineering	Industry	Project Development	Group functions	Eliminations	Total operative for the Group 1)	Adjustment for housing reporting 2)	Group
External sales	20,459	9,461	8,876	7,589	104	0	46,489	-152	46,337
Internal sales	3,662	1,279	3,285	50	793	-9,069	–		–
Total income	**24,121**	**10,740**	**12,161**	**7,639**	**897**	**-9,069**	**46,489**	**-152**	**46,337**
Operating profit	**542**	**355**	**753**	**622**	**-122**	**-75**	**2,075**	**23**	**2,098**
Operating margin, %	**2.2**	**3.3**	**6.2**	**8.1**			**4.5**		**4,5**
Net finance									-48
Pre-tax profit									**2,050**
Tax									-323
Profit for the year									**1,727**
Capital employed (closing balance)			**5,416**	**10,281**					

Group Jan-Dec 2015

MSEK	Con-struction	Civil Engineering	Industry	Project Development	Group functions	Eliminations	Total operative for the Group 1)	Adjustment for housing reporting 2)	Group
External sales	19,668	9,394	7,565	7,565	60	0	44,252	124	44,376
Internal sales	4,177	1,054	3,235	40	776	-9,282	–		–
Total income	**23,845**	**10,448**	**10,800**	**7,605**	**836**	**-9,282**	**44,252**	**124**	**44,376**
Operating profit	**-225**	**381**	**648**	**398**	**-100**	**-50**	**1,052**	**-43**	**1,009**
Operating margin, %	**-0.9**	**3.6**	**6.0**	**5.2**			**2.4**		**2.3**
Net finance									-103
Pre-tax profit									**906**
Tax									-108
Profit for the year									**798**
Capital employed (closing balance)			**4,885**	**10,838**					

1) *According to the percentage of completion method (IAS 11)*
2) *Adjustment in accounting to the completed contract method (IAS 18) for own single homes in Sweden as well as housing in Finland and Norway*

During the fourth quarter 2015 the project Mall of Scandinavia in Solna was written down by SEK -800 million, which affected both net sales and operating profit in business area Construction.

For more information about each segment, see pages 7–13.

NOTE 3 FINANCIAL ASSETS AND LIABILITIES VALUED AT FAIR VALUE

The table below shows the allocated level for financial assets and financial liabilities recognized at fair value in the Group's balance sheet. Measurement of fair value is based on a three level hierarchy;

Level 1: prices that reflect quoted prices on an active market for identical assets.

Level 2: based on direct or indirect inputs observable to the market not included in level 1.

Level 3: based on inputs unobservable to the market.

For a description of how fair value has been calculated see the Annual Report 2015, note 34. The fair value of the contingent consideration is calculated at the discounted value of the anticipated future cash flow. The fair value of financial assets and liabilities is estimated to be, in principle, the same as their booked values.

Group

	31 Dec 2016				31 Dec 2015			
MSEK	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets								
Other securities held as fixed assets	480		54	534	310		49	359
Whereof shareholding in listed company	*480*			*480*	*310*			*310*
Whereof investment in an unlisted fund			*54*	*54*			*49*	*49*
Other current receivables		12		12		5		5
Whereof currency swaps		*12*		*12*		*5*		*5*
Total assets	**480**	**12**	**54**	**546**	**310**	**5**	**49**	**364**
Liabilities								
Other long-term liabilities		95	23	118		144		144
Whereof commodity hedging with futures				*–*		*7*		*7*
Whereof interest rate swaps		*95*		*95*		*137*		*137*
Whereof contingent consideration			*23*	*23*				*–*
Other current liabilities		0		0		1		1
Whereof currency swaps		*0*		*0*		*1*		*1*
Total liabilities	**–**	**95**	**23**	**118**	**–**	**145**	**–**	**145**

Parent company

MSEK	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets								
Other securities held as fixed assets	480			480	310			310
Whereof shareholding in listed company	*480*			*480*	*310*			*310*
Total assets	**480**	**–**	**–**	**480**	**310**	**–**	**–**	**310**

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

Group

	Other securities held as fixed assets	
MSEK	**31 Dec 2016**	**31 Dec 2015**
Opening balance	**49**	**66**
Investments during the year	38	13
Dividends received	-51	-50
Reported in profit for the year *	22	28
Reported in other comprehensive income	-4	-8
Closing balance	**54**	**49**

Group

	Contingent consideration	
MSEK	**31 Dec 2016**	**31 Dec 2015**
Opening balance	**–**	**–**
Acquisitions for the year	24	
Reported in profit for the year		
Other operating income	-1	
Interest expense (discount) *	0	
Closing balance	**23**	**–**

The contingent consideration will amount to at least SEK 0 million and at most SEK 30 million.

***** *Reported in net financial items*

NOTE 4 EVENTS AFTER THE BALANCE SHEET DAY

In December 2016 Peab and Fabege agreed that Peab would sell a number of assets in Solna to Fabege. The transactions were carried out on 12 January 2017 and will be reported during the first quarter of 2017. The transactions had no net effect on profit while there was a positive effect on liquidity of around SEK 900 million and net debt was reduced by about SEK 500 million. For more information see page 15 under Important events during the period, section Arenastaden.

PROPOSED DIVIDEND

A dividend of SEK 3.60 (2.60) per share is proposed for 2016. Excluding the 1,086,984 shares owned by Peab AB per 9 February 2017, which are not entitled to dividend, the proposed dividend is equivalent to a total dividend distribution of SEK 1,062 million (767). Calculated as a share of the Group's reported profit for the year, the proposed dividend amounts to 61 percent (96). The proposed dividend is equivalent to a direct return of 4.9 percent based on the closing price on 9 February 2017.

ANNUAL GENERAL MEETING

The Annual General Meeting of Peab will be held on 10 May 2017 at Grevieparken in Grevie.

NOMINATING COMMITEE

At the Annual General Meeting held on 10 May 2016, Göran Grosskopf, Malte Åkerström, Mats Rasmussen and Ulf Liljedahl were appointed to the Peab nominating committee and Ulf Liljedahl was named its Chairmain.

FUTURE FINANCIAL INFORMATION

- Annual Report 2016 — Week 14 in April 2017
- Quarterly Report January-March 2017 and Annual General Meeting — 10 May 2017
- Quarterly Report January-June 2017 — 18 August 2017
- Quarterly Report January-September 2017 — 9 November 2017

Förslöv, 10 February 2017

Jesper Göransson
CEO and President

The information in this interim report has not been reviewed separately by the company's auditors.

Quarterly data

Group

MSEK	Oct-Dec 2016	Jul-Sep 2016	Apr-Jun 2016	Jan-Mar 2016	Oct-Dec 2015	Jul-Sep 2015	Apr-Jun 2015	Jan-Mar 2015	Oct-Dec 2014
Net sales	13,879	11,356	12,571	8,531	12,224	11,708	11,568	8,876	12,213
Production costs	-12,552	-10,263	-11,305	-7,828	-11,793	-10,697	-10,458	-8,203	-11,046
Gross profit	**1,327**	**1,093**	**1,266**	**703**	**431**	**1,011**	**1,110**	**673**	**1,167**
Sales and administrative expenses	-709	-480	-675	-564	-674	-450	-625	-547	-637
Profit from participation in joint ventures	3	2	3	-1	-7	2	3	-1	-54
Other operating income	56	28	36	22	37	19	20	30	29
Other operating costs	-4	-3	-2	-3	-4	-2	-2	-15	-6
Operating profit	**673**	**640**	**628**	**157**	**-217**	**580**	**506**	**140**	**499**
Financial income	66	24	40	65	60	24	40	33	23
Financial expenses	-71	-37	-58	-76	-65	-58	-65	-64	-369
Profit from participation in joint ventures	–	–	-1	0	-2	-2	-1	-3	-2
Net finance	**-5**	**-13**	**-19**	**-11**	**-7**	**-36**	**-26**	**-34**	**-348**
Pre-tax profit	**668**	**627**	**609**	**146**	**-224**	**544**	**480**	**106**	**151**
Tax	-107	-98	-95	-23	88	-95	-83	-18	15
Profit for the period	**561**	**529**	**514**	**123**	**-136**	**449**	**397**	**88**	**166**
Profit for the period, attributable to:									
Shareholders in parent company	561	529	514	123	-136	449	397	88	166
Non-controlling interests	0	0	0	0	0	0	0	0	–
Profit for the period	**561**	**529**	**514**	**123**	**-136**	**449**	**397**	**88**	**166**
Key ratios									
Earnings per share, SEK	1.90	1.79	1.74	0.42	-0.46	1.53	1.35	0.30	0.56
Average number of outstanding shares, million	295.0	295.0	295.0	295.0	295.0	295.0	295.0	295.0	295.0
Capital employed (closing balance)	14,402	15,002	13,700	13,406	14,476	14,169	14,666	13,822	14,762
Equity (closing balance)	9,380	8,695	8,021	8,241	8,076	8,217	7,848	8,116	7,997

Quarterly data

Business areas

MSEK	Oct-Dec 2016	Jul-Sep 2016	Apr-Jun 2016	Jan-Mar 2016	Oct-Dec 2015	Jul-Sep 2015	Apr-Jun 2015	Jan-Mar 2015	Oct-Dec 2014
Net sales									
Construction	6,992	5,510	6,420	5,199	6,978	5,436	6,548	5,683	6,832
Civil Engineering	3,292	2,654	2,765	2,029	2,992	2,676	2,670	2,110	2,905
Industry	3,462	3,449	3,356	1,894	2,948	3,111	2,896	1,845	2,865
Project Development	2,385	1,510	2,368	1,376	2,275	2,359	1,555	1,416	2,024
- of which Property Development	*148*	*130*	*1,031*	*76*	*308*	*1,047*	*202*	*77*	*172*
- of which Housing Development	*2,237*	*1,380*	*1,337*	*1,300*	*1,967*	*1,312*	*1,353*	*1,339*	*1,852*
Group functions	242	226	225	204	209	211	214	202	265
Eliminations	-2,578	-2,128	-2,353	-2,010	-2,474	-2,121	-2,432	-2,255	-2,733
Operative excluding write-down 1)	**13,795**	**11,221**	**12,781**	**8,692**	**12,928**	**11,672**	**11,451**	**9,001**	**12,158**
Construction – write-down of project Mall of Scandinavia	–	–	–	–	-800	–	–	–	–
Operative 1)	**13,795**	**11,221**	**12,781**	**8,692**	**12,128**	**11,672**	**11,451**	**9,001**	**12,158**
Adjustment for housing reporting 2)	84	135	-210	-161	96	36	117	-125	55
Legal	**13,879**	**11,356**	**12,571**	**8,531**	**12,224**	**11,708**	**11,568**	**8,876**	**12,213**
Operating profit									
Construction	147	127	152	116	145	135	175	120	147
Civil Engineering	120	93	105	37	126	96	127	32	104
Industry	227	336	202	-12	178	296	172	2	161
Project Development	257	93	194	78	193	84	74	47	112
- of which Property Development	*20*	*-37*	*102*	*4*	*25*	*5*	*-9*	*-11*	*11*
- of which Housing Development	*237*	*130*	*92*	*74*	*168*	*79*	*83*	*58*	*101*
Group functions	-60	-6	-29	-27	-46	-26	-14	-14	-12
Eliminations	-50	-21	0	-4	-16	9	-27	-16	-21
Operative excluding write-down 1)	**641**	**622**	**624**	**188**	**580**	**594**	**507**	**171**	**491**
Construction – write-down of project Mall of Scandinavia	–	–	–	–	-800	–	–	–	–
Operative 1)	**641**	**622**	**624**	**188**	**-220**	**594**	**507**	**171**	**491**
Adjustment for housing reporting 2)	32	18	4	-31	3	-14	-1	-31	8
Legal	**673**	**640**	**628**	**157**	**-217**	**580**	**506**	**140**	**499**
Operating profit, %									
Construction	2.1	2.3	2.4	2.2	2.1	2.5	2.7	2.1	2.2
Civil Engineering	3.6	3.5	3.8	1.8	4.2	3.6	4.8	1.5	3.6
Industry	6.6	9.7	6.0	-0.6	6.0	9.5	5.9	0.1	5.6
Project Development	10.8	6.2	8.2	5.7	8.5	3.6	4.8	3.3	5.5
- of which Property Development	*13.5*	*-28.5*	*9.9*	*5.3*	*8.1*	*0.5*	*-4.5*	*-14.3*	*6.4*
- of which Housing Development	*10.6*	*9.4*	*6.9*	*5.7*	*8.5*	*6.0*	*6.1*	*4.3*	*5.5*
Group functions									
Eliminations									
Operative excluding write-down 1)	**4.6**	**5.5**	**4.9**	**2.2**	**4.5**	**5.1**	**4.4**	**1.9**	**4.0**
Construction – write-down of project Mall of Scandinavia									
Operative 1)	**4.6**	**5.5**	**4.9**	**2.2**	**-1.8**	**5.1**	**4.4**	**1.9**	**4.0**
Adjustment for housing reporting 2)									
Legal	**4.8**	**5.6**	**5.0**	**1.8**	**-1.8**	**5.0**	**4.4**	**1.6**	**4.1**
Order situation, MSEK									
Orders received	10,367	9,027	10,165	11,886	9,704	9,135	9,414	9,559	7,458
Order backlog at the end of the period	33,572	34,248	33,457	31,550	26,991	28,050	27,162	26,750	24,922

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

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

ALTERNATIVE PERFORMANCE MEASURES AND FINANCIAL DEFINITIONS

Alternative performance measures are used to describe the development of operations and to enhance comparability between periods. These are not defined under IFRS but correspond to the methods applied by Group management and Board of directors to measure the company's financial performance. Alternative performance measures should not be viewed as a substitute for financial information presented in accordance with IFRS but rather as a complement.

Available liquidity
Liquid funds and short-term investments along with unutilized credit facilities.

Capital employed for the Group
Total assets at the end of the period less non-interest-bearing operating liabilities and provisions.

Capital employed for the business areas
Total assets in the business area at the end of the period reduced by deferred tax receivables and internal receivables from the internal bank Peab Finans with deductions for non-interest-bearing liabilities, provisions and deferred tax liabilities.

Earnings per share
Profit for the period attributable to shareholders in parent company divided by the average number of outstanding shares during the period.

Equity/assets ratio
Equity as a percentage of total assets at the end of the period.

Equity per share
Equity attributable to shareholders in parent company divided by the number of outstanding shares at the end of the period.

Net debt
Interest-bearing liabilities including provisions for pensions less liquid and interest-bearing assets.

Net debt/equity ratio
Interest-bearing net debt in relation to equity.

Net investments
The change in the period of the reported value of current assets (CB-OB) along with depreciation and write-downs.

Order backlog
The value at the end of the period of the remaining income in ongoing production plus orders received yet to be produced.

Operating margin
Operating profit as a percentage of net sales.

Operative net sales and operative operating profit
Operative net sales and operative operating profit are reported according to percentage of completion method corresponding segment reporting. For more information see foot note on page four.

Orders received
The sum of orders received during the period.

Return on capital employed
The pre-tax profit of the rolling 12 months period with the addition of financial expenses in percent of the average (last four quarters) capital employed. The measurement is used to measure capital efficiency and to allocate capital for new investments.

Return on equity
The profit of the rolling 12 months period attributable to shareholders of shares in the parent company divided by the average (last four quarters) equity attributable to shareholders of shares in the parent company. The measurement is used to create efficient business and a rational capital structure.

A locally engaged community builder

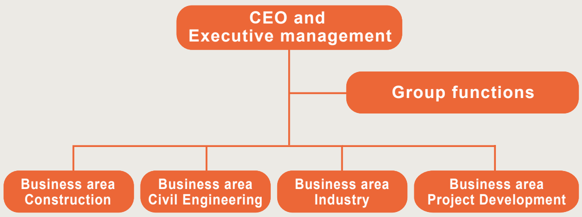
Peab is one of the leading Nordic construction and civil engineering companies with approximately 14,000 employees and net sales of over SEK 46 billion. The Group's business areas have strategically located offices in Sweden, Norway and Finland. Through local familiarity and four specialized and coordinated business areas Peab handles small, local and large, more complex projects.

BUSINESS CONCEPT

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

ORGANIZATION

Peab is characterized by a simple, flat and cost-efficient organization with four cooperating business areas whose operations are based on local entrepreneurship close to the customer. The business areas have a regional structure that works together with central resources and they profit from support functions on business area and Group levels in sharpening their competitive edge.



CORE VALUES

Down-to-earth, **Developing**, **Personal** and **Reliable** – Peab's fundamental core values that our brand is built on. Our core values describe what kind of people we are, what we stand for, how we work, what we can achieve and how we want to be seen. We work actively with our core values in every part of our business because how we are and how we work is fundamental to our success. It is also the basis of our development of customer and supplier relations, our employees and our business from a long-term, sustainable perspective.

BUSINESS PLAN OBJECTIVES 2015-2017

Sustainable business objectives are clearly stated in Peab's vision and Group strategies. The business plan objective for 2015-2017 is to become the best company in the industry. In 2015 Peab identified three target areas that will be measured and evaluated continuously:

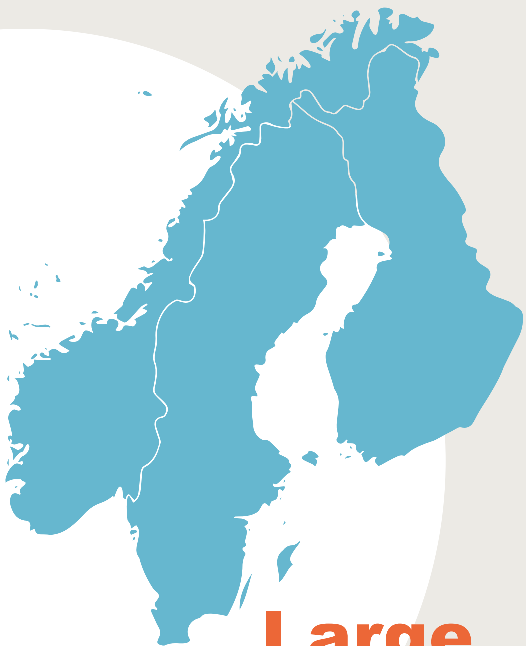
- Most satisfied customers in the industry
- Best workplace in the industry
- Most profitable company in the industry

46
SEK billion in sales

14,000
Nordic employees

37,000
shareholders

10%
of the employees are women



Large Cap
Listed at Nasdaq Stockholm Stock Exchange

Peab AB (publ) • Margretetorpsvägen 84, SE-269 73 Förslöv • +46-431-890 00 • www.peab.com