

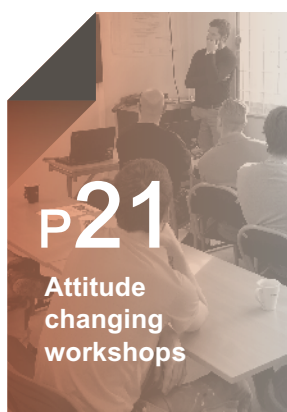
Annual and Sustainability Report 2016

A LOCALLY ENGAGED COMMUNITY BUILDER



Peab's take on sustainable operations

Five initiatives that reflect our work with sustainability in the focus areas The Employees, The Business, Climate and Environment and Social Engagement.



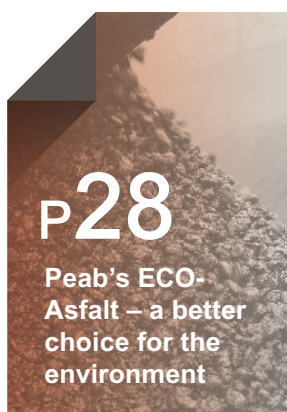
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Attitude
changing
workshops



P24

Everything
in order



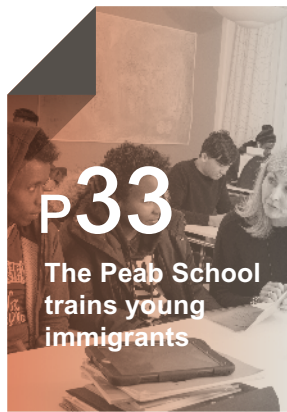
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Peab's ECO-
Asfalt – a better
choice for the
environment



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Forward-looking
neighborhood with
a strong environ-
mental profile



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The Peab School
trains young
immigrants

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Formal annual and Group financial reports which have been audited by company accountants, pages 36–109.

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

All values are expressed in Swedish krona. Krona is abbreviated to SEK, thousands of krona to TSEK and millions of krona to MSEK. Numbers presented in parentheses refer to 2015 unless otherwise specified.

Data regarding markets and the competition are Peab's own assessments, unless another source is specified. These assessments are based on the best and latest available facts from, among others, previously published material.

Cover picture: Construction work on Vindö Bridge. Photo: Bert Leandersson

Photographers other pictures: Bert Leandersson, Nicolas Tourrenc, Alen Cordic, Magnus Torle, Peter Steen, Stefan Ed, Klas Andersson, Lars Bendroth, Lena Börjesson Gustav Kaiser & Carbonwhite (Vision photo), Arkitekt Krook & Tjäder (Vision photo), Björn Tesch, KGZ Fougstedt.

Vision

The Nordic community builder

Peab is one of the leading construction and civil engineering companies in the Nordic area with operations in Sweden, Norway and Finland.

Peab affects society and the environment for the people who now and in the future will live with what we develop, build and construct. Peab is also a big employer with local roots and has consequently a considerable responsibility.

Peab participates in developing a more sustainable society. This means Peab meets the demands and expectations from our surroundings and at the same time strives to create new business opportunities.

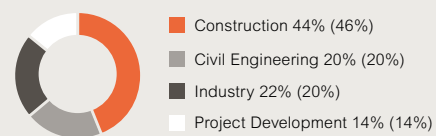
Peab's business contributes to society by developing and building new homes and offices, public functions like schools, libraries, hospitals and infrastructure in the form of bridges and roads. We make a difference in daily life in both small and large places.

Long-term relationships with customers and suppliers result in better financial, social, and environmental projects that are good for society on the whole. Stable profitability generates the funds necessary to develop our business and returns for our shareholders.

Operative net sales

SEK **46.5** billion

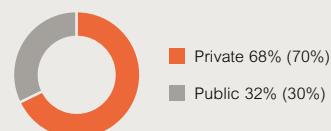
Per business area 2016



Per geographic area 2016



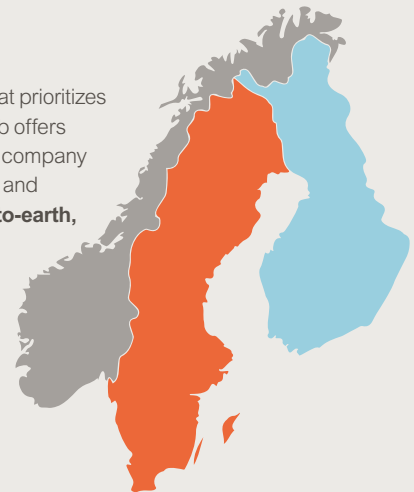
Per customer type 2016





Employees

Peab is a lasting and secure employer that prioritizes health and a safe work environment. Peab offers personal development opportunities in a company culture based on respect for equal rights and characterized by our core values **Down-to-earth, Developing, Personal** and **Reliable**.



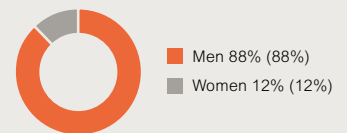
Employees

14,000

Share per country



Gender distribution



Organization

Peab is characterized by a decentralized 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.



Business area Construction works with everything from new construction of homes, public and commercial premises to renovations and extensions as well as offering construction services.



Business area Civil Engineering builds and maintains highways, railroads and bridges both on the local civil engineering market as well as in larger Nordic infrastructure projects. It also manages and maintains streets and roads.

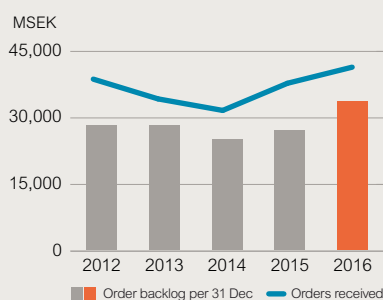


Business area Industry delivers, among other things, ballast, concrete, asphalt, electricity and prefabricated concrete elements to external customers and the other business areas in Peab. The business area also provides equipment and transportation and takes care of production waste.

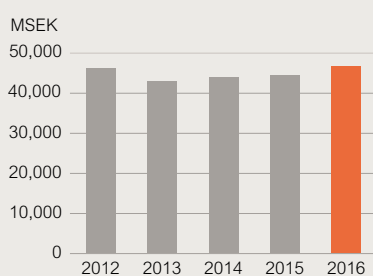


Business area Project Development handles Group acquisitions as well as development, management and divestment of housing and commercial property. Housing Development is mainly geared towards private consumers while Property Development is aimed at real estate investors.

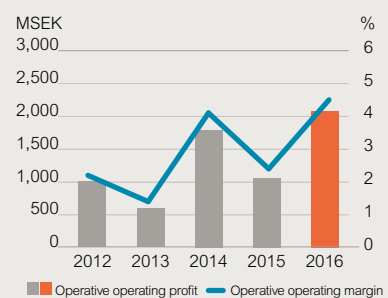
Orders received and order backlog



Operative net sales



Operative operating profit and operative operating margin



2016 in summary

- The operative net sales increased by 5 percent and amounted to SEK 46,489 million (44,252). A strong housing market positively affected all business areas.
- The operative operating profit improved to SEK 2,075 million (1,052) and the operative operating margin improved to 4.5 percent (2.4).
- Orders received increased by 10 percent to SEK 41,445 million (37,812). The number of orders received has risen in all business areas, driven by a strong housing market.
- Order backlog per 31 December 2016 amounted to SEK 33,572 million (26,991) with a broad range of products and spread geographically.
- Reinforced financial position with reduced net interest as a result of lower debt levels. The strong cash flow has contributed to net debt falling to SEK 1,862 million (3,118).
- Equity/assets ratio amounted to 29.7 percent (28.8).
- Return on equity improved to 20.1 percent (9.9).
- The Board proposes a dividend of SEK 3.60 per share (2.60), which corresponds to 61 percent (96) of the profit for the year.

Financial summary

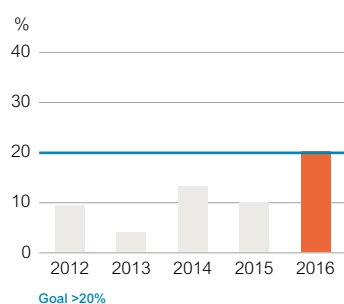
	2016	2015	2014	Financial goals
Operative net sales, MSEK ¹⁾	46,489	44,252	43,820	
Net sales, MSEK	46,337	44,376	43,630	
Operative operating profit, MSEK ¹⁾	2,075	1,052	1,783	
Operative operating margin, % ¹⁾	4.5	2.4	4.1	
Operating profit, MSEK	2,098	1,009	1,752	
Operating margin, %	4.5	2.3	4.0	
Pre-tax profit, MSEK	2,050	906	1,230	
Profit per share, SEK	5.85	2.71	3.48	
Dividend per share, SEK ²⁾	3.60	2.60	2.25	> 50%
Return on equity, %	20.1	9.9	13.1	> 20%
Equity/assets ratio, %	29.7	28.8	28.2	> 25%
Cash flow before financing, MSEK	2,651	1,787	2,803	
Net debt, MSEK	1,862	3,118	3,886	
Orders received, MSEK	41,445	37,812	31,690	
Order backlog, MSEK	33,572	26,991	24,922	
Number of employees per 31 December	13,869	13,300	13,213	

¹⁾ Operative net sales and operative operating profit are reported according to percentage of completion method following operating segment reporting. Net sales and operating profit are reported according to legal accounting.

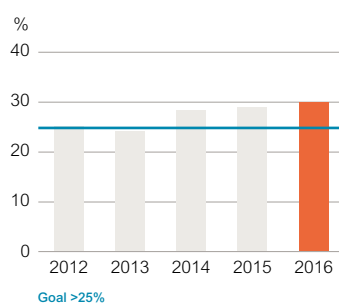
²⁾ Board of Directors' proposal to the AGM for 2016.

Financial goals

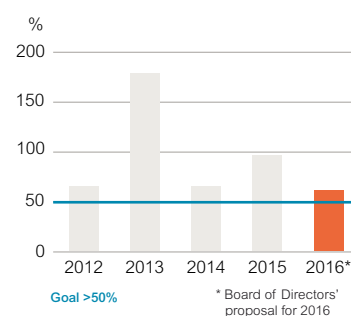
Return on equity



Equity/assets ratio



Dividends





Strong joint effort behind this year's result

The year as a whole was characterized by improved profitability, robust cash flow and a good financial position for Peab. With our four complementary and cooperating business areas we are well-equipped to take on the market's opportunities and challenges.

Improved profitability and a robust cash flow helped Peab achieve all its financial goals and pre-tax profit of over two billion Swedish krona. Orders increased in all the business areas and totaled SEK 41.4 billion (37.8) for the year while order backlog at the end of December was SEK 33.6 billion (27.0). The improved profit stems mainly from business areas Industry and Project Development but the contract operations in Construction and Civil Engineering showed stable results. In Project Development it was particularly positive to see that in Housing Development the operative operating margin continued to develop well and for the entire year of 2016 improved to 8.5 percent (6.5). In business area Industry sales volumes and profit increased in Concrete, Gravel and Rock, Asphalt as well as Rentals. Given Peab's good financial position and a balanced need for investments the Board believes there is room to raise dividends to SEK 3.60 (2.60).

EMPLOYEES AND STRATEGIC DECISIONS ARE BEHIND THE RESULT

I am convinced that the key to our success lies in the interplay between a number of factors. First and foremost there are the people behind this year's fine figures – all Peab's employees. Their fantastic efforts and goal-oriented work have been a major contribution to the result this year. I also want to point out our strategic decision to create four complementary and cooperative business areas. In addition to comprising our value chain and to a certain extent making us self-sufficient, they provide a good balance between more capital intensive business areas and those with lower investment needs. Yet another crucial factor is our decentralized organization based on local entrepreneurship that operates close to customers and considers the local market.

RUNNING A BUSINESS RESPONSIBLY IS KEY TO CONTINUED SUCCESS AND COMPETITIVENESS

Developing a sustainable business is fundamental to Peab and our efforts intensified after signing UN Global Compact in 2012. We have identified crucial sustainable aspects of our business and gathered them into four areas: The Employees, The Business, Climate and Environment and Social Engagement.

One of the most prioritized issues at Peab is a safe and healthy working environment based on the premise that everything we do follows the law, regulations and collective

41.4

Orders received in 2016 increased to SEK 41.4 billion.

"Peab is a reliable and competent partner with strong local roots that delivers quality and makes our customer's interests our own. We also regularly ask our customers how well our deliveries live up to their expectations. Our overall SCI value in 2016 displays a stable result but to reach our goal of having the most satisfied customers in the industry we need to work harder."

bargaining agreements. We actively promote through clarity, leadership and cooperation attitudes and behavior built on the culture of safety we want in Peab. We combine this with systematic risk management, preventive measures and knowledge exchanges in our efforts to eliminate accidents at Peab's workplaces.

We have a big responsibility to minimize the environmental impact of our operations throughout the value chain. Reducing carbon dioxide emissions, streamlining the use of resources and striving to phase out environmental and health hazardous substances in production are a major part of this work.

The Group's four business areas are dependent on many different suppliers and subcontractors. To ensure Peab's business is correct and reliable a company line for purchasing in our organization was adopted. We work continually to ensure that in our procurement process we take our responsibility for business ethical, financial, social and environmental aspects.

The foundation of our work with diversity and equality means that Peab welcomes everyone and excludes no one. In order to be the best company in the industry we need the most skilled and this requires the broadest recruitment base possible. Through the Peab School we provide high school construction and civil engineering education. In addition, during the year the Peab School has taught students and Peab personnel about equality and diversity. This better enables us to take important steps towards our long-term goal of a Peab that reflects society in general and our customers specifically.

GOOD CIRCUMSTANCES CHALLENGED BY CAPACITY SHORTAGES

In many ways the circumstances for the construction and civil engineering industry are favorable: strong Swedish economy, population growth and low interest rates combined with an enormous need for new housing for several years ahead. According to the forecast by the Swedish Building and Planning Agency 700,000 new homes will be needed until 2025. Add to this all the infrastructure investments and public sector construction. However, despite this positive situation there are signs growth in construction will slow down in the coming years because of a capacity shortage, primarily in human form. This comes as no surprise since the current situation is largely the result of far too little investment in housing construction and infrastructure in the past two decades.

HEALTHY COMPETITION ON EQUAL TERMS

An efficient construction sector with long-term competence and capacity to meet the needs of society is crucial to growth in the country and to its well-being. With the resource shortage the Swedish construction market is currently facing we need access to both domestic and foreign labor but only if the game rules are unequivocal and apply to everyone active on the Swedish market. Only then will the right conditions exist for healthy competition on equal terms and safe workplaces. Furthermore we have to come together – politicians, labor market partners, authorities, the construction industry – and work harder to match the existing labor force better with what is needed.

If the construction industry is going to be part of putting more people to work in Sweden the possibility of creating a more flexible and competitive salary system needs to be looked into. And finally, there has to be a more far reaching perspective on construction in Sweden. Simply by smoothing out the curves between under-production and overheating we can create long-term conditions for a healthy industry and a supply of the skilled workers so badly needed in the sector.

WITH THE AMBITION TO BE THE BEST COMPANY IN THE INDUSTRY

Peab has a good financial position and we are working in a market with stable conditions. Our work on continuous improvement is producing results and we are clearly on the right road. Totally focused on running a responsible and sustainable business we continue to work on our ambition to be the best company in the industry. We intend to achieve this goal by having the most satisfied customers, the best workplace and most profitable company in the industry.



According to the forecast by the Swedish Building and Planning Agency 700,000 new homes will be needed until 2025.



Förslöv in March 2017

Jesper Göransson
President and CEO

Nordic construction and civil engineering market



The economy in the Nordic countries



Sweden

Even if the growth in the Swedish economy halted visibly in 2016 the general situation is still positive and the increase in GDP is in line with the ten-year average. In the last few years growth has primarily been stimulated by national demand, where housing investments as well as private and public consumption have been the strongest driving forces. Record low interest rates, rising home prices and higher employment all boosted household consumption and investments. Current indications show that the interest rate has reached its lowest point and that inflation has slowly started to move upwards. It is reasonable to expect that the growth rate for public consumption will slow down and that the high level of building construction investments will level out. Factors that have the potential to influence the Swedish economy negatively in the coming two years are greater uncertainty about developments in the US and its influence on Swedish exports, a possible backlash on the housing market where interest rate increases and financial austerity might lead to price adjustments and more household savings.



Norway

Norway's economy appears to have reached its lowest levels in 2016 after a few years with little growth in the GDP. The decline in investments in the oil sector is expected to continue, entailing only marginal recovery for the economy at large. After a weak development in gross investments in 2015-2016 it is reasonable to expect a positive reaction this year. The recovery will probably be most noticeable in the service and manufacturing sectors. Household consumption was impacted negatively by rising unemployment, small increases in wages and growing inflation. These factors will now probably develop in the opposite direction which might give positive incitement to household consumption.



Finland

After years of backwards movement the Finnish economy took a few steps towards growth in 2016 and the recession seems to be over. Household consumption is behind the growth. Industrial production increased for the first time in several years. Exports are still weak and the financial recovery will probably stop at growth of about one percent annually in the coming two years. Unemployment will probably continue to decrease at a slow pace. Consumer trust increased noticeably and in the fall of 2016 it was at its highest level in five years. Household consumption will probably drive growth in the coming years due to low interest rates, growing employment and pent up purchasing needs. Investments also profit from the low interest rates and less investment in manufacturing is compensated by more construction.

Text source and diagram: Industrifakta

SWEDEN – HOUSING CONSTRUCTION REACHED RECORD LEVELS

Housing investments were behind the financial growth in 2016 and they, together with investments in offices and retail, represented the strongest increase in building construction. The rise in building construction is expected to level out at a high level in 2017. Building construction is a hot political topic and both stimulating measures and credit restrictions are being considered. Low interest rates and high housing prices had a positive influence on housing construction and with continued low interest levels and lock-in effects on the housing market housing construction will probably continue to be on a high level in 2017. Building construction for private and public properties also grew in 2016. There was an increase in most sectors with the exception of industrial building construction. A negative reaction is however expected in 2017 due to a drop in public investments and a capacity shortage in the construction industry. Civil engineering construction showed some positive growth in 2016 focused mainly on investments in water and purification plants. Volumes in 2017 are expected to be marginally higher compared to 2016.

NORWAY – STABLE INCREASE IN CIVIL ENGINEERING INVESTMENTS

Total building construction investments in Norway grew well in 2016. The driving force was the strong growth in housing construction. Development in other building construction investments was splintered. Industrial volumes increased dramatically after the weak numbers in 2015. However, public properties, offices and retail contracted. Civil engineering investments have developed strongly since 2012 and this continued in 2016, albeit at a lower rate. A reduction in total building construction volumes is expected in 2017. Housing construction will probably follow this development while public investments and civil engineering construction are expected to grow.

FINLAND – END OF RECESSION?

Just as in the other Nordic countries house construction volumes increased in Finland in 2016. The increase was broad and could be found in almost all sectors. Housing construction also increased greatly. Investments in other housing construction shows that both private and public housing construction had good growth in 2016 and particularly public new housing construction investments increased greatly. A negative reaction is expected in 2017 for total building construction volumes. However, housing investments will probably land on a higher level than the current one. Civil engineering construction grew somewhat in 2016 and will probably continue to do so in 2017.

URBANIZATION AND SUSTAINABLE CONSTRUCTION

Construction has a great impact on energy consumption and leaves its footprint on the environment and the use of resources. Buildings with low climate impact are the obvious choice and an important competitive tool. End customers want low maintenance costs and a good development in the real estate value. Demands and expectations are constantly on the rise as technology continues to improve. Climate issues are gaining in importance as housing construction rises, big cities grow rapidly and the population increases. Environmental and sustainability perspectives permeate construction companies' operations throughout the entire production chain. Besides developments in technology and market demands laws affecting the industry are constantly becoming more stringent. The Swedish government recently presented a proposal for a new climate policy framework. The government proposes that Sweden's long-term goal should be zero net greenhouse emissions no later than 2045.

OTHER MAJOR PLAYERS

The Nordic construction consists mainly of a large number of small and local companies operating under intense competition and on local markets. There are few very large nationwide players. Several of them also operate more or less on the entire Nordic market. In building construction the list of companies is topped by Peab, Skanska, NCC, Veidekke, Lemminkäinen and YIT.

When it comes to civil engineering and road construction the largest players are Peab, Skanska, Veidekke, Norwegian AF, Danish Per Aarsleff, NCC, Svevia, Infranord and Lemminkäinen.

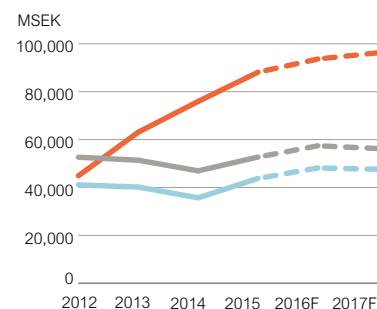
Text source and diagram: Industrifakta

Investments 2012–2017

— Sweden — Norway — Finland F=Forecast

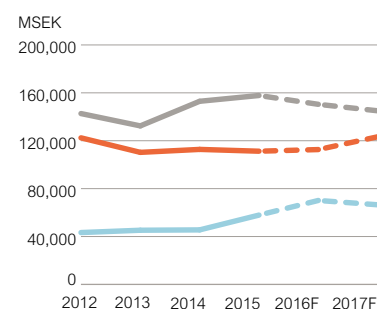
Housing investments

Initiated construction projects



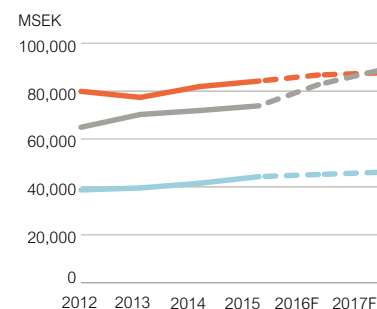
Other building construction investments

Initiated construction projects



Civil engineering investments

Ongoing investments



Goals and strategies for sustainable community building

A few years ago a major restructuring program was initiated meant to make Peab a more competitive company with a lower risk profile, improved profitability and financial stability. The Group now has a more efficient organization with four specialized business areas positioned closer to customers.

On the local market Peab continues to develop traditional entrepreneurship and recruit the right skills. Project selection is based on having the right skills, resources and being able to manage project risks. Today Peab's order backlog consists of a higher share of smaller and mid-sized projects which lowers our risk profile. The Group has worked actively to reduce tied up capital and debt and these changes have resulted in better earnings. The platform is in place and today Peab is more profitable, financially stronger and more competitive.



Business concept

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

Our vision – the Nordic Community Builder






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

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

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



Value-adding operations

Business areas' operations and internal cooperation between units		How value is generated	Steering and measuring
 <p>Project Development Acquires, develops and divests housing, commercial properties and city districts. Orders work from the other business areas.</p>		Through investing in development rights and the profit from development and sales of housing and commercial properties.	Return on operating capital and investment parameters.
 <p>Construction Contractor work in everything from new construction of homes, public and commercial properties to renovations and extensions as well as construction services. Internal supplier primarily to Project Development.</p>		Through profit from contractor operations and unrestricted operating capital.	Contribution margins and payment balances.
 <p>Civil Engineering Contractor operations in infrastructure such as construction and maintenance of roads, railroads and bridges. Works with landscaping and pipelines, foundation work and a variety of construction on the local market. Internal supplier primarily to Construction.</p>		Through profit from contractor operations and unrestricted operating capital.	Contribution margins and payment balances.
 <p>Industry Comprehensive supplier of all products and services needed in order to complete a construction and civil engineering project. Internal supplier to primarily Civil Engineering and Construction.</p>		Through profit from operations and investments in machines, quarries, operations etc.	Return on operating capital and investment parameters.

A GROUP STRATEGY IN SIX PARTS

For the past few years profitability has been our focal point. The transition to greater focus on customers, employees and production has resulted in a more efficient and profitable business. Peab's six Group strategies inform how the company should develop operations and reach the goals in the business plan.

Cost efficient business

Cost efficiency and good earning power are essential to developing a long-term competitive business. Cost efficiency is a matter of productivity and the right overhead level. As a result of the earlier reorganization Peab has now firmly established a satisfactory overhead level and is currently focusing on increasing productivity in all operations.

Strengthen and develop Peab's customer relations

Strong customer relations are the key to positive cooperation and more efficient production with lower costs and higher quality. Customers primarily expect three main things from Peab: a safe and reliable partner, a structured and transparent way of working and the right competence in the right place. By explicitly focusing operations on customer relations, coupled with continuous surveys, in the past few years Peab shifted in the right direction and strengthened relationships with our most important stakeholders.



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Best workplace

Peab is its employees and it is their commitment and professional skills that are the basis of the company's success. Meeting the challenge the industry faces regarding the labor shortage with initiatives for long-term recruitment and developing the competence of existing employees are important factors for ensuring Peab has the right competence. In the coming years Peab will need to attract many new qualified employees with different areas of expertise. Peab works to ensure greater equality and diversity according to established Group goals. In the past few years Peab has concentrated on implementing plans to achieve the work environment goal, i.e. to halve the number of work accidents during 2015 to 2017.

Long-term profitable operations

Long-term profitability is necessary for Peab's value creation. Profitability is fundamental since it allows Peab to continue to grow and develop. The company's strategic direction takes both margin and return goals into account. Peab continues to work with cost efficient production and with choosing the right projects.

Sustainability integrated in Peab's operations

All aspects of sustainability – financial, environmental and social – are integrated into operations. Responsibilities and authorizations are delegated to business areas where they are supported by experts on different levels of the organization.

To be seen and heard

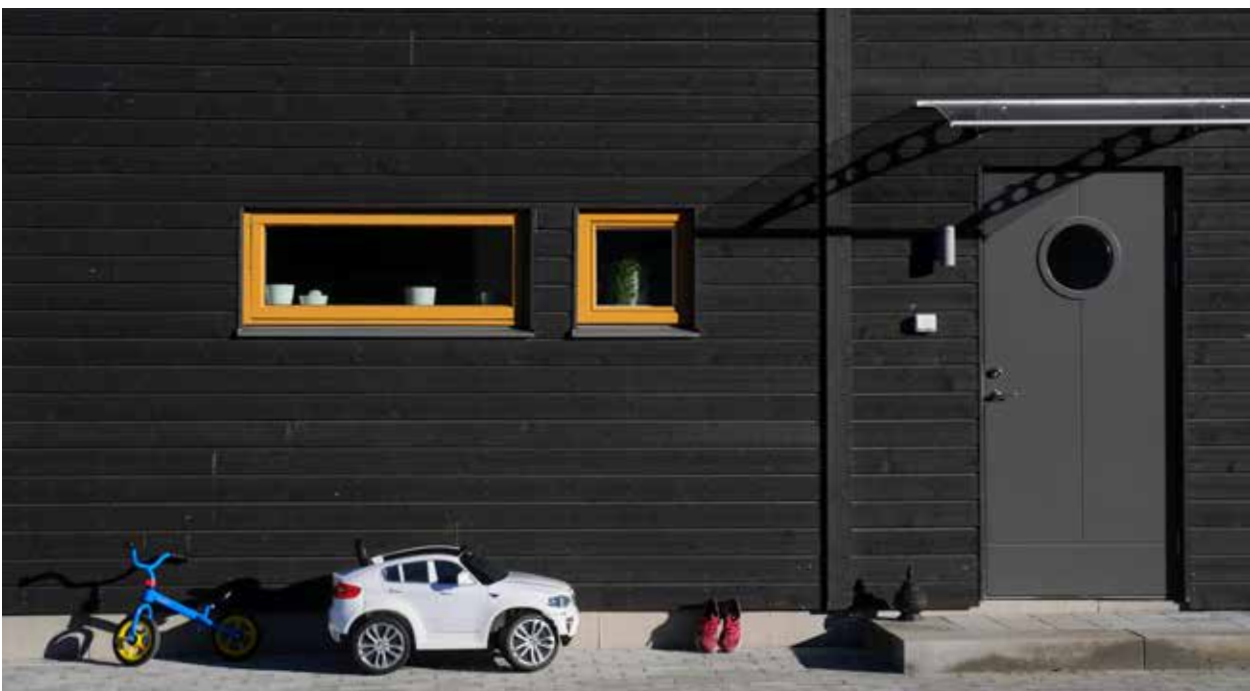
Peab's ambition is to be the Nordic Community Builder. Participating in, and contributing to, developing society increases our ability to attract customers, employees and investors. Peab should be seen and heard in the community and work close to our customers. Peab continues to prioritize its regional presence but has also chosen to engage in larger societal issues such as the construction industry agreement against bribes and corruption as well as solutions for better integration.



In the coming years Peab will need to attract many new qualified employees with different areas of expertise.




4.5%

One of Peab's three explicit business objectives 2015-2017 is to become the most profitable company in the industry. During 2016 the operative operating margin improved to 4.5 percent (2.4).



Business plan objectives 2015-2017

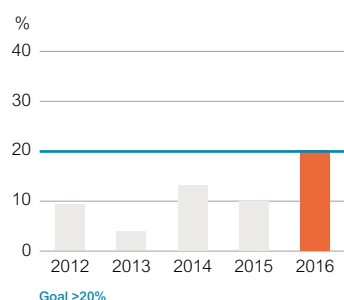
Sustainable business objectives are clearly stated in Peab's vision and Group strategies. The business plan objective for 2015-2017 is to become the best company in the industry. In 2015 Peab identified three goals that will be measured and evaluated continuously.

Three goal areas		Result 2016
	<p>Most satisfied customers in the industry</p> <p>Through long-term customer relations and close collaboration characterized by responsiveness and flexibility. Annual SCI surveys (Satisfied Customer Index) are conducted to find out how well Peab lives up to customers' expectations. The surveys are sent to both company customers and private housing customers.</p>	<p>The result in 2016 was an SCI of 73, the same level as 2015. The goal is an SCI of 75 by the end of 2017.</p>
	<p>Best workplace in the industry</p> <p>By attracting, including, developing and keeping competent and motivated employees. Peab's personnel survey, Handslaget (The Handshake), is held every other year and focuses on Commitment, Leadership and Work Climate.</p>	<p>Compared to the survey in 2014 the results have improved in almost all areas.</p>
	<p>Most profitable company in the industry</p> <p>Value-adding work that develops long-term profitable business and generates value for shareholders. Margin and return goals for the entire Group are used when measuring how profitable the company is compared to others in the industry.</p>	<p>In 2016 Peab moved in the right direction and all key ratios have improved.</p>

Financial goals

Peab's executive management steers the business using the guidelines adopted by the Board of Directors based on three financial goals: Return on equity, Equity/assets ratio and Dividends.

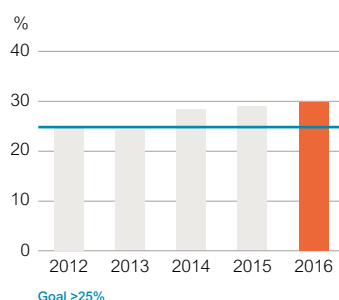
Return on equity



RETURN ON EQUITY SHOULD BE AT LEAST 20 PERCENT

The return on equity improved to 20.1 percent (9.9) in 2016 and the goal level was achieved after several years of lower returns. The result improved in business areas Industry and Project Development while business areas Construction and Civil Engineering showed stable levels. The last few years were characterized by lower profitability and write-downs in the business, which had a negative effect on return on equity.

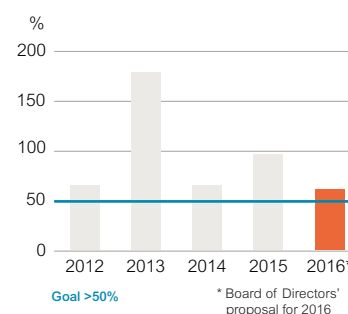
Equity/assets ratio



EQUITY/ASSETS RATIO SHOULD BE AT LEAST 25 PERCENT

In recent years the equity/assets ratio has been better than the goal and in 2016 it improved to 29.7 percent (28.8). The improvement is primarily due to higher earnings.

Dividends



DIVIDENDS SHOULD BE AT LEAST 50 PERCENT OF THE PROFIT FOR THE YEAR

A dividend of SEK 3.60 (2.60) per share are proposed for 2016. Calculated as a share of the Group's recorded profit for the year the proposed dividend is 61 percent (96). The proposed dividend is equivalent to a direct return of 5.0 percent (4.0) calculated on the closing price on 31 December 2016.



BUSINESS AREA CONSTRUCTION

Focus on quality in a strong construction market

Performs contract work for both external and internal customers. Construction projects, often with local roots close to customers, include everything from new production of housing, public and commercial premises to renovations and extensions as well as construction maintenance. Consists of eleven regions in Sweden and two each in Norway and Finland. Regions specialized in housing production in Stockholm, Gothenburg and the Öresund region.

[Read more on page 40–41](#)



Trends and driving forces

Enormous need for housing construction, to a certain extent concentrated to big city areas but growing in smaller towns as well. Rapid march toward digitalization that permeates the process from the drawing board through production.



BUSINESS AREA CIVIL ENGINEERING

Investing in skills and resources for a changing market

Builds and maintains infrastructure such as roads, railroads and bridges. Focused on the local market it works with landscaping and pipelines, foundation work and builds different kinds of facilities. In addition operates and maintains national and municipal highways and street networks as well as cares for parks and outdoor property. Organized in geographic regions and specialized product areas.

[Read more on page 42–43](#)



Trends and driving forces

The Nordic civil engineering market is characterized by investments in infrastructure projects; in Sweden and Norway primarily in the form of an increasing number of complex projects. Intense competition on every market from several non-Nordic companies which creates a squeeze on prices.



BUSINESS AREA INDUSTRY

Well positioned for hot construction and civil engineering markets

Comprehensive supplier of all products and services needed for a construction and civil engineering project. Offers industrial construction, strategically placed quarries, asphalt and concrete as well as rental of construction equipment and cranes. Organized in seven product segments complemented by a number of strong, local brands.

[Read more on page 44–45](#)



Trends and driving forces

Market development usually follows developments in the economy. Positive tendencies in general and the Swedish and Norwegian operations continuously gained strength during 2016 due to increased demand for concrete, gravel and rock as well as asphalt and rentals.



BUSINESS AREA PROJECT DEVELOPMENT

Develops sustainable cities, homes and properties

Responsible for acquisition, development and sales of housing, commercial property and city districts. Project development takes place in wholly owned projects or in joint ventures with other partners. Housing Development is responsible for housing concepts for private customers. Property development acquires, develops and divests commercial properties.

[Read more on page 46–49](#)



Trends and driving forces

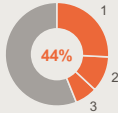
With the continuing big demand for housing construction market conditions are considered good. Growth is also expected in other construction due to population increases and low interest rates.



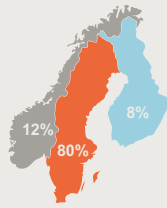
Net sales

SEK
24.1 billion

Share of Group net sales



Customer type:
1. Private
2. Public
3. Internal/other



Peab's position

One of the largest players in construction in Sweden in terms of net sales and number of employees. Peab has considerable operations in Norway and Finland.

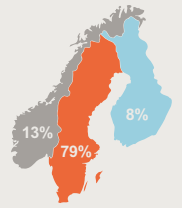


Employees

6,600



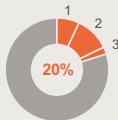
Share of total number of Group employees



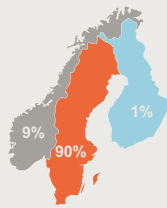
Net sales

SEK
10.7 billion

Share of Group net sales



Customer type:
1. Private
2. Public
3. Internal/other



Peab's position

Leading civil engineering player in Sweden with operations in both Norway and Finland.

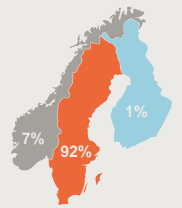


Employees

3,080



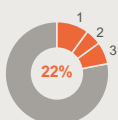
Share of total number of Group employees



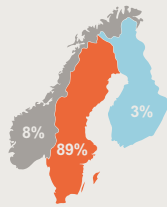
Net sales

SEK
12.2 billion

Share of Group net sales



Customer type:
1. Private
2. Public
3. Internal/other



Peab's position

One of the leading players in all segments in Sweden. Active in selected segments in Norway and Finland.

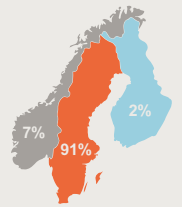


Employees

3,385



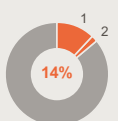
Share of total number of Group employees



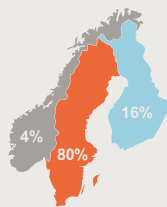
Net sales

SEK
7.6 billion

Share of Group net sales



Customer type:
1. Private
2. Internal/other



Peab's position

One of the largest housing developers in Sweden with major operations in both Norway and Finland. Peab is a smaller player in commercial property development in Sweden, Norway and Finland.

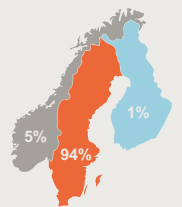


Employees

321



Share of total number of Group employees





Our take on sustainable operations

As a community builder and a major employer Peab's operations have an impact on society and those living and working in it, both long and short term. Therefore we put great effort in ensuring that what we plan and carry out is sustainable. Understanding stakeholders' demands and needs helps Peab to prioritize correctly in our work on sustainability.

Peab's vision is to be the Nordic Community Builder. Our daily operations contribute to developing communities by planning, constructing and building everything from housing, offices and schools to hospitals, roads and bridges. We can create added value for our stakeholders by running our business with a responsible and long-term perspective. Our role as a large employer with local connections provides us with good insight into local community needs. Our ambition is to convert this knowledge into an active commitment to society with a special focus on giving young people a good future.

A TRANSPARENT DIALOGUE WITH STAKEHOLDERS

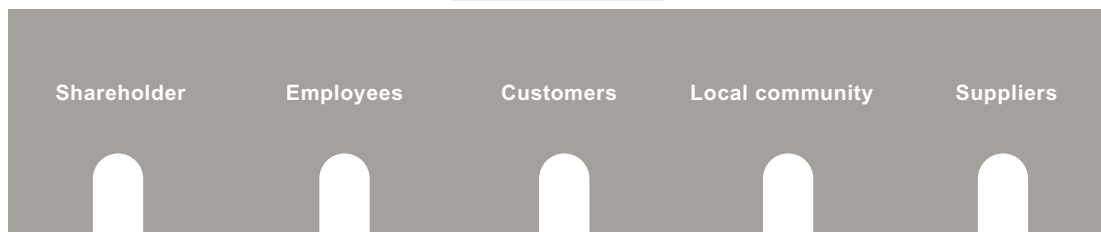
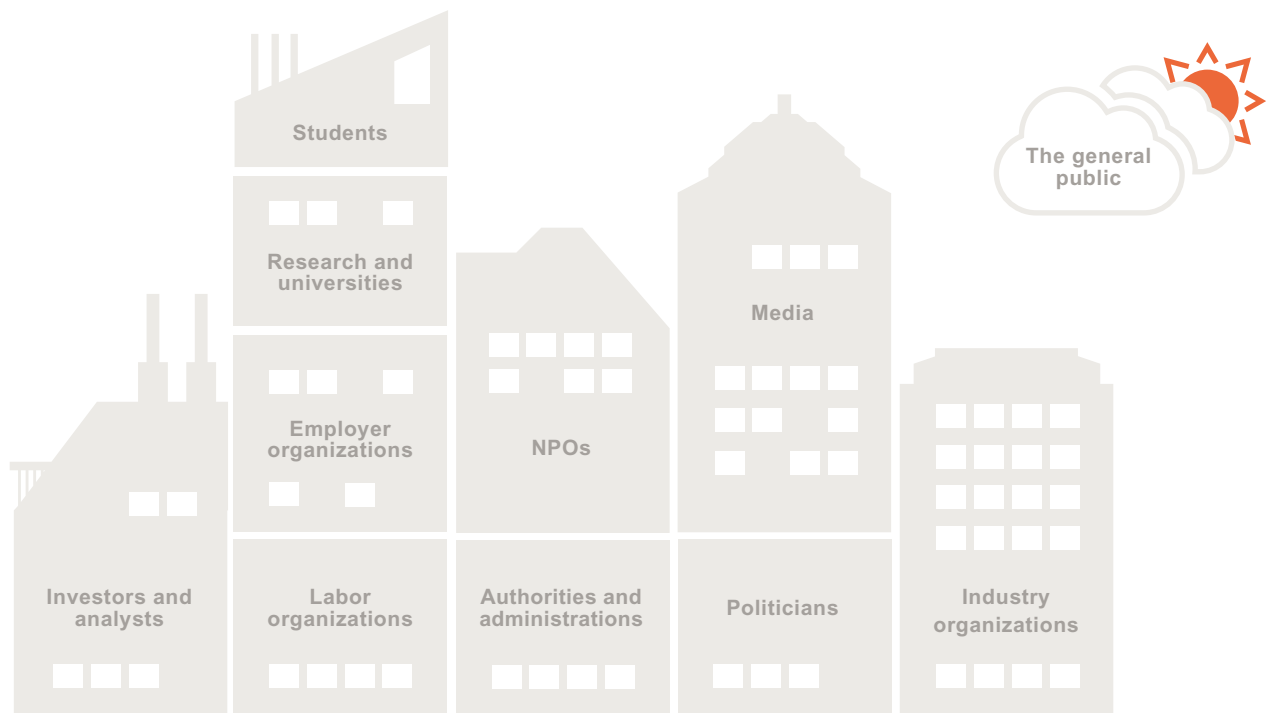
Peab's operations influence and are influenced by a great number of stakeholders. A transparent dialogue with them is an important tool in understanding what issues are most important for each stakeholder group. A good comprehension of the challenges and opportunities that our stakeholders face is a prerequisite to taking a direction that will create added value for our stakeholders and therefore also for Peab.

The majority of Peab's contact with stakeholders goes through well-established channels that are part of our daily operations and takes place regularly throughout the year. For a number of years we have also held sustainability-focused stakeholder dialogues. The accumulated result from these dialogues marks the direction of our continuous sustainability work where the integration of sustainability issues in operations is intrinsic in Group strategies. The result is also the basis for Peab's sustainability report.



Peab's definition of sustainable community building

Everything we plan and carry out will be completely in line with our ethical guidelines as well as responsibly and lastingly constructed. In this way we will accommodate environmental, financial and social aspects.



Stakeholder	Expectations of Peab in following areas	Dialogue examples
Shareholder	Long-term financial value development that creates annual dividends, risk management, responsibility throughout the value chain for; environmental impact, work conditions, business ethics and code of conduct.	AGM, meetings with analysts, surveys from ethical and environmental funds, annual and sustainability reports, quarterly reports.
Employees	Responsible entrepreneurship, work environment and safety, skills development, leadership, equality and diversity, work and employee conditions, internships and work life experience for youths, attractive employer and business ethics.	Employee survey, workplace meetings, internal training, incident follow-ups, management meetings, goal and developmental discussions, union cooperation.
Customers	Responsible entrepreneurship, code of conduct, business ethics, finances, expertise, resource capacity, availability, work conditions, certifications, responsibility throughout the value chain.	Meetings in person, daily contacts, networks, partnerships, customer meetings, fairs, surveys to customers, surveys from customers, procurements.
Local community	Development of local community, conservancy issues, jobs, internships, integration, air and water emissions, noise, waste management, environmental and health hazardous substances, sponsorship.	Visits, collaboration, information meetings, networks, contacts with county boards/ municipalities, environmental reports, vision work, mentoring.
Suppliers	Responsible entrepreneurship, responsibility throughout the entire value chain, code of conduct, business ethics, finances.	Procurements, supplier evaluations, meetings in person, daily contacts, supplier meetings and partnerships.

Sustainability aspects

FOUR AREAS THAT COVER PEAB'S MOST ESSENTIAL ISSUES

In order to pinpoint the most crucial sustainability aspects in Peab's operations we weigh in the aspects that have the most strategic importance to the company with those most relevant to the decisions our stakeholders take. Four focus areas – The Employees, The Business, Climate and Environment and Social Engagement bring together the most important aspects concerning sustainability.



The Employees

- Health and work environment
- Skills supply
- Equality, diversity and equal treatment



Climate and Environment

- Climate impact
- Streamlining resource use
- Phasing out environmentally and health hazardous substances



The Business

- Customer and supplier cooperation
- Responsibility in the supply chain
- Ethics and anti-corruption



Social Engagement

- Educating youths
- Local community building projects
- Mentoring
- Sustainable sponsorship

Steering Peab's sustainability work

Sustainability – financial, environmental and social is an integral part of our operations. Responsibility and authorization is delegated to the business areas and there is a support system with experts on different levels in the organization. This is complemented by steering and supporting documents.

CODE OF CONDUCT, POLICIES AND MANAGEMENT SYSTEMS

A fundament of Peab's operations consists in complying with international conventions and national laws. A number of policies then make up the steering documents concerning sustainability. Our code of conduct is based on the UN Global Compact that Peab signed in 2012, together with Peab's core values. In 2016 the code of conduct was reviewed and an updated version will be adopted and integrated into operations in 2017.

The code of conduct is complemented by a number of underlying policies and guidelines, such as Peab's ethical guidelines. The overarching company policy is an integrated environmental, quality and work environment policy that complies with the quality certification standard ISO 9001:2008, the environmental quality standard ISO 14001:2004 and the requirements in the Swedish Work Environment Authority's statute AFS 2001:1. For more information about steering the work environment and environmental work please refer to pages 17 and 28 respectively.

SUSTAINABILITY WORK ORGANIZATION

Peab's executive management has the overriding responsibility for managing and developing work on sustainability in the business. During the year Peab's Sustainability Council, chaired by the CEO, has been responsible for coordinating Group sustainability work and creating the prerequisites for integrating sustainability into operations. The Sustainability Council also prepared different matters and presented them to executive management, which is responsible for making the formal decisions. Each business area is responsible for the continuous work with sustainability issues in operations, supported by experts on different levels in the organization. A review of how to handle our strategic sustainability work in the future will be done in 2017. Peab also has an Ethical Council which in part works preventively with education in business ethics and in part prepares and decides in cases when there is a suspicion of irregularities. Please find more information about the Ethical Council on page 24.



All aspects of sustainability are integrated into our operations, which creates added value for Peab's stakeholders.





Peab grows through our employees

It is crucial for Peab's competitive capacity, in the long and short term, to attract, recruit, keep and develop employees. Together we build a company characterized by abundant opportunities to develop, diversity, equality, good leadership and a safe work environment so that we can offer the best workplace in the industry.

A HEALTHY AND SAFE WORK ENVIRONMENT

There are a slew of difficult and risky work activities in the construction and civil engineering industry which is why Peab prioritizes issues regarding health and a safe work environment.

As an employer we are responsible for guaranteeing a safe workplace, and this is a pivotal point in our goal to be the best workplace in the industry. By systematically working with risk management and preventive measures together with exchanging knowledge and experience we strive for a zero vision concerning accidents at Peab's work sites. The Group goal is to halve the number of workplace accidents during the period 2015-2017. Accidents and incidents are reported continuously and the goal is evaluated quarterly.

LEADERSHIP AND PERSONAL RESPONSIBILITY WORKING TOGETHER

A great many work risks can be eliminated through procedures and information, but creating a safe workplace requires clear leadership and everyone taking responsibility to act in a way that considers their own personal safety as well as that of their colleagues. Clarity, leadership and cooperation are important factors in developing attitudes and behavior that creates the safety culture we want to have in Peab. Other tools we use to create a healthy and safe work environment is our collaboration with union representatives and recurring workplace revisions in all three countries.

Sustainability aspects

- Health and work environment
- Skills supply
- Equality, diversity and equal treatment

GRI: LA5, LA6, LA7, LA9, LA11, LA13

GC: 2-3, 6

FOCUS WEEK AND REFLECTION DAY INSPIRE ENGAGEMENT

One of the initiatives taken in 2016 was the recurring focus week when everyone in Peab management visits workplaces to talk to employees and gain an understanding of the challenges and good ideas for solutions found there. During the focus week in 2016 there were a total of 1,277 activities in Sweden, Norway and Finland, of which about half (615) were workplace visits. Discussion meetings (662) that included everyone working on the sites were held at workplaces not visited. The dialogues with the employees generated a number of improvement suggestions, such as good order at workplaces, common operations planning, clear and consequent leadership and routines so that deviations are always reported.

The 28th of April is World Day for Safety and Health at Work which Peab observes under the name Reflection Day. Employees and subcontractors pause production to get together and consider what each person can do to make the workplace safe and reach the goal of halving the number of accidents in Peab.

Steering activities for the work environment

Peab's work environment policy is integrated into the company policy and is the basis for our strategic work environment measures which are included in the business management system.

Peab follows the laws and regulations of each country. The requirements set out in AFS 2001:1 are observed in Sweden and in Norway Peab works according to the Work Environment Act and follows valid regulations for the construction and civil engineering industries. Finnish operations are certified according to OHSAS 18001.

Work environment issues are part of daily operations. Strategic work is done on the Group and business area levels and relevant competence in work environment matters can be found on every level of the company. Assignments and mandates have been delegated throughout the organization. In addition to the 141 (78) employees who work with the work environment in the Group, Peab employees are also represented by safety representatives (elected by the employees). There are 712 (713) safety representatives in Sweden, 85 (97) in Norway and 40 (35) in Finland. Peab also has 79 (61) work environment administrators (HAMare), a union assignment. Together the three groups that handle the work environment make up 7.8 (7.4) percent of all employees in Peab.

Peab's crisis organization is activated in the event of a serious accident. It consists of 100 employees in Sweden and Norway specially trained by the Swedish Civil Contingencies Agency. Finland has a separate crisis organization.

INVESTMENT IN ORGANIZATIONAL AND SOCIAL WORK ENVIRONMENT

Peab's managers are trained in organizational and social work environment (OSWE). Line managers in production receive a Work Environment Diploma that includes learning about OSWE and other managers with personnel responsibility take part in training developed by Peab called the OSWE Day. The independent training day is also for our safety representatives as well as for supporting resources such as the personnel function and persons working with quality, the environment and the work environment. After having completed the training the managers take on and delegate work environment tasks and they also should have a better understanding of their responsibility for the factors that lead to unhealthy workloads. Training has started and will be intensified in 2017.



Goal regarding workplace accidents:

Halve the number of workplace accidents by 2017 (base year 2015)



An employer brand that focuses on each individual

In 2016 we intensified strategic work with Peab's offer as an employer. Starting with our four core values we want to highlight what makes Peab unique. The central message in Peab's Employer Value Proposition (EVP) can be summarized by saying that Peab has:

- Strong core values and focus on each individual
- Broad selection, great job variation and personal responsibility
- Opportunities to form your own development



SECURING SKILLS FOR THE FUTURE

Ensuring a company has the right skills is a great challenge for the construction and civil engineering industry. Peab is no exception and therefore efforts to attract, recruit, develop and keep competence are high on our agenda. We work on recruiting for our current needs and that we have the right competence for each project. At the same time we work proactively to identify changes in the skills needed and to make the industry attractive for lots of people in order to broaden the recruitment base. In addition, there is also the important internal work of taking advantage of the skills we already have in the Group and giving each employee the opportunity to develop in their role.

DEVELOP SKILLS FROM DIFFERENT PERSPECTIVES

In order to keep our employees Peab works continuously to develop an inclusive and responsive leadership and get employees involved both in their own development and in developing the workplace. Some examples:

- Peab has a Group leadership program that provides concrete tools for strong leadership both on individual and Group level. The program has now been extended to include a clearer focus on diversity and equality and 398 managers from Sweden, Norway and Finland participated in the program in 2016.
- Peab strives to have goal and developmental discussions with every employee annually. About 75 (70) percent of employees say that they had such a conversation on 2016. The content in the discussions was developed in 2016 focusing on setting goals for and developing each individual and clarifying the company's expectations on the individual as well as the manager when preparing, holding and following up the conversation. This new discussion includes an individual self-assessment based on Peab's core values in order to inform the behavior and attitudes that Peab represents and wants manifested in our personnel.
- In 2016 1,046 (601) people participated in an introduction day for new employees aimed at expanding their knowledge about Peab's business and core values.



The Handshake illustrates employees' view of Peab

In 2016 Peab held its personnel survey the Handshake for the second time in a digital version. Just as with the first enquiry in 2014 it was a questionnaire and 79 (77) percent answered. The aspects measured were Commitment, Leadership, Work Climate and Attractive Employer plus a few other specialized areas. The battery of questions are roughly the same so that the result can be compared over time. New questions in 2016 concerned equality and diversity, and a large part of our employees feel Peab works actively with these issues. We see that the results have improved in almost every aspect. The challenges the Group faces lie primarily in making it easier to understand goals, expectations and follow-up regarding employees.

GOALS AND INITIATIVES FOR GREATER EQUALITY AND DIVERSITY

We are convinced that everyone benefits from a construction and civil engineering industry with employees that mirror the society at large more than they do today. Working with attitudes and behavior is crucial to making changes. We really need to get rid of the industry's reputation of having a macho culture and we have to start with our own company.

Peab's goal is to be a role model in the industry in ten years' time with concrete examples and visible results regarding work on equality and diversity. We want to create a labor force characterized by diversity by going on the offensive for change. To achieve this we will take a number of concrete measures in the coming years:

- All employees will receive training in equality, diversity and equal treatment. In 2016 about 3,000 employees participated in workshops where groups of mixed professions had a profound discussion about Peab's fundamental values, diversity, equality and ethics finishing with an agreement on everyone's shared responsibility for contributing to the desired culture. The effort will continue in 2017
- Managers and HR personnel will receive further training in equal treatment and competence-based recruiting methods
- Peab has established the Employee Program that aims at changing the culture in our workplaces by clarifying the expectations we have on our employees and the shared responsibility to build the culture we strive towards
- We will offer internships to 100 immigrant adults within the framework of the 100 Club, please see page 33
- We offer language introduction for 100 immigrant youths within the Peab school, please see page 33



3,000

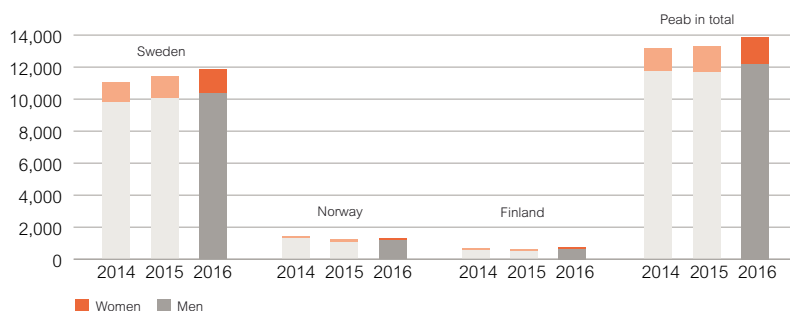
In 2016 about 3,000 employees participated in workshops where groups of mixed professions had a profound discussion about Peab's fundamental values, diversity, equality and ethics.

THE IMPORTANCE OF EQUAL PAY

At Peab the nature, performance and skills level of an employee's job decide their pay level, independent of gender, age or ethnic background. In accordance to Swedish law a wage review is conducted every year containing an analysis of wages paid to women and men. The purpose of this analysis is to identify, rectify and prevent subjective differences in pay and other terms of employment for the same or equivalent positions. Subjective differences are rectified. In the review that Peab conducted in 2015 a total of 28 subjective pay differences were identified. The wages of these individuals have been adjusted afterwards. The next review will take place in 2017. Legislation in Norway and Finland have similar requirements for an analysis of wages and ensuing measures.

Number of employees per country and gender

The chart shows the number of employees annually per 31 December. By the end of 2016 Peab had 13,869 (13,300) employees, of which 12.1 (11.9)% were women.





Employment status all employees

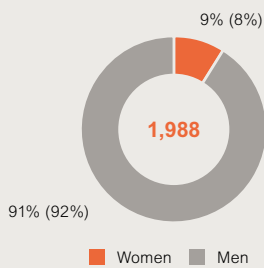
	Women		Men	
	2016	2015	2016	2015
Permanently employed	1,565	1,387	11,690	10,881
Project/temporary employees	113	193	501	839

Employment type for permanently employed

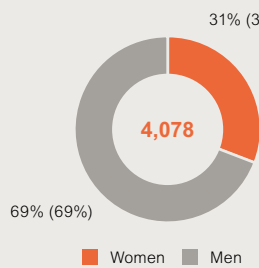
	Women		Men	
	2016	2015	2016	2015
Full time employees	1,454	1,302	11,610	10,816
Part time employees	111	85	80	65

Employees divided by employee category, gender and age

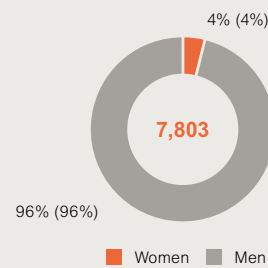
White-collar workers in management per gender



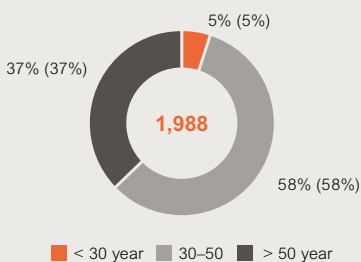
Other white-collar workers per gender



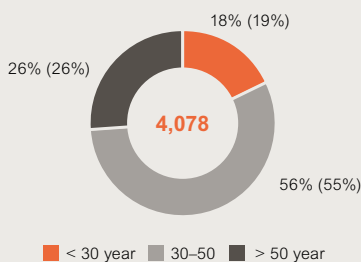
Skilled workers per gender



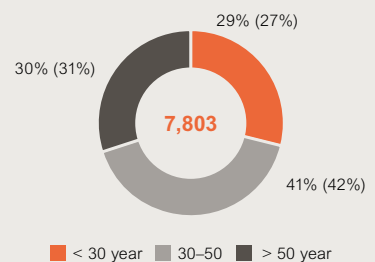
White-collar workers in management by age



Other white-collar workers by age

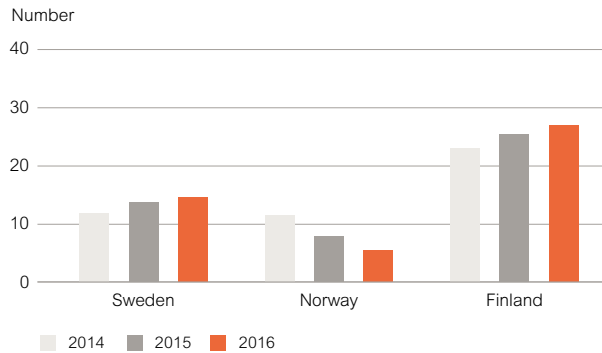


Skilled workers by age



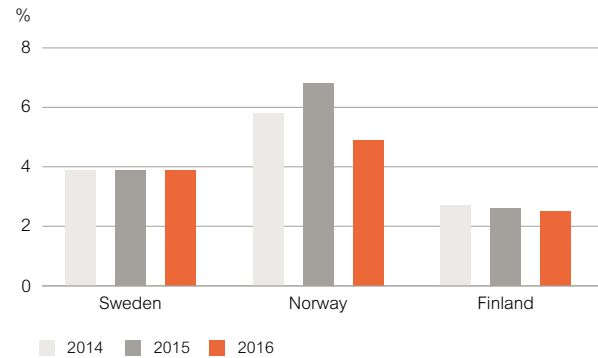
Workplace accidents and sick leave

Workplace accidents 2014-2016



Each quarter Peab monitors the Group goal to halve the number of workplace accidents (those that result in at least an 8 hour absence) per million worked hours during the period 2015-2017 as well as the measures taken to achieve the goal. There were no fatal accidents at Peab's workplaces in 2016.

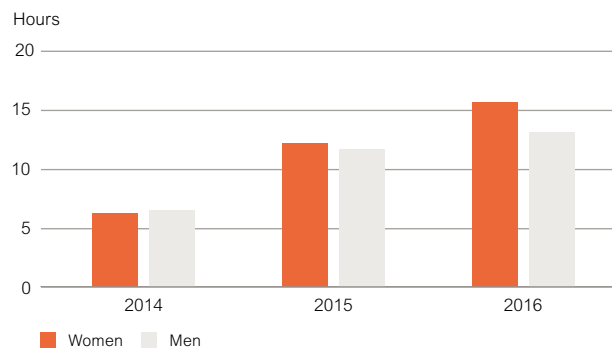
Sick leave 2014-2016



Sick leave refers to total sick leave (short and long term). Work related illnesses among Skilled workers are primarily caused by load factors. The primary reason among white-collar workers is the organizational and social work environment.

Number of training hours

per employee per gender



The increase in training hours is because Peab has been using the training tool PEKA, where training sessions are registered, more often, there have been more training sessions and Peab had more employees in 2016 than 2015.

per employee per employee category



Attitude changing workshops

Local initiatives have been inspired by the dialogue in the Group about common values, diversity and equality. For instance, Peab in Örebro started workshops discussing desirable attitudes on the workplace. One of the enthusiasts behind the initiative, assistant construction manager Magnus Nilsson, says starting the workshops is just common sense and wanting to take responsibility for creating an inclusive culture that welcomes everyone. Working with these important issues can also contribute to strengthening relations with the community.

"We hope to inspire others too, both in Peab and in the construction industry at large. By working with the attitudes in the construction industry and creating better contacts between businesses and immigrants maybe some of them will go into the construction program. Individuals, companies and society all benefit from this," says Magnus Nilsson.



Reliable business is the foundation of our success

Peab is a reliable and competent partner with a strong local presence that continuously delivers quality and makes the customer's interest our own. We work actively to ensure a sustainable supply chain where we deal with risks and prevent irregularities. Good business ethics and transparency permeate all we do.

ACHIEVING THE GOAL OF THE MOST SATISFIED CUSTOMERS IN THE INDUSTRY

In order to create a good understanding of our customers' needs and wishes we continuously measure and follow-up how satisfied our customers are. This also augments our ability to build long-term customer relationships, which strengthens Peab's brand and provides new business opportunities.

Peab performs annual SCI (Satisfied Customer Index) surveys with external and internal company customers and private housing customers. The three areas valued most highly by our customers are that we are a safe and reliable partner, have a structured and transparent work method and the right skills in the right place. The results from the SCI surveys are included in the operative business plans that support the Group strategy; to strengthen and develop Peab's customer relations.

In 2016 the total SCI result for the Peab Group was 73 (73) on a scale 1–100. The Group's goal is a combined SCI result of at least 75 by the end of 2017.

The number of respondents in 2016 amounted to over 2,200 (2,000). This represents an average response rate of 40 (42) percent which can be compared to the industry average of between 25 to 30 percent.

Sustainability aspects

- Customer and supplier cooperation
- Responsibility in the supply chain
- Ethics and anti-corruption

GRI: SO4, SO5, SO7, PR5

GC: 1-7, 10

73

In 2016 the total SCI result for the Peab Group was 73 (73) on a scale 1–100.

PARTNERING – A DYNAMIC AND EFFICIENT WAY TO COLLABORATE

Partnering as a collaboration form is growing in the construction and civil engineering industry since it has proven to lead to better results from a comprehensive customer perspective. Partnering is, as the name suggests, a partnership in which the general contractor and the customer, together with architects, consultants and other key players, organize and take responsibility for the construction process. It's particularly suitable for complex construction and civil engineering projects where creative and solution-oriented cooperation between key players leads to the best project results.

PUBLIC PROCUREMENT SUPPORTS COMMUNITY SUSTAINABLE DEVELOPMENT

Requirements concerning the social engagement of businesses have become common in public procurements in recent years. This means that as the procured partner we are expected to, for example, bring youths, immigrants or people who have different kinds of disabilities into the work connected to the procured project. This development is completely in line with Peab's commitment to improve life in the community along with our engagement to improve integration and create job opportunities for youths.

PEAB'S RESPONSIBILITY IN THE SUPPLY CHAIN

Peab's business concept is based on quality in every aspect of the construction process. The Group's four business areas are the fundamental links in the chain, and are in turn dependent on a large number of suppliers and subcontractors. Purchases in Peab make up more than 70 percent of turnover and involve approximately 41,000 suppliers annually. Peab considers a business partner a supplier if Peab has received at least one invoice from a unique VAT number during a year. In order to fulfill our ambition of going from largest to best our procurement process has to make correct and secure deals that take into consideration business ethics and finances as well as environmental and social factors.

INTENSIVE DEVELOPMENT OF RELIABLE BUSINESS

Based on a thorough analysis of the present situation and an extensive dialogue within the organization, in 2016 Peab arrived at a common consensus concerning purchasing procedures in Peab. Focus is on ensuring the business we do is safe and reliable, and that our purchasing organization has the know-how to support and develop these procedures. Reliable business means that we work with the right suppliers in the right way in order to handle risks and prevent irregularities.

FROM GENERALISTS TO SPECIALISTS

A large part of Peab's purchases are project purchases and occur directly in operations, which means that they are handled by the local project organization. There is a central purchasing organization that reinforces project purchases and supports the project organization. Within the central purchasing organization we are developing a category-based work method which means we are organizing the function based on the products and services that they are specialized in buying. Steering through categories increases risk awareness and the opportunity to be more effective in each purchasing area. Coordinating this centrally then makes it easier to take advantages of Peab's size.

CLEAR-CUT DEMANDS AND EXPECTATIONS

All agreements Peab signs with suppliers state the rules and demands that apply in part for the particular project and when doing business with Peab in general. Our code of conduct is enclosed in all agreements and, as of 2016, there is an ethics clause in the contracts detailing expectations on suppliers and the consequences if they do not live up to the code of conduct, labor law demands and workplace safety regulations.

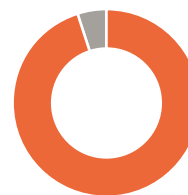
CONCRETE MEASURES FOR FOLLOW-UP AND RELIABLE BUSINESS

A summary of the follow-up measures taken so far:

- Quarterly supplier base controls resulting in approval or rejection. 17 suppliers were listed for rejection in 2016 and disapproval as suppliers to Peab; nine because of irregularity risks and eight due to commercial risks.



Supplier base



7,500 SUPPLIERS REPRESENT 95 PERCENT OF THE SUPPLIER BASE

The suppliers are divided into 415 categories where each category represents a supplier market that spans over a broad number of goods and services. The three largest categories are civil engineering transportation, electrical as well as water and sewage contracts.

Everything in order

In 2016 we increased control of our subcontractors and suppliers as part of our continuous improvement work. As a result more and more subcontractors and suppliers follow the industry demands laid down in UE 2015. This entails a responsibility to ensure that all subcontractors have collective bargaining agreements, F tax certificates and do not have wage or other compensation disputes with employees. The main purpose is to get rid of dishonest companies, gain control over the contractor chain and ensure safe workplaces. This is completely in line with Peab's ambition to strive towards a healthy construction industry that promotes good business ethics, quality and a good work environment.



- Semi-annual checks concerning work environment, labor law and purchasing issues at all of Peab's workplaces.
- Competence development in the purchasing organization to ensure good insight in the demands suppliers need to comply with.
- Based on risks connected to our code of conduct and reliable business we have during the year initiated targeted measures and follow-up of supplier markets and suppliers.

The work with reliable business will continue relentlessly in 2017 and will focus on securing the supplier base by minimizing identified risks.

AN ETHICAL COUNCIL THAT EMBODIES OUR MINDSET

Peab's work with ethics and against corruption is aimed at creating secure and profitable deals for everyone involved. It also creates trust and prevents brand risks for Peab. By preventing, monitoring and managing risks they can be turned into opportunities that generate long-term values for customers, the company and society in general. Systematic work on ethics which is focused on preventative education and clear-cut consequences when transgressions occur is the foundation of healthy values in the company and contribute to a strong brand.

Peab's Ethical Council ensures that incidents in the Group such as violations of laws, ethical guidelines and our code of conduct are treated uniformly, regardless of operation and position. The Ethical Council:

- answers questions pertaining to ethics concerning our business or from employees.
- communicates Peab's stance in ethical issues internally and externally.
- prepares different matters and decides in cases of transgressions.

WORKING TOGETHER AGAINST CORRUPTION

Corruption, through bribes or other financial crimes, is illegal and also leads to unhealthy competition, inefficiency and subjectivity. Peab does not tolerate corruption. Peab is one of the parties in the Joint Initiative Against Bribes and Corruption from 2015. Joint Initiative Against Bribes and Corruption is an important part of the common work against bribes and corruption in the publicly funded construction and real estate sector. The agreement levels the playing field in the industry and provides practical guidance in commonly occurring situations, such as representation and sponsorship, making it easier to do the right thing.



Peab is one of the parties in the Joint Initiative Against Bribes and Corruption from 2015. The agreement levels the playing field in the industry and provides practical guidance in commonly occurring situations.

CHANNELS FOR WHISTLE-BLOWING

Peab strives for an open business and working climate. Employees have an important role to play in noting possibly illegal dealings and serious breaches of Peab's ethical guidelines and code of conduct. There are several ways to report suspicions of wrongdoing at Peab. Peab prefers open reporting but it is also possible to use an external web-based whistle-blowing system that guarantees anonymity.

EVENTS DURING THE YEAR

During 2016, no incidents of anticompetitive activities, breaches of the competition law or monopolistic behavior leading to legal action have occurred.

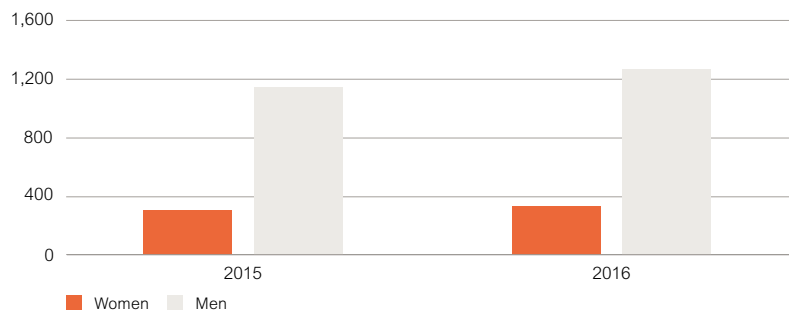
In 2016 Peab discovered two internal incidents of suspected financial irregularities. The responsible manager handled the incidents with support from members of the Ethical Council. Both led to labor law measures and one of them was reported to the police.

1,600

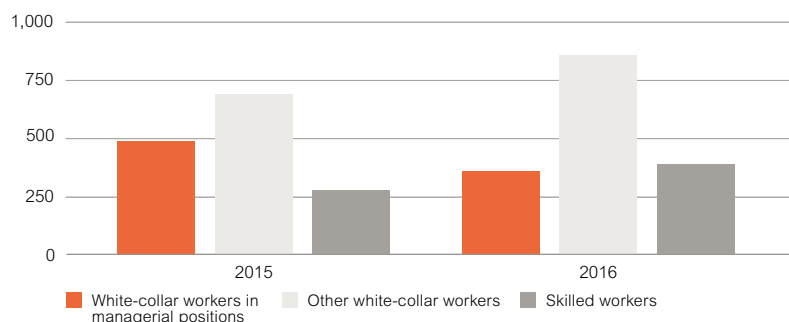
Some 1,600 employees were trained in ethics and anti-corruption in 2016 within the framework of the Ethics Round, Introduction course and Leading Peab.

Number of employees trained in ethics and anti-corruption

Number of employees per gender



Number of employees per employee category



Statistics regarding ethics courses include the number of employees that have gone through the Ethics Round, introduction education and Leading Peab.



Systematic work based on preventive education and explicit consequences for transgressions is the foundation of our work on ethics.



Reducing environmental impact

Peab's ambition is to take responsibility throughout the entire value chain for the company's environmental impact. We strive to reduce our climate impact, ensure a highly material effective operation and actively phase out environmental and health hazardous materials.

LOWERING CARBON DIOXIDE EMISSIONS

A major part of society's energy use and carbon dioxide emissions comes from the construction and civil engineering sector. Global agreements such as UN's global goals for sustainable development and the agreement from the climate negotiations in Paris 2015 (COP21) point out the direction we need to take. By changing behavior and increasing focus on energy issues we will most certainly be able to make our production more sustainable.

Our ambition is to lower carbon dioxide emissions by reducing total energy consumption and use renewable energy sources whenever possible. Peab's carbon dioxide emissions primarily come from using fossil fuel in transportation, construction

Sustainability aspects

- Climate impact
- Resource efficiency
- Phasing out environmental and health hazardous substances

GRI: EN2, EN3, EN6, EN13, EN15, EN16, EN17, EN19, EN23, EN27, CRE8

GC: 7–9

machinery, heating workplaces and manufacturing products. We work hard to use energy as efficiently as possible in these areas in order to lower energy consumption. We also work to successively reduce, and in the long run eliminate, fossil fuel consumption as renewable fuels are being developed.

SOME CONCRETE INITIATIVES AND RESULTS

Good planning is essential to lowering transportation emissions. Logistics are handled in close dialogue with suppliers to lower the impact and emissions of transportation on roads by choosing the right type of vehicle and coordinating loads. We are continuously updating our fleet and in 2016 we bought 30 Volvo Chassis Euro 6 that we intend to fuel with fossil-free diesel.

About 20 percent of the diesel used in Peab during 2016 was diesel with a 20–50 percent mixture of non-fossil fuel. In 2015 we started using a completely fossil-free diesel, HVO 100. The availability of this fuel is limited and we increase the use as possible.

Peab's ECO-Asfalt®, manufactured based on carbon dioxide neutral bio-oil (please see more on page 31), represented 59 percent of Peab's total asphalt manufacturing in Sweden at the end of 2016. Bio-oil is now used at 8 of the 21 asphalt plants in Sweden and reduces carbon dioxide emissions by an estimated 19,600 (6,700) tons annually, compared to the use of traditional fuel oil. Reducing the laying temperature of the asphalt by around 30 degrees cuts energy consumption by an estimated 20 percent and carbon dioxide emissions by 30 percent. In 2016 lower temperature asphalt represented 4.4 (1.9) percent of Peab's total asphalt laid in Sweden and Norway.

CHARTING OUR ENERGY CONSUMPTION

In accordance with an EU directive Peab started charting energy consumption in 2016. We began with the largest companies in business area Industry, Peab Asfalt and Swerock, representing about 50 percent of the total energy consumption. We continue to chart energy use in the rest of Peab's operations and will finish by 2020.

EFFICIENT USE OF MATERIAL

Construction and civil engineering operations generate large amounts of waste material. Peab aims to have the most material-efficient production possible in all our operations, in part by creating less waste material and in part by taking care of and recycling as much as possible. Material efficient work methods also contribute to reducing carbon dioxide emissions since both manufacturing and waste management of material requires energy.

Waste material in one place can very well be raw material in another. It is therefore crucial to cooperate with other players in the value chain and the industry to create circular flows and more efficient use of materials. It is also essential to create a shared perspective on responsibility and ethical handling of waste material in the industry. In order to lessen the risk that some part in the value chain does not fulfill its responsibility, explicit demands should be integrated into business agreements in combination with continuous onsite controls and follow-up.

RESPONSIBLE MANAGEMENT OF WASTE MATERIAL

Peab believes that all waste material, regardless of its origin and parts, should be handled in an environmentally correct way following the laws, regulations and industry agreements that are applicable. The largest amount of waste material is created in business area Civil Engineering, particularly in the form of landfill material, and in business area Construction, primarily as mixed and combustible waste and landfill material.

In order to prevent the creation of waste Peab is working on a more precise calculation of the amount of material and masses needed in production. Plaster is a prioritized fraction in the construction operation since recycling more of it means less landfill and recycled material can be used when manufacturing new drywall.

Peab's environmental objectives

Peab has a great responsibility for reducing our environmental impact throughout the entire value chain. Our work is aimed at:

- Significantly reducing our carbon dioxide emissions.
- Material-efficiency throughout our operations.
- Phasing out environmental and health hazardous substances in production.



Examples of recycling and use of resources

- In Sweden and Norway Peab's use of recycled material in asphalt manufacturing increased to 13 (12) percent in 2016.
- 20 of Peab's 42 concrete plants in Sweden manufacture concrete based on ballast with 100 percent crushed rock. Through this we lower our use of the finite resource natural gravel.
- Peab has 20 established units geared towards recycling masses from civil engineering projects.



Peab's ECO-Asfalt – a better choice for the environment

Bio-oil is used to dry and heat the gravel material in the manufacture of ECO-Asfalt, which is the part of the process requiring the most energy. The bio-oil is made from vegetable waste material from food production and is classified as carbon dioxide neutral by the Swedish Energy Agency.

The variant ECO-Asfalt plus additionally reduces the temperature of the asphalt by up to 30°C. This achieves a number of sustainable values, such as lower energy consumption and a better working environment since it reduces the amount of smoke gasses and particles. Another environmental gain is that more recycled asphalt is used in the asphalt produced.

Landfill material is a prioritized area in civil engineering operations. Excess material is classed, depending on how it can be handled, as either waste or a resource. In 2016 Peab developed a method for managing the masses created, received or taken from a site. It helps Peab reduce spreading unwanted substances while increasing the possibility of recycling and re-use of masses.

RE-USE AND RECYCLING AS A BUSINESS CONCEPT

The Recycling segment of Peab's subsidiary Swerock AB currently has around 20 facilities in Sweden. They work mainly with managing excess material from construction and civil engineering operations, doing everything from handling contaminated masses to using them in construction for civil engineering purposes. Recycling also handles other construction and demolition waste, provides equipment for water purification and manages a construction logistics center together with other players in the Peab Group. Recycling's business concept can be summed up in: "We contribute to sustainable construction by preventing the generation of waste as well as through recycling and re-using by coordinating the unique competences in the Group."

PRODUCTION FREE FROM ENVIRONMENTAL AND HEALTH HAZARDOUS MATERIALS

The products used in production, groundwork, reconstruction and maintenance are of great importance because of the impact they have on the environment. Unfortunately, the construction and civil engineering industry still uses environmental and health hazardous materials and new ones are continuously being released on the market. Peab's ambition is to, as far as possible, phase out environmentally and health hazardous materials with the help of manufacturers, suppliers, industry colleagues and customers by focusing on using the right material and traceability.

THE IMPORTANCE OF CHOOSING THE RIGHT MATERIAL FROM THE START

Peab works doggedly on selection of the right material and traceability. Traceability is important since there might be substances that today are not considered hazardous or have not yet been investigated but in the future might prove to have an impact on humans and nature. If there are no alternatives and Peab needs to use products with less suitable elements these need to be traceable. The choice of material in Peab's Swedish construction and civil engineering operations is based on two systems: BASTA and Byggvarubedömningen (Building Material Assessment System).



Steering environmental work

Environmental work takes place on all levels and is an integrated part of Peab. Since all the business areas share and are affected by many of the same issues they are coordinated on Group level.

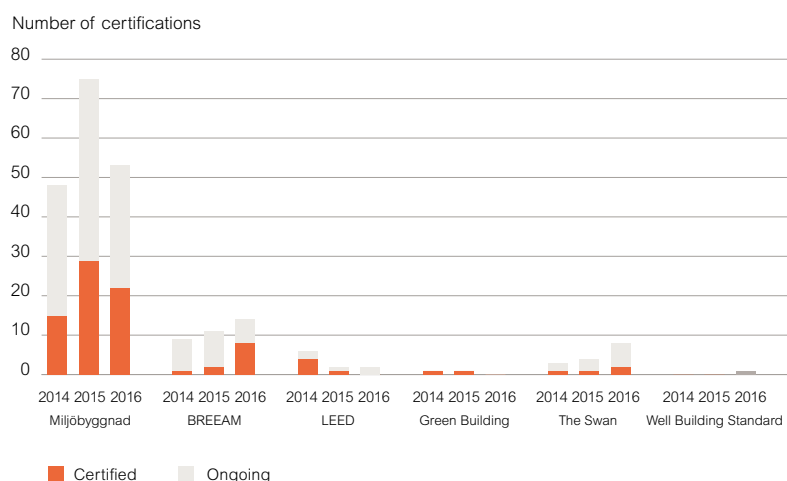
In turn, the business areas are responsible for implementing measures in daily work and for creating processes and action plans that step-by-step help us achieve our environmental goals.

Each business area has resources on business area, company and regional levels that support environmental work in daily operations.

Peab's environmental management system is an integral part of the business management system. The environment policy is integrated into Peab's company policy and is in harmony with the code of conduct, which is based on the principles of the UN Global Compact including the precautionary principle. The environment policy satisfies all of the requirements for ISO 14001:2004, and large parts of Peab's business are now certified in accordance with ISO 14001 or other certification systems.

Chemical products in the Swedish civil engineering and industry operations have been inventoried and the information registered in the chemical management system iChemistry. This is now being followed up by risk assessments and phase outs of dangerous chemical products. Materials used in construction operations are being registered in Byggarubedömningen to identify products and materials that contain environmental and health hazardous substances. This allows us to identify where, and to what extent, products and materials that contain environmental and health hazardous substances are used. At the same time we are working together with suppliers to replace environmental and health hazardous substances used extensively.

Environmental certification of buildings



The diagram shows the number of projects that are certified or where certification is ongoing. Ongoing means that registration has been made with the responsible certification organ during the current year or previously, and certification is in the pipeline. Certified refers to received certifications that has been received. The preliminary certifications are shown for Miljöbyggnad and BREEAM. The statistics include Peab's own in-house projects where Peab is responsible for certification and projects Peab is building for a customer.



Environmental certification is an important verification

There are many reasons why it is important to construct and develop buildings with environmental certifications. A certification is a verification from a third party that we work constructively with environmental issues and generate results. An environmentally certified building also has an added sales and acquisition value and a certification is an excellent way of displaying a building's environmental properties.

Peab works with environmental certification for buildings and infrastructure to satisfy our customers and in our own projects. Peab's organization has competence in the certifications BREEAM, LEED, the Swan, Green Building, Miljöbyggnad, Well Building Standard and CEEQUAL.

Goal for construction waste

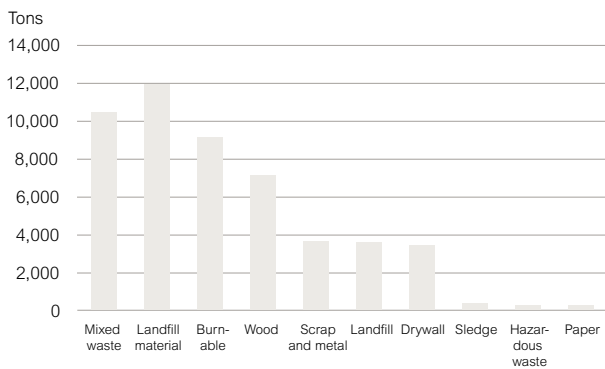
- At least 87 percent sorted before leaving the site and no more than eight percent goes to landfill.

Result 2016: 79 percent sorted, seven percent landfill.

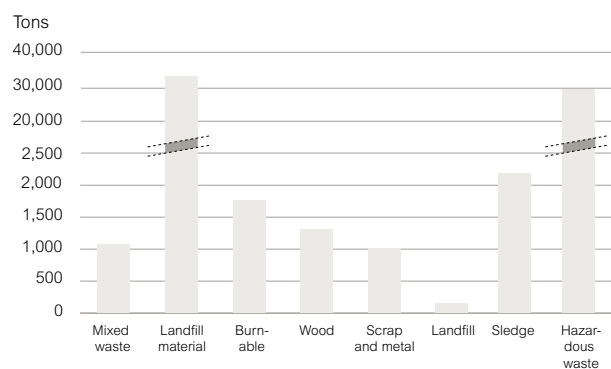


Waste

Business area Construction, 49,802 tons



Business area Civil Engineering, 72,057 tons



Processing method per fraction

Fraction	Landfill (%)	Incineration (%)	Recycling (%)
Mixed waste	14	76	10
Landfill material	27		73
Burnable		100	
Wood		100	
Scrap and metal			100
Landfill	100		
Drywall	50		50
Sledge	50		50
Hazardous waste	50	50	
Paper			100

The statistics cover Swedish operations and are limited to the waste handled by Peab's main waste management partners. The bar diagram shows the amount of waste, sorted into fractions, from business areas Construction and Civil Engineering. The table shows how the sorted fractions are then handled by Peab's main waste management partners.

Forward-looking neighborhood with a strong environmental profile

The neighborhood Aspö Eko-logi in Skövde, with a total of 242 apartments, will be designed in harmony with nature and have an explicit ecological profile. The idea is to combine no less than three environmental and energy certifications: the Passive House Standard FEBY12, Swan environmental certification and Miljöbyggnad Guld. The building facades will be made primarily from natural materials and the plans also include solar energy panels that will produce warm water and electricity, recycling household stormwater for watering vegetable gardens and a charging station, in preparation for an electric car carpool.

The first tenants moved in during 2016 and the entire Aspö Eko-logi project will be completed in 2018.



CO₂ emissions

tons CO ₂	2016	2015	2014
Scope 1			
Fuel oil	15,743	23,248	26,986
Gasoline	677	758	756
Diesel	44,183	45,283	83,216
Diesel with non-fossil blends	39,442	37,087	10,120
Scope 2			
Electricity	935	945	1 056
Scope 3			
Waste management incl. waste transportation	44,759	152,483	25,718
Business trips air travel	1,723	1,118	

The chart shows carbon dioxide emissions (CO₂) for Peab's Swedish business. Emissions from fuel have been calculated with the aid of the GHG Protocol. CO₂ calculations of electricity use are based on EPD from a main contracted supplier. CO₂ for waste has been calculated with a tool developed by the industry. Business trips include air travel booked via Peab's travel agent and CO₂ information for air travel is produced according to the STS Standard.

Energy use

GWh	2016	2015	2014
Electricity	96,578	97,623	109,053
Fuel oil	58,890	86,963	95,703
Non-fossil fuel oil	83,552	28,718	12,480
Gasoline	2,701	3,079	3,127
Ethanol	133	200	267
Diesel	170,472	174,714	315,677
Diesel 5–7% FAME	111,366	27,980	22,454
Diesel 10–50% FAME	90,820	144,100	18,824
HVO100	771	22	

The statistics include energy use in Swedish operations. Electricity is limited to the electricity purchased from a main supplier. The electricity is environmentally declared and corresponds to an estimated 50 percent of the purchased volume of electricity in Sweden. Statistics for fuel are based on the number of purchased liters. The energy content (GWh) is for 2015 and calculated with the aid of conversion factors from the Swedish Petroleum and Biofuels Institute (SPBI) along with specifications from fuel suppliers.



Long-term responsibility as a community builder

Peab's social engagement is directed towards initiatives for educating youths, local community building projects, mentorship and sustainable sponsorship. Our core operations provide a good basis for contributing to the local communities we are active in.

EDUCATING YOUTHS IS AN INVESTMENT IN FUTURE GROWTH

Investing in young people is to invest in future growth. Peab's commitment to the education of youths and our need for know-how in the future has been the basis for our independent upper secondary school, the Peab School. The founding idea of the school has been to create a high quality, modern upper secondary construction program with equal focus on creating a secure, aware citizen as on creating a skilled and employable worker. This is also stated in the school's goal: Best School – Best Journey. The Peab School is a safe place and offers a good study and work environment for everyone there. We work actively with establishing values in daily school life and together preventing any form of discrimination or abusive conduct.

Sustainability aspects

- Educating youths
- Local community building projects
- Mentorship
- Sustainable sponsorship

Each year there are about 430 students in the construction and civil engineering program at the five Peab Schools in Ängelholm, Malmö, Gothenburg, Solna and Upplands Väsby. Some initiatives at the Peab Schools in 2016:

- Language introduction for 100 immigrant youths at the Peab School in Gothenburg
- As a part of the project for more diversity and tolerance the students in the Peab School in Ängelholm took a study trip to the extermination camp Auschwitz
- Work with restoring buildings on the Utøya Island continued. For us this is an unmistakable stand for freedom of speech and democracy with the added advantage of allowing our students to practice their skills by building for Utøya's future

Future plans for the Peab School include broadening the curriculum to contain, besides the construction and civil engineering program, programs for adult education and courses that leads to better integration.

In 2016 Peab was one of the main sponsors for EuroSkills held at the Swedish Exhibition & Congress Centre in Gothenburg. During three days about 500 young professionals from 28 countries competed in different professions. Over 65,000 people visited EuroSkills and employees that used to be students at the Peab School were there to inspire the next generation.

INTERNSHIP AND MASTER THESES – FIRST STEP TO A JOB

In order to make better use of the knowledge and experience of immigrants Peab signed a document of intention with the Swedish Public Employment Service. The ambition is to offer 100 immigrants internships during 2016-2018. The intention of the so-called 100 Club is to create a long-term and strategic collaboration to help immigrants get their bearings in Sweden. At the end of 2016 31 people had been offered employment or internship in Peab through the 100 Club.

Peab also accepts interns from industry-related programs as well as practicing professionals, and each year there are students at the university level who do their master thesis at Peab.



There are around 430 students annually in the construction and civil engineering program at the five Peab Schools located in Ängelholm, Malmö, Gothenburg, Solna and Upplands Väsby.



The Peab School trains young immigrants

Preparations already began in the spring of 2016 for the Peab School in Gothenburg to open its doors at the end of the summer to a language introduction course for 100 young immigrants. The aim of the course is to prepare students for regular Swedish upper secondary school classes as well as teach them about Swedish society in order to facilitate their integration. A prerequisite for high quality in the program is having the right competence on hand through experienced, trained teachers aided by interpreters and other important support functions.

Summing up impressions from the first term we find that the students are highly motivated in their studies and have a strong desire to be successful in Sweden. They have many and varied dreams about their futures and over half of the students are interested in continuing in construction.

LOCAL COMMUNITY BUILDING PROJECTS IMPORTANT IN EVERYDAY LIFE

Peab is a big employer with strong local roots. Whatever Peab constructs affects the labor market and people's everyday lives in both big and small towns giving us the responsibility and the opportunity to contribute to the development of local societies. Norwegian Utøya is a good illustration of how Peab takes responsibility for the community, in this case by building up long-term partnerships that both the Peab School and the Norwegian Labor Party Youth League (AUF) learn from and where both parties are winners.

Intending to further strengthen our position Peab will in cooperation with the Peab School and an external player carry out at least one local community building project annually. During the autumn of 2017 Peab, the Peab School and the Mentor Sweden Foundation will carry out a project aimed at renovating a part of a high school in Malmö. The idea is that students in the Peab School will supervise younger high school students in renovating their own school. We have run similar projects twice before with very positive results for both individuals and the local community.

MENTORSHIP SPOTLIGHTS THE IMPORTANCE OF GOOD ROLE MODELS

Peab's ten-year collaboration with the Mentor Foundation – a nonprofit organization working with mentorship for youths between 13 and 17 years of age, has contributed to our belief in the importance of good role models for youths. In 2016, 26 employees in Peab were mentors in some form. This collaboration provides, in addition to personal mentorship, professional guidance for high school students through the concept Job Mentor as well as seminars in parenting for our employees.

Another form of mentorship is the way so many of Peab's employees are involved in supervising young people just beginning in the industry. The Peab School has founded a supervisor training course (approved by the National Agency for Education) aimed at strengthening the supervisors' competence in, for instance, Peab's core values, the work environment for minors, youth psychology, learning, motivation, conflict management and value systems. There are now about 1,000 trained supervisors among Peab's employees.

SUSTAINABLE SPONSORSHIP WITH A SOFT SPOT FOR YOUTHS

For many years Peab has been hugely involved in sponsoring, often on a local level. In 2016 Peab's sponsoring policy was revised in order to clarify our commitment to young people, innovation and diversity. The common denominator for all our sponsorship is that it support our vision, our business plan and our sustainability goals. Everything we sponsor should also be connected to one or more of the following areas:

- Youths' spare time: contribute to a meaningful spare time for young people on a broad basis
- Educating youths: help young people come together with skilled and committed teachers, mentors and counselors on their way into adulthood and a career
- Innovation and young entrepreneurship: help the young from every section of society develop their ability to think in new ways and be innovative
- Tomorrow's diverse society: our ambition is to contribute to forming tomorrow's diverse society together with other players in society

Peab's sponsoring is rooted in the local community with the common denominator that all sponsored activities must generate some kind of return to society. The organization is formed around a central Group sponsorship council that meets once a month to decide on sponsorship requests and the return expected from the applicant. In 2016 we increased our sponsorship to sports for the young by 100 percent and social community building projects by 130 percent. Our goal for 2017 is just as ambitious.

“The feeling you get when you see all the committed and diligent students in the language introduction, so filled with positive thoughts about the future, is that this is really and truly community building.”

Christer Borkenhagen,
principal at the Peab School in Gothenburg



Peab's ten-year collaboration with the Mentor Foundation has contributed to our belief in the importance of good role models for youths.



We will replace traditional sponsorship with modern, commitment-based sponsoring that has tangible results for the community. We engage ourselves in activities that create new engagement.

A VOICE IN THE PUBLIC DEBATE

It is our responsibility as community builders to be a voice in the public debate. The primary issues we get involved in concern the young and the skills supply along with greater diversity and equality in the industry, which are all important areas to ensuring a long lasting and efficient construction sector that can meet the needs of the market. Another vital factor that can contribute to this is access to foreign construction companies and foreign workers. When Ylva Johansson, Minister for Employment, presented the government's new regulations for workers posted in Sweden to the media in February 2017, she did it at one of Peab's housing construction sites in Ulriksdal, Solna. Peab's President and CEO Jesper Göransson, who participated in the meeting, welcomed both foreign construction companies and workers to Sweden but expressed the importance of unequivocal game rules that pertain to all the players active on the Swedish market. This makes a healthy, orderly industry possible.



In 2016 we increased our sponsorship to sports for the young by 100 percent and social community building projects by 130 percent.



Board of Directors' Report

The Board of Directors and the Chief Executive Officer of Peab AB (publ), Corporate ID Number: 556061-4330, hereby submit the following annual report and consolidated accounts for the 2016 financial year.

NET SALES ¹⁾

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).

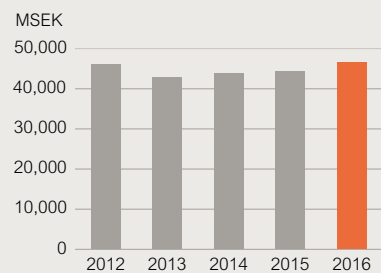
Net sales in business area Construction contracted by two percent excluding the write-down of the project Mall of Scandinavia. Net sales in business area Civil Engineering increased by three percent and in Industry by 13 percent. Net sales in Project Development were the same as last year.

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

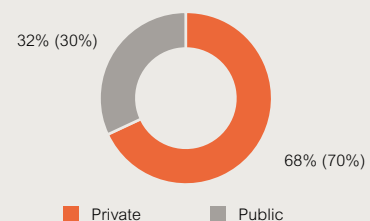
RESULT ¹⁾

Operative operating profit for 2016 amounted to SEK 2,075 million (1,052) and the operative operating margin improved to 4.5 percent (2.4). Excluding the write-down of the project Mall of Scandinavia with SEK -800 million during the fourth quarter 2015, operative operating profit amounted to SEK 1,852 million and the operative operating margin to 4.1 percent for the entire year of 2015. The Mall of Scandinavia in Solna, Peab's largest project ever with a contract sum of SEK 3.5 billion, was a challenge from the beginning, in part because of the size of the project and in part because of the alterations made during the project. This has made it difficult to assess the final result of the project. After the inauguration of the mall in November 2015, the project was revised and a write-down of SEK -800 million was made in the fourth quarter of 2015.

Operative net sales



Operative net sales per customer type, 2016



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.

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 operating margin decreased to 3.3 percent (3.6). Business area Industry reported greater profit than last year and the operating 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).

FINANCIAL POSITION

The equity/assets ratio on 31 December 2016 was 29.7 percent compared to 28.8 percent at the end of 2015. Interest-bearing net debt amounted to SEK 1,862 million compared to SEK 3,118 million at the end of last year. 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 amounted to SEK 6,975 million compared to SEK 6,140 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 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 year contained the disposal of operations as well as operations property.

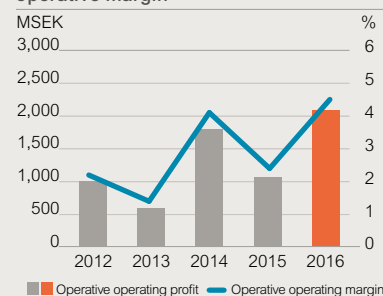
Net divestments in project and development properties, which are recognized as inventory items, totaled SEK 324 million (291) during 2016. During the year a hotel property and building development rights for offices in Hyllie were divested to a company partially owned by Peab. During the 2015 housing development rights corresponding to around 700 apartments were acquired on the old Råsunda property in Solna. In 2015 a cold storage was divested in Bjuv.

CASH FLOW

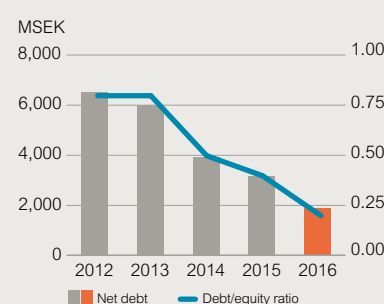
Cash flow from current operations was SEK 3,455 million (2,825), of which the partial divestment of property in Hyllie was SEK 508 million. The comparable year included the sale of cold storage space in Bjuv for SEK 590 million.

Cash flow from investment activities was SEK -804 million compared to SEK -1,038 million for the comparable year. The cash flow includes investments in machines, acquisitions of business in business area Civil Engineering and Industry as well as repayment of loans from partially owned companies. Last year included investments in machines, loans to partially owned companies as well as sales of Peab's shares in the partially owned company S:t Eriks. Cash flow before financing amounted to SEK 2,651 million compared to SEK 1,787 million last year.

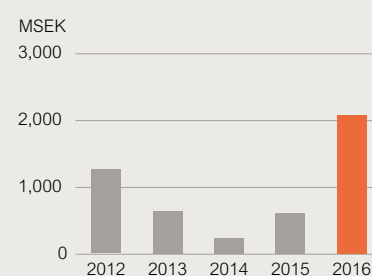
Operative operating profit and operating operative margin



Net debt and debt/equity ratio

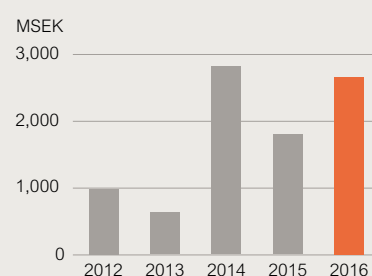


Net investments ¹⁾



¹⁾ Including project and development properties, shares and participations.

Cash flow before financing



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).

ORDERS RECEIVED AND ORDER BACKLOG

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 Construction, Civil Engineering and Project Development. No orders received or order backlog is given for the business area Industry.

There continues to be a broad spread geographically of housing projects in orders received for 2016. 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.

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.

BUSINESS AREA AND GROUP FUNCTIONS PRESENTATIONS

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

Business area Construction reports net sales and result referring to the contract construction in our own housing projects, in rental projects and other projects for business area Project Development according to the percentage of completion method. Business area Project Development reports net sales for both contract construction and the developer part of our own housing projects. The booked result consists of the result in the developer part according to 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.

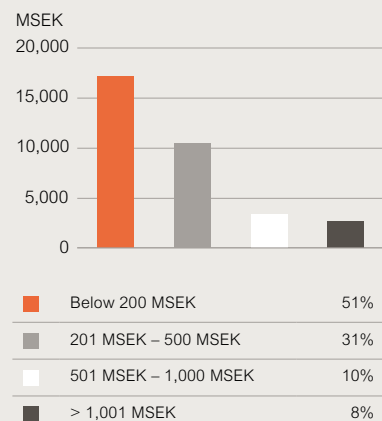
Group functions

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 AB and Peab Support (Shared service center). Peab AB's operations consist of executive management and shared group functions. The internal bank, Peab Finans, handles the Group's liquidity and debt management as well as financial risk exposure. The company is also a service function for the subsidiaries and works out solutions for loans and investments, project-related financing and hedging. Peab Support delivers services within the process-oriented personnel and systems intensive operational areas Accounting, Payroll/Systems and IT to all Group entities.

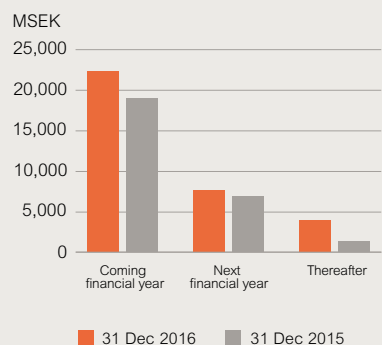
Operating profit for the year for Group functions was SEK -122 million (-100).

Read more about Peab's business areas on pages 40-49.

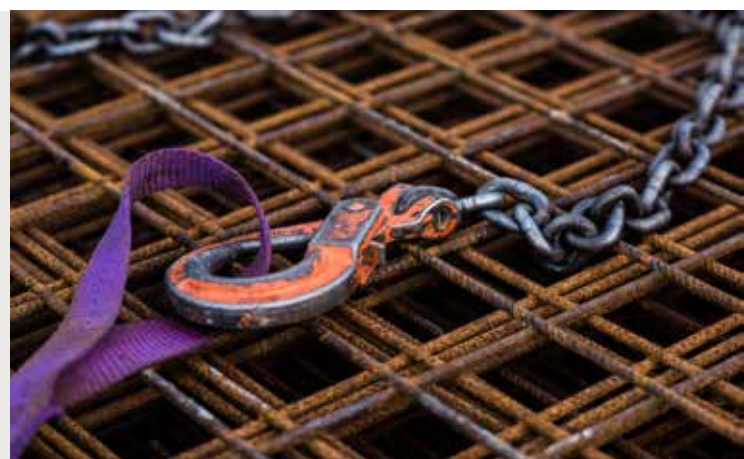
Project allocation of order backlog, 31 December 2016



Order backlog allocated over time



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.



Orders received

MSEK	2016	2015	2014
Construction	27,883	25,999	22,735
Civil Engineering	12,089	10,433	9,048
Project Development	8,245	6,498	5,708
Eliminations	-6,772	-5,118	-5,801
Group	41,445	37,812	31,690

Order backlog

MSEK	31 Dec 2016	31 Dec 2015	31 Dec 2014
Construction	24,160	19,529	17,966
Civil Engineering	8,679	7,292	7,525
Project Development	6,853	4,357	3,536
Eliminations	-6,120	-4,187	-4,105
Group	33,572	26,991	24,922

Net sales and operating profit per business area

MSEK	Net sales			Operating profit			Operating margin		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Construction	24,121	24,645	24,474	542	575	552	2.2%	2.3%	2.3%
Civil Engineering	10,740	10,448	9,958	355	381	331	3.3%	3.6%	3.3%
Industry	12,161	10,800	10,830	753	648	671	6.2%	6.0%	6.2%
Project Development	7,639	7,605	7,830	622	398	342	8.1%	5.2%	4.4%
<i>of which Property Development</i>	1,385	1,634	1,407	89	10	12	6.4%	0.6%	0.9%
<i>of which Housing Development</i>	6,254	5,971	6,423	533	388	330	8.5%	6.5%	5.1%
Group functions	897	836	823	-122	-100	-71			
Eliminations	-9,069	-9,282	-10,095	-75	-50	-42			
Operative excluding write-down¹⁾	46,489	45,052	43,820	2,075	1,852	1,783	4.5%	4.1%	4.1%
Construction – write-down of project Mall of Scandinavia		-800			-800				
Operative¹⁾	46,489	44,252	43,820	2,075	1,052	1,783	4.5%	2.4%	4.1%
Adjustment for housing reporting ²⁾	-152	124	-190	23	-43	-31			
Legal	46,337	44,376	43,630	2,098	1,009	1,752	4.5%	2.3%	4.0%

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

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

Number of employees per business area per 31 December

	2016		2015		2014	
Construction	6,600	48%	6,320	48%	6,434	49%
Civil Engineering	3,080	22%	3,019	23%	3,049	23%
Industry	3,385	24%	3,204	24%	3,016	23%
Project Development	321	2%	285	2%	254	2%
Group functions	483	4%	472	3%	460	3%
Group	13,869	100%	13,300	100%	13,213	100%

BUSINESS AREA CONSTRUCTION

Focus on quality in a strong construction market

Key ratios

	2016	2015	2014
Net sales, MSEK	24,121	23,845	24,474
Operating profit, MSEK	542	-225	552
Operating margin, %	2.2	-0.9	2.3
Orders received, MSEK	27,883	25,999	22,735
Order backlog on 31 December, MSEK	24,160	19,529	17,966
Number of employees on 31 December	6,600	6,320	6,434

With local roots close to customers business area Construction performs contract work for both external and internal customers. 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.

THE BUSINESS AREA IN 2016

The 2016 construction market in Sweden was strong and characterized by good growth. The Swedish market was primarily driven by housing production manifested in business area Construction through a large number of ongoing housing projects all over the country. Other construction, commercial and public premises increased as well. Swedish housing production is currently moving full speed ahead in major city regions and in almost every large town and this trend will probably continue in 2017.

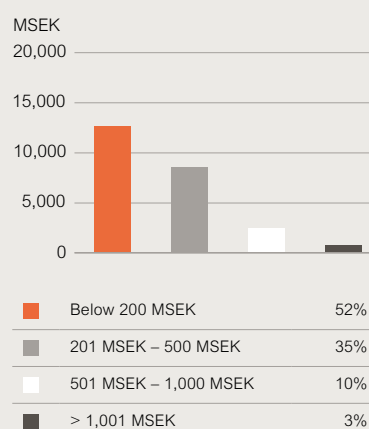
In central Stockholm Peab is in the middle of a huge renovation construction project. The city block Björnen on Drottninggatan, Government Offices, is going to be rebuilt and extended. It is the National Property Board's largest construction project ever totaling 44,000 m² BTA with around 1,000 work stations. During the year a meticulous renovation and extension of the revered Art Gallery Liljevalchs in the Royal Djurgården in Stockholm was initiated and will be completed in 2018. The architect is Gert Wingårdh. At the same time the city of Kiruna is undergoing the upheaval of being moved. Peab has been given the honor of erecting the new City Hall, Kristallen (the Crystal), from the developer LKAB. The new City Hall will be ready in 2018 and is a total of 14,400 m².

The Norwegian market was more scattered. Cities exposed to the oil industry struggled due to the decrease in oil prices. This was compensated by growing infrastructure projects all over the country and a faster production rate in Oslo and northern Norway, particularly in housing construction. Peab's construction operations in the Oslo region covered many different kinds of construction projects, while in Tromsø Peab had a number of housing projects during the year. For Norwegian Statsbygg Peab is building a new medical research facility at the University in Tromsø.

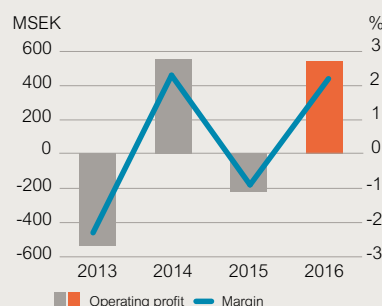
Finland continued to develop weakly. However, there is an unheeded need which led to an increase in construction in 2016, albeit from low levels. Peab's Finnish operations



Project allocation of order backlog, 31 Dec 2016



Operating profit and margin



worked on a number of housing projects in the larger cities besides Helsinki in 2016. Around the capital Peab's main focus in 2016 was on other building construction together with renovations.

Key functions in society

Urbanization is a clear trend in all countries Peab operates in. This puts pressure on municipalities and county councils to ensure that there are schools, retirement homes, health care and commercial areas to go together with all the new housing construction. Peab's customers have to decide whether to rebuild or construct new premises. New and more stringent environmental and energy demands may make it more expensive to renovate and rebuild in the long run and this raises the rate of construction even more.

Major orders for public premises in 2016 included reconstruction and additions to the Nälsta School in Vällingby (a contract for SEK 229 million), construction of a new sports arena and elementary school in central Malmö (a contract for SEK 293 million), expansion of Hyvinge Hospital north of Helsinki in Finland (a contract for EUR 31 million) as well as reconstruction and additions to the Morö backe School in Skellefteå (a contract for SEK 223 million).

Nationwide contract construction

In an industry going through one of its most dramatic upturns in recent times it is crucial to remain close to customers regardless of their location and size. Peab's construction portfolio strategy has been refined throughout the years allowing us to balance the market's growth with high quality on every level as well as good business acumen.

One of Peab's strengths is to be able to offer local craftsmen even after the projects are up and running which makes Peab a reliable supplier, particularly for large customers. In March 2016 Peab Construction Service became the only supplier for simpler construction work for Postnord's approximately 2,000 service centers, postal worker's offices and terminals in Sweden. In addition, in October 2016 Peab Construction Service became the sole nationwide supplier of contract construction for Swedbank's renovation and extension projects all over Sweden. All in all Peab Construction Service does over 50,000 large and small jobs for the public sector and private property owners every year.

Purchasing management and digitalization

In 2016 Peab intensified the work on creating our future purchasing organization. Through more management and specialization Peab will be able to make greater demands on high quality products that protect the environment, craftsmen and end users. Increased management and cross-functional collaborations that start already at the procurement stage maximize scale advantages and minimize unnecessary waste in the production phase. Digitalization will also enable constant new ways to transfer knowledge amongst all Peab's operations.

NET SALES AND PROFIT

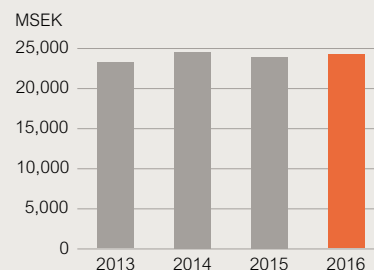
Net sales for 2016 amounted to SEK 24,121 million (23,845). Excluding the write-down of the project Mall of Scandinavia net sales amounted to SEK 24,645 million in the comparable year.

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.

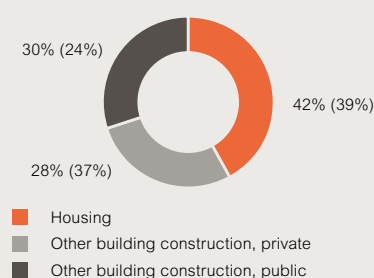
ORDERS RECEIVED AND ORDER BACKLOG

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).

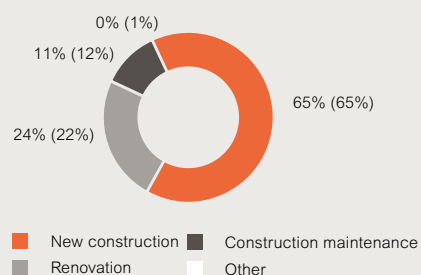
Net sales



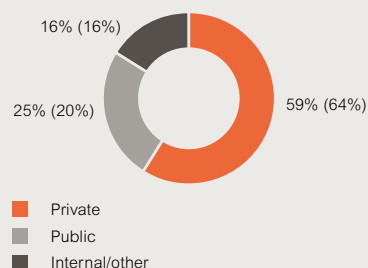
Per product code, 2016



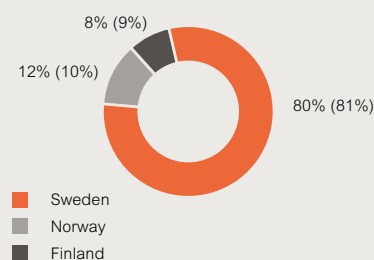
Per type of operation, 2016



Per customer type, 2016



Per geographic market, 2016



BUSINESS AREA CIVIL ENGINEERING

Investing in competence and resources for a changing market

Key ratios

	2016	2015	2014
Net sales, MSEK	10,740	10,448	9,958
Operating profit, MSEK	355	381	331
Operating margin, %	3.3	3.6	3.3
Orders received, MSEK	12,089	10,433	9,048
Order backlog on 31 December, MSEK	8,679	7,292	7,525
Number of employees on 31 December	3,080	3,019	3,049

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 water and sewage supply networks. The business area cooperates extensively over regional and country borders for joint development and experiences exchanges, project management as well as considerable scale advantages in larger and more complex projects.

THE BUSINESS AREA IN 2016

In 2016 there was a large range of projects to be had on the Nordic civil engineering market and many more are expected in the coming years. The increase primarily consists of large, complex infrastructure projects in Sweden and Norway. As a consequence there is more competition from non-Nordic companies creating a price pressure. There were fewer projects in Finland and the competition for them was tough.

Production in several major projects started up in Infrastructure such as E6 in Trondheim, Norway and lowering E45 in Gothenburg. Peab also entered the final phase of project Mälärbanan.

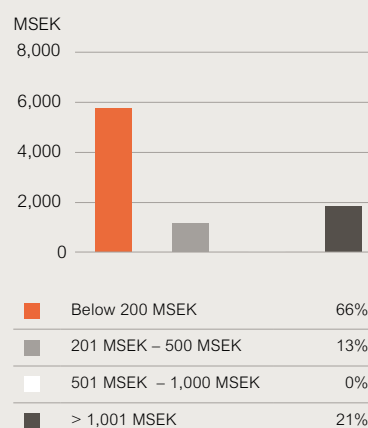
Increasing need for infrastructure

Local market continued to do well driven by population growth and the ensuing increasing need for different kinds of infrastructure. This was particularly true in larger cities in Sweden and Norway. A higher demand for infrastructure is expected to continue in the coming years and then decrease somewhat as housing construction reaches its peak. In Finland the local market was more austere because of budget limitations in public finances.

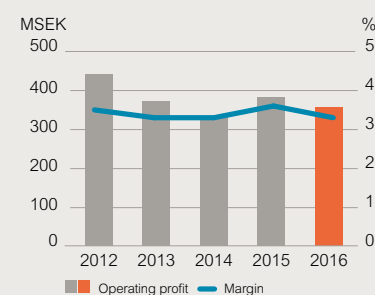
There was temporarily less activity in some product areas, for instance wind turbine construction as a result of low energy prices, but they are expected to bounce back. Activity continued to be high in industrial construction, for example Peab won a project for the construction of new buildings at SCA's pulp factory in Östrand in Sundsvall. Another important event in 2016 was the acquisition of Solberg Maskin A/S in Norway, a good complement on the local market in the Trondheim area.



Project allocation of order backlog, 31 Dec 2016



Operating profit and margin



In Operation and maintenance Peab had contracts renewed within road management in several operational areas. In municipal operation and maintenance Peab won new contracts for, among others, outdoor property management for Växjöbestäder and for maintenance in Täby municipality. Helsingborg's municipality renewed its contract with Peab, as did Stockholm's Harbor along with other important customers.

Peab's employees are a crucial asset when planning, allocating resources and managing risks in projects. To be able to continue offering competitive solutions in projects with more and more complex demands Peab began intensely increasing its capacity in Peab Civil Engineering Technology in 2016. Through this Peab increases its access to technical specialists who follow a project from procurement to finished product.

Partnering / Early Contractor Involvement (ECI)

More and more customers prefer so-called partnering or ECI (Early Contractor Involvement). In December Peab was commissioned to build a new train depot in Eskilstuna. The contract amounted to SEK 399 million and was a turnkey contract with partnering. This allows Peab to be involved early on with the customer, Eskilstuna municipality. Completion is planned for autumn 2018.

Another example is Olskroken, a central junction for the railroad system in Gothenburg and western Sweden. Peab received the contract for the first phase in the Olskroken project in December 2015 and the procurement followed the ECI contract model. In phase 1 Peab will be responsible, together with the client, for planning all the details in preparation for the construction start scheduled for 2017/2018. The contract for phase 2, the construction itself, will hopefully be signed in the second part of 2017. The client is the Swedish Transport Administration and the project is planned to extend into 2024.

Peab continued to work on the logistics project during the year. The digitalization of material deliveries and transportation services in Civil Engineering enables Peab to optimize logistics, reduce administration and gain better control over finances. The next step is to further automatize environmental data for optimized measuring and follow-up of environmental impact.

NET SALES AND PROFIT

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.

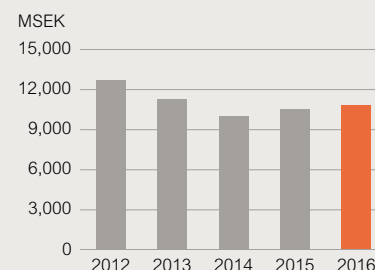
Net sales in the product area Local market grew but the operating profit contracted slightly. Net sales in Operation and maintenance increased and profit improved. Net sales decreased in Infrastructure but the margin improved.

ORDERS RECEIVED AND ORDER BACKLOG

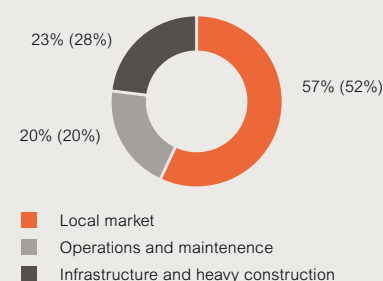
Orders received during 2016 amounted to SEK 12,089 million (10,433), an increase by 16 percent. The increase is primarily due to Infrastructure through two major highway projects, E6 Trondheim in Norway and reconstruction of E45 outside Gothenburg, each worth around SEK 1 billion.

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

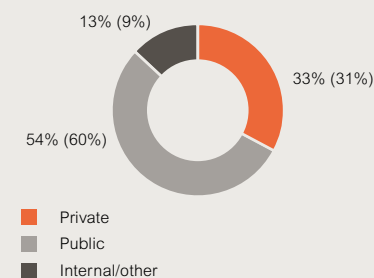
Net sales



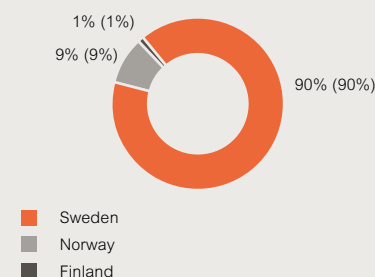
Per product area, 2016



Per customer type, 2016



Per geographic market, 2016



BUSINESS AREA INDUSTRY

Well positioned for hot construction and civil engineering markets

Key ratios

	2016	2015	2014
Net sales, MSEK	12,161	10,800	10,830
Operating profit, MSEK	753	648	671
Operating margin, %	6.2	6.0	6.2
Capital employed on 31 December, MSEK	5,416	4,885	5,257
Number of employees 31 December	3,385	3,204	3,016

Business area Industry is a complete supplier of all the products and services needed in order to carry out a construction and civil engineering project sustainably and cost efficiently. This is achieved by offering industrial construction, possessing strategically placed quarries, asphalt plants and concrete factories as well as by renting out construction equipment and cranes.

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

THE BUSINESS AREA IN 2016

Business area Industry has operations in Sweden, Norway and Finland. The year started somewhat hesitantly in Sweden and business did not pick up speed until the summer but then accelerated in the second half of the year. Extensive housing construction in Sweden, together with the launch of a number of civil engineering projects, contributed to a positive development for many of the business area operations in 2016. Lower investments in the mining industry led to a decline in the business area's operations in northern Sweden, while operations in southern Sweden were on a high, stable level throughout the year. The Norwegian market had a relatively good year delivering large volumes of ready-mixed concrete in northern Norway. Crane operations, which rent and sell cranes, developed very positively. The market was weaker in Finland, although there were positive tendencies in the second half of the year. Crane operations in Finland, however, did well throughout 2016 and Concrete recovered somewhat during the second half. A new cement import terminal was completed in Hanko Harbor in 2016, further strengthening Peab's competitive capacity on the Finnish market.

Launching ECO-Asfalt

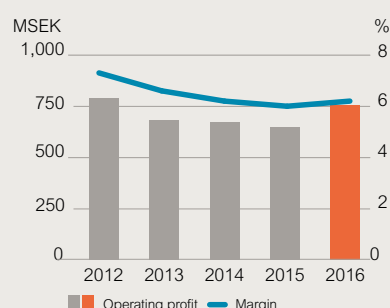
Peab's Asphalt plants delivered massive volumes, partly because of contracts with Swedavia and the Swedish Traffic Administration. As part of the collaboration with Swedavia Peab Asphalt did pavement work at all of Swedavia's airports in Sweden and took on major projects at Landvetter, Arlanda and Bromma during the year. As a part of Peab Asphalt's launch of Eco-Asfalt the converted asphalt plant Veberöd was inaugurated outside Lund. The conversion consisted of switching from fossil fuel to carbon dioxide neutral, non-fossil fuel. All told Peab Asphalt converted eight asphalt plants in 2016, among them the ones in Stockholm and Källered. The remaining stationary plants will be converted no later than 2020.

New concrete plants and quarries

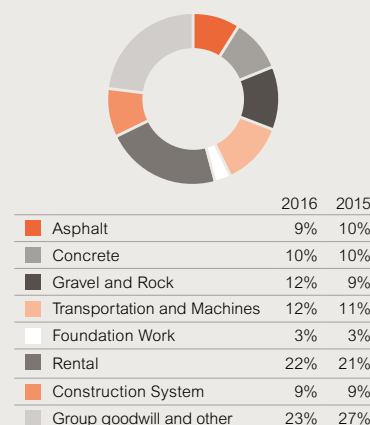
Concrete operations developed positively in 2016. More activity in northern Norway, particularly in Tromsø, meant higher volumes and improved profitability. Product area Concrete produced and delivered very good volumes in several geographic areas in Sweden as well. Several new concrete factories were established in 2016 and concrete operations were acquired in Borås. Gravel and Rock delivered greater volumes with efficient production. Swerock strengthened its position on the market by establishing



Operating profit and margin



Capital employed per product area, 31 December 2016



new quarries. This is part of the strategy to acquire more quarries in the product area Gravel and Rock, enhancing Peab's presence on the local market. In 2016 Swerock acquired gravel and rock operations in Torup in southwest Sweden as well as in Källered outside of Gothenburg.

Broader environmental responsibility in Transportation and Machines

Recycling is a relatively new unit in product area Transportation and Machines and with it business area Industry takes greater responsibility for the environment. This is partly achieved through taking care of soil masses as well as by sorting and recycling demolition material and partly through establishing facilities close to construction and civil engineering projects which reduces CO2 emissions by cutting down on transportation. Recycling also paves the way for new business opportunities in other segments. Developing Recycling enables Peab to offer comprehensive solutions for construction and civil engineering projects.

After the changes made in Transportation and Machines the product area developed positively in 2016. Phasing out unprofitable operations and developing profitable ones has given Transportation and Machines a good platform for the future.

Pile factories produced big volumes

Foundation Work developed positively on the Swedish market, especially during the second half of the year. The pile factories churned at full steam and over 400,000 pile meters were produced in 2016. However, development on the Norwegian market was weaker than expected.

Good market for Rentals and Construction System

In product area Rentals orders for traffic signs increased and Lambertsson Sweden set up new units in several areas. In order to reduce emissions with a negative environmental impact Lambertsson Sweden made considerable investments in electrical construction equipment. For instance, Rentals offer electrical compaction equipment, excavators and wheel loaders. Glacell in Rentals, specialized in solar cells for public and commercial players, had a number of projects in 2016. One of the largest solar cell installations ever made in a residential area was completed in Lund. ATS Kraftservice grew, particularly in the transformer segment. Lambertsson Kran developed positively during 2016 in both tower cranes and elevators as well as in mobile cranes, mostly due to the hot Swedish construction market.

Construction System was in high demand, successively amassing an order backlog during the year. Construction System finished the expansion of its factory in Ucklum at the end of the year. The factory is now in full swing and it will increase the production of prefabricated concrete elements to meet the demand created by housing construction.

NET SALES AND PROFIT

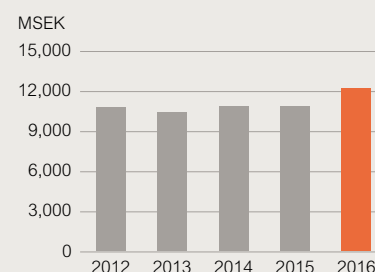
Net sales for 2016 increased by 13 percent and amounted to SEK 12,161 million (10,800) with increases in most of the product areas. After adjustments for acquired and divested units net sales increased by 12 percent compared to last year. Operating profit for 2016 increased to SEK 753 million (648) and 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 Källered. 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.

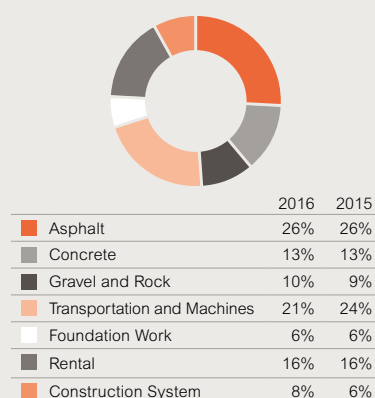
STRONG BRANDS

To a certain extent Peab has built its industrial operations on the acquisition of a large number of different companies with strong, local brands that complement the Peab brand, for example: Lambertsson, Swerock, Clifton, Skandinaviska Byggelement, Glacell, ATS Kraftservice, Lättklinkerbetong, MBR, Virtanen, Kranor, Ferdigbetong.

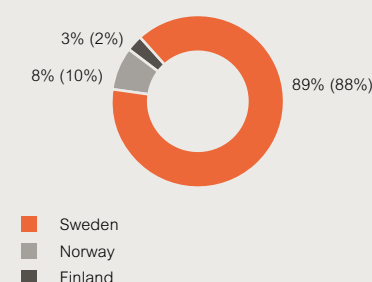
Net sales



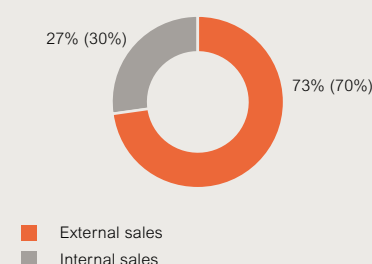
Per product area, 2016



Per geographic market, 2016



Share of net sales, 2016



BUSINESS AREA PROJECT DEVELOPMENT

Develops sustainable cities, homes and property

Key ratios

	2016	2015	2014
Operative net sales ¹⁾ , MSEK	7,639	7,605	7,830
of which Property Development	1,385	1,634	1,407
of which Housing Development ¹⁾	6,254	5,971	6,423
Operative operating profit ¹⁾ , MSEK	622	398	342
of which Property Development	89	10	12
of which Housing Development ¹⁾	533	388	330
Operative operating margin ¹⁾ , %	8.1	5.2	4.4
of which Property Development	6.4	0.6	0.9
of which Housing Development ¹⁾	8.5	6.5	5.1
Capital employed on 31 December, MSEK	10,281	10,838	10,646
Orders received, MSEK	8,245	6,498	5,708
Order backlog on 31 December, MSEK	6,853	4,357	3,536
Number of employees on 31 December	321	285	254

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

Project Development, which includes Housing Development and Property Development, creates vibrant cities with both homes and commercial properties. The business area is responsible for the Group's property acquisition and divestiture and generates contracts for the other business areas. Project Development works through wholly owned projects or in cooperation with other partners in joint ventures.

Local roots close to customers is a success factor for Housing Development and the business is therefore represented in a large number of cities in Sweden. Property Development is represented in Malmö, Gothenburg and Stockholm. Operations in Finland are in Helsinki and other large cities. In Norway operations are located in Oslo and Tromsø.

THE BUSINESS AREA IN 2016

Housing Development

The housing market in Sweden has developed positively since 2010. The market is driven by urbanization, low interest rates and a level of construction that has been way too low for many years. On top of that is a substantial need for more housing to keep up with the growing population. The consequences of all this is a huge demand for new housing and a continued positive market. The greatest challenges Peab faces are the labor shortage in the industry, particularly in large cities, cost increases, especially in subcontractors and higher land prices.

2016 was a strong year for Peab and production starts in Sweden accelerated. Business was characterized by high completion of planned projects. More than 2,600 of our own developed homes went into production in Sweden, Norway and Finland, creating homes for over 7,500 people. Peab has a good development rights portfolio and in 2016 it intensified its efforts in business development and personnel recruiting in order to acquire and develop new development rights for future homes.

Peab's ambition is to be at the forefront of sustainable city development by creating vibrant cities where financial, environmental and social goals are fulfilled. The objective



Peab's ambition is to be at the forefront of sustainable city development by creating vibrant cities where financial, environmental and social goals are fulfilled. The objective is to develop housing that caters to the needs of many different people and offer all kinds of housing such as apartment buildings in tenant owned, ownership and rental forms as well as single homes.

is to develop housing that caters to the needs of many different people and offer all kinds of housing such as apartment buildings in tenant owned, ownership and rental forms as well as single homes.

In the traditional dockyard in central Lindholmen in Gothenburg about 450 houses, daycare centers, restaurants and offices are being planned. Here Peab is creating a vibrant city area characterized by diversity, creativity and proximity to Gothenburg's city center. The houses will comply with the Swan environmental standard. The first 67 apartments were sold in the spring of 2016. Another example of how an industrial area can be transformed into a residential city district is Kvarnholmen in Nacka in the Stockholm area. By 2025 a total of 3,000 apartments will be built. In April 2016 Peab put 47 apartments in Kvarnholmen up for sale. Another example is Vallastaden in Linköping where Peab is one of the contributors to developing a new visionary part of the city. Peab is building 136 of the 900 apartments being constructed by a large number of developers. The area will contain a wealth of forms of housing such as rentals, tenant owner and ownership apartments.

Since Peab is located all over Sweden it has a strong market position. In order to meet the growing demand a new region was added in Uppsala in 2016 and in January 2017 Housing Development strengthened its presence in southeast Sweden with a new region.

Operations in Norway and Finland

In 2016 housing prices rose by 8.3 percent, much more than expected, on the Norwegian market (source: Boligprodusentene). Prices are expected to continue to rise in 2017. Price increases on Peab's largest markets, Oslo and Tromsø, were 23.2 respective 7.5 percent in 2016. Peab is a relatively small player on the Norwegian market, but during 2016 it acquired development rights in order to initiate a number of housing projects in the coming years. In 2016 three significant development projects were acquired in Oslo: Hans Haslumsvai (planned sales start in 2019), Trondheimsveien 113 (sales start 2017), and Skårer/Lørenskog (sales start 2018). In 2016 Peab started the partly owned project Himmel & Hav in Tromsø with 300 apartments. This is Peab's largest own development project in northern Norway ever.

Sales volumes of new housing grew by some 25 percent on the Finnish market and there were about 34,000 new apartment start-ups. Helsinki and Tampere represent about 55 percent of new construction in Finland (Source: Statistikcentralen). These cities are also Peab's growth areas. The number of Peab's sold homes on the Finnish market increased in 2016. Three important sales starts in 2016 were Kronobergs in Helsinki, Teku in Oulu and Korkeavuori in Turku. Housing Development in Finland also acquired land in 2016 in both Tampere and Helsinki, creating a good foundation for future development business.

Property Development

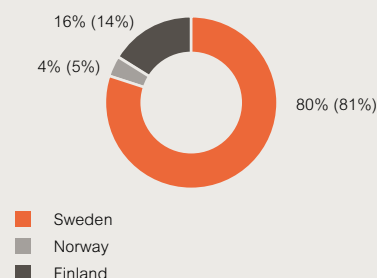
The market for offices in the areas around the largest Swedish cities was strong in 2016 along with the real estate market. Positive development is expected to continue in the rental market as well as stable development of housing prices.

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. Peab's main ambition is to develop projects based on our own development rights in our own balance sheet. Cooperation with other partners in joint ventures may occur during a project. The aim is to create capital efficient development in cooperation with partners that strengthen our business and profitability.

Two larger property deals were sealed in 2016. One was establishing a joint venture together with the Malmö-based real estate company Volito in order to build the largest office building in Hyllie as well as own and manage the hotel property Vårdshuset 5 at Hyllie Station Square. The 110 meter high office property The Point is Peab's fourth project under development in Malmö's new city district Hyllie. The other property

Operative net sales

Per geographic market, 2016



The industrial area Kvarnholmen in Nacka in the Stockholm region is being transformed into a bustling city district. A total of 3,000 apartments will be constructed by 2025. Peab put 47 apartments in Kvarnholmen on the market in April 2016.

deal was Peab's contract with Faberge for the divestment of assets in Solna. The transaction included Peab's entire share in Arenabolaget in Solna KB that owns Friends Arena, Peab's entire holding in the company Visio Utveckling AB, 50 percent, that owns assets connected to Friends Arena, as well as development rights in Solna and properties and development rights in Ulriksdal. For ten years Peab has participated in developing Arenastaden in Solna in cooperation with the municipality and private players. The transactions were completed on 12 January 2017 and will be reported in the first quarter of 2017.

Operations in Norway and Finland

Peab's property development is relatively small in Norway. The market is considered to be stable, particularly in Oslo and other major cities. The operations have an ongoing project in Tromsø, a BREEAM certified office property of 9,700 m².

Total real estate volumes on the Finnish market reached record levels of EUR 7.2 billion (Source: KTI Kiinteistötieto Oy). In 2016 Peab completed the office project Ultimes Business Garden in Helsinki, divested Nereis Business Garden in Turku and presented a new concept, Service Garden, for cities and municipalities. Service Garden is, like Business Garden, our own concept and one that is exceptionally flexible using space modernly and efficiently, and is environmentally efficient as well.

NET SALES AND PROFIT

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	31 Dec 2014
Housing development rights	4,125	3,831	2,974
Commercial development rights	675	543	710
Ongoing projects Property Development	736	944	1,144
Investment property Property Development	1,246	1,244	1,406
Participation in joint ventures	682	693	752
Financial receivables and others	2,817	3,583	3,660
Total	10,281	10,838	10,646

Housing development rights

Number, approx.	31 Dec 2016	31 Dec 2015	31 Dec 2014
Development rights on our own balance sheet	17,300	17,400	15,200
Development rights via joint ventures	3,900	4,400	6,900
Development rights via options etc.	7,200	6,800	7,000
Total	28,400	28,600	29,100

Own housing development construction

	2016	2015	2014
Number of housing starts during the year	2,651	2,363	2,502
Number of sold homes during the year	2,044	2,295	2,871
Total number of homes under construction, at year-end	4,381	4,043	4,034
Share of sold homes under construction, at year-end	69%	82%	84%
Number of repurchased homes on the balance sheet, at year-end	50	61	97



Together with the real estate company Volito Peab will build the largest office building in Hyllie and own and manage the hotel property Vårdshuset 5 at Hyllie Station Square.

Housing Development

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).

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.

During 2016 net sales in Property Development were SEK 1,385 million (1,634) and operating profit was SEK 89 million (10). The year 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 receivables and others include loans to partly owned companies and working capital.



A growing population, low interest rates and urbanization contribute to the big demand for new housing.

Significant joint ventures

FASTIGHETS AB CENTUR

Own, manage and develop commercial property and housing.

Peab's share: 50 percent

Partner: Balder

Geography: Stockholm, Gothenburg and the Öresund region

TORNET BOSTADS- PRODUKTION AB

Build and manage 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

FASTIGHETS AB ML4

Own and manage the research facility Max IV. The facility is rented to Lund University.

Peab's share: 50 percent

Partner: Wihlborgs

Geography: Lund

VISIO UTVECKLING AB

Own and manage companies responsible for developments, including handling zoning plans and exploitation matters, implementation, construction and sales of land. In January 2017 the shares were sold to Fabege.

Peab's share: 50 percent

Partner: Fabege

Geography: Solna

POINT HYLLIE HOLDING AB

Develop the office property The Point and own and manage the hotel property Vårdshuset 5.

Peab's share: 50 percent

Partner: Volito Fastigheter AB

Geography: Hyllie, Malmö

Key ratios 2016 significant joint ventures¹⁾

MSEK	Fastighets AB Centur	Tornet Bostadsproduktion AB	Fastighets AB ML4	Visio Utveckling AB	Point Hyllie Holding AB
Operating net sales	245	93	51	50	26
Profit for the year	183	110	-12	-23	-3
Total assets	4,945	2,293	1,935	464	738
– of which book value of properties	4,682	2,234	1,870	313	709

¹⁾ Refers to the book value of joint venture companies for January – December 2016 and per 31 December 2016. Since some of the joint venture companies apply the market value of properties, the values in the table above differ from the values presented in the Peab Group for joint venture companies in note 17.



Risks and risk management

It is crucial for Peab's profitability to have well developed routines for identifying and managing risks. This process also creates possibilities to take advantage of business opportunities that arise. Changes in external circumstances and the economy require constant vigilance and adaptability. The year 2016 brought dramatic changes that can have a significant impact on the financial and political arena on our home market in the Nordic region as well. Developments in the US after the presidential election, Brexit and the upcoming elections in several European countries make for new scenarios.

MATERIAL RISKS AND UNCERTAINTY FACTORS

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

amendments in laws and regulations, and other political decisions. See also pages 4-5 for a description of economic developments on Peab's markets. The parent company is indirectly affected by the risks described in this section.

RISK MANAGEMENT

The management of operative risks is a continuous process considering the large number of projects the company has in different phases of started up, carried out and completed. Operative risks are managed in the line organization in the business areas through established procedures, processes and control systems. Financial risks are associated with capital tied up in the company and its capital requirements.

SENSITIVITY ANALYSIS

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

Operative risks	Description	Action
Contract risks	Peab's business is largely project related and each project is unique in terms of design and other prerequisites. Erroneous calculations can lead to incorrect tenders, which can then lead to losses in projects regardless of how well they have been completed in the field. There are a number of contract types and the risk level varies accordingly. Regardless of contract type uncertainties concerning terms might lead to responsibility issues and this can lead to a dispute with the orderer. This makes it hard to assess the result of both ongoing and completed projects. Peab's operations are subject to market risks in the form of price risks such as unforeseen cost increases for material, subcontractors or the employee salaries. The risks vary depending on the type of contract.	Therefore structured risk assessment is crucial to ensure that risks are identified and priced in the tender and the calculations made. The right resources in projects mean they will be carried out according to stipulated procedures, and with the right products and methods. Price risks are managed through efficient purchasing processes with the right suppliers, purchased through central contracts.
Risks relating to suppliers and subcontractors (SC)	Suppliers/SCs who do not conform with existing laws, conventions and Peab's contracts and regulations can lead to infringements regarding the environment, ethics and work environment. Choosing the wrong supplier/SC can lead to quality defects, delivery delays or no delivery in the case of bankruptcy. Violations, defects and delays caused by suppliers/SCs can have a negative effect on Peab's profitability and brand.	All contracts Peab signs with suppliers/SCs include the rules and requirements that govern the particular project as well as all business Peab conducts. The code of conduct is enclosed in all contracts. The contracts have an ethics clause that, among other things, describe the expectations on suppliers and consequences in case of non-compliance with the code of conduct, labor laws and safety regulations on workplaces. In 2016 Peab took concrete initiatives in our work on "Reliable Business", please read more on page 22.
Skills supply risks	Peab is dependent on attracting and keeping competent employees in order to fulfill the customers' expectations on products and services. The competition is hard for the competence that Peab need and this makes the recruitment process a priority.	Peab works strategically with long-term skills supply and concrete measures like establishing alternative supply channels in cooperation with the education system, active integration work, extensive internal competence development and our own upper secondary school, the Peab School. Peab's goal-oriented work with equality, diversity and equal treatment is a part of our effort to manage risks connected to skills supply while contributing to increasing diversity in the industry as well.
Project development risks	The risks affecting the profitability of Peab's housing project developments are, in addition to the risks linked to production, circumstantial factors such as the general economy, interest rates, customers' willingness to buy and other market conditions. Peab's commercial property development faces similar risks, including the fact that the investor market's willingness to buy also influences sales conditions. A common factor for development operations is the risk in planning land exploitation since decisions taken by the authorities can have a great impact on land values and thereby on project profitability.	The sales risk is reduced through set requirements for advance sales before production starts in housing projects. The corresponding risk management for commercial property development is the requirement for a certain level of rented apartments before production start. From a risk perspective it is also important to shorten lead times from land acquisition to finished project in view of the risk for changed market prerequisites.
Work environment risks	Work related accidents at Peab's construction sites can lead to employees or subcontractors getting hurt or at worst killed.	To prevent accidents at worksites Peab develops quality-ensured work methods and trains personnel in this area.
Ethical risks	Ethical risks can entail Peab employees not following our code of conduct or Peab's ethical guidelines and becoming involved in irregularities, bribes or corruption. This can lead to fines, legal sanctions and a damaged brand.	Systematic ethic work focused on preventive education and strict consequences for transgressions are the foundation of a strong brand and healthy competition.
Environmental risks	Peab is also exposed to environmentally related risks. Serious environmental accidents at Peab's construction sites can have a considerable effect on the local environment, lead to fines and damage its brand. Extreme weather can cause problems and delays on worksites and in the supply chain. Higher costs for energy and the emission of greenhouse gases can have a negative effect on Peab's profitability.	Peab works with prevention focused on climate impact, streamlining resource use and phasing out environmentally and health hazardous substances.

Financial risks and risk connected to financial reporting	Description	Action
Financial risk-taking	Financial risk-taking is connected to the business' capital and investment needs. The need for capital is different for each of Peab's four business areas. Contracting operations in Construction and Civil Engineering normally have a positive working capital that contributes to financing the other operations. Industry binds capital in fixed assets with an ongoing need for investments. Project Development binds capital when investing in land and development rights until they are sold.	Peab's financial goal of an equity/assets ratio of over 25 percent is the means by which the Group governs financial risk-taking. For business areas Industry and Project Development tied-up capital is managed through fixed frameworks. All investments in Peab follow a set investment routine in which an investment group decides on all investments. Tied-up capital in business areas Construction and Civil Engineering is managed through payment balance requirements.
Financial risks	The Group is exposed to financial risks, such as interest rate risks, liquidity risks, refinancing risks, exchange risks and credit risks.	For further information on financial risks, see note 35.
Risks connected to financial reporting	Since Peab uses the percentage of completion method in most of our ongoing projects erroneous project forecasts mean that reporting and follow-ups will be misleading. A number of balance items are valued based on estimations and assessments and this value can be affected by, for example, the current market and customers' preferences.	A prerequisite for correct percentage of completion is reliable forecasting. Well-developed procedures and system support for the monitoring and forecasting of each project is crucial to limiting risks of erroneous percentage of completion.

Sensitivity analysis

MSEK	Calculation basis	Change	Pre-tax profit effect
Operative			
Volume (operating margin constant)	46,000	+/- 10%	+/- 207
Operating margin (volume constant)	4.5%	+/- 1 percentage	+/- 460
Material and subcontractors	22,000	+/- 1%	+/- 220
Financial			
Net debt (interest rate constant)	1,862	+/- 10%	+/- 5
Average effective int. rate ¹⁾ (net debt constant)	2.6%	+/- 1 percentage	+/- 16

¹⁾ The calculation is based on the assumption that SEK 1,644 million of the total net debt, has a fixed interest period shorter than one year and is thereby affected almost at once by a change in market interest rates.

Other information and appropriation of profit

PEAB'S SUSTAINABILITY WORK

Sustainability – financial, environmental and social is an integral part of our operations. Responsibility and authorization is delegated to the business areas and there is a support system with experts on different levels in the organization. This is complemented by steering and supporting documents. Our code of conduct is based on the UN Global Compact and covers human rights, labor rights, environmental and anticorruption issues. Read more about Peab's work with sustainability on pages 12-35 to 124-127.

Climate and environmental work

Peab takes responsibility for reducing our environmental impact. We actively strive to reduce our environmental impact, ensure the most material-efficient production possible and phase out environmental and health hazardous substances. Climate and environmental work takes place on all levels of our organization. Since all the business areas share and are affected by many of the same issues they are coordinated on Group level. The business areas are responsible for developing and managing climate and environmental work in their operations.

Less environmental impact

A major part of society's energy use and carbon dioxide emissions comes from the construction and civil engineering sector. Our ambition is to lower carbon dioxide emissions by reducing total energy consumption and use renewable energy sources whenever possible. Peab's carbon dioxide emissions primarily come from using fossil fuel in transportation, construction equipment, heating workplaces and manufacturing products. We work hard to use energy as efficiently as possible in these areas in order to lower energy consumption. We also work to successively reduce, and in the long run eliminate, fossil fuel consumption as renewable fuels are being developed. Peab's ECO-Asfalt, manufactured based on carbon dioxide neutral bio-oil, is a good example of how we drastically reduce carbon dioxide emissions. In accordance with an EU directive Peab started charting energy consumption in 2015. We began with the largest companies in business area Industry and in 2020 the rest of Peab's operations will be charted.

Efficient use of material

Construction and civil engineering operations generate large amounts of waste in society. Peab aims to have the most material-efficient production possible in all our operations, in part by creating less waste material and in part by taking care of and recycling as much as possible. Waste material in one place can very well be raw material in another. It is therefore crucial to cooperate with other players in the value chain and the industry to create circular flows and more efficient use of materials.

Phasing out environmental and health hazardous substances

Despite comprehensive knowledge and proactive cooperation the construction and civil engineering industry still uses environmental and health hazardous substances and new ones continue to be released on the market. Peab works hard to phase out substances and groups of substances that might be a potential threat to health or the environment by focusing on using the right material and traceability. Peab has expanded collaboration with a number of suppliers to help Peab's personnel choose the right products. Peab uses systems produced by the industry that facilitate making the right choices aimed at phasing out hazardous substances. Collaboration and shared systems have been effective and several hazardous products have disappeared from the Swedish market.

Operations required to have permits or submit reports

Operations required to have permits and submit reports according to the environmental code are found in the Swedish sub-groups Swerock, Skandinaviska Byggelement and Peab Asphalt. In Finland permit operations are run according to the Environmental Protection Act. Operations required to have permits in Sweden are gravel and rock quarries, transportation of waste and hazardous waste and asphalt plants. These operations primarily affect the environment through the extraction of finite resources and future land use. Operations required to have permits in Finland are mainly concrete manufacturing and ballast operations.

Permit operations represented about three (three) percent of Group net sales in 2016. Renewal and supplementation of permits is continuous. Swerock's concrete factories and Skandinaviska Byggelement's concrete product factories as well as Peab Asphalt's permanent and mobile asphalt plants are operations that must submit reports. Operations that must submit reports represented about eight (seven) percent of Group net sales in 2016.

PEAB'S EMPLOYEES

It is crucial for Peab's competitive capacity to attract, recruit, keep and develop employees, both long and short term. Together we want to build a company characterized by abundant opportunities to develop, diversity, equality, good leadership and a safe work environment so that we can offer the best workplace in the industry.

A healthy and safe work environment

Peab's work environment policy is integrated into the company policy and is the basis for our strategic work environment measures. Our work environment management system is integrated into the business management system and Peab follows the laws and regulations of each country.

There are risky work activities in the construction industry and Peab has long worked with preventative work environment measures. It is possible to reduce or avoid accidents by systematically working with risk management and exchanging knowledge and experience. Every quarter Peab evaluates the Group goal of halving the number of workplace accidents during the period 2015-2017 and the measures taken to achieve it. Peab's crisis organization is activated in the event of a serious accident. In order to prevent accidents at worksites Peab continually develops quality assured work methods and trains personnel in this area. Peab continued to spread safety warnings throughout our organization in 2016. Safety warnings contain information about actual incidents or accidents and provide advice on how similar situations can be prevented.

Securing skills for the future

Ensuring a company has the right skills is a great challenge for the construction and civil engineering industry. Peab is no exception and therefore efforts to attract, recruit, develop and keep competence are high on our agenda. We work on recruiting for our current needs and that we have the right competence for each project. At the same time we work proactively to identify changes in skills needed and to make the industry attractive for others to broaden the recruitment base. In addition, there is also the important internal work of taking advantage of the skills we already have in the Group and giving each employee the opportunity to develop in their role. The Handshake measures Commitment, Leadership, Work Climate and Attractive Employer plus a few other specialized areas. The results in 2016 have improved in every aspect compared to 2014.

Equality and diversity

Equality and diversity continue to be a challenge and core issue for the entire industry and Peab. As of 31 December 2016 the number of female employees at Peab was 12.1 percent (11.9). Peab's goal is to be a role model in the industry in ten years' time with concrete examples and visible results regarding work on equality and diversity. We want to create a labor force characterized by diversity by going on the offensive for change. To achieve this we will take a number of concrete measures in the coming years:

- Educate all employees in equality, diversity and equal treatment (about 3,000 employees were trained in 2016).
- Managers and HR personnel will receive further training in equal treatment and competence-based recruiting methods.
- Peab has established the Employee Program that consists of a number of modules all aimed at changing the culture in our workplaces.
- We will offer internships to 100 immigrant adults within the framework of the 100 Club.
- We offer language introduction for 100 immigrant youths within the Peab School.

RESEARCH AND DEVELOPMENT

Peab's research and development is aimed at providing society, customers and ourselves with added value and sustainable development. The new knowledge is used to improve or develop new products, services and production processes. Peab does not have a central unit for research and development. Instead this is an ongoing process in each business area. Peab cooperates with universities, colleges and trade organizations and is an active participant in many of the trade organizations that run or fund R&D.

Some projects that Peab ran together with other trade organizations in business area Construction in 2016 are "BEAst logistics", "Safe water – Laundry Rooms and Kitchens" and "Systematic Risk Analysis of Robberies and Break-ins on Swedish Construction Sites", partly financed by SBUF. One project held in business area Civil Engineering in 2016 is "Optimizing Soil Reinforcement through Packing" where we concluded that more effective packing saves a great deal of energy and significantly reduces environmental impact. Some of the trade organization projects held in business area Industry in 2016 are; developing alternative road construction, forging asphalt for bicycle lanes, automatic measurement of asphalt specimen stiffness, sustainable community building with resistant concrete and modern dehydration simulation in concrete.

IMPORTANT EVENTS DURING THE YEAR

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 Vårdshuset 5 and Vårdshuset 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 Vårdshuset 5 (the hotel) and SEK 212 million to Vårdshuset 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 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 m² rentable space where Johnson & Johnson rents as well as a garage with 327 parking spaces and 15,000 m² 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 will 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 were 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).

THE PEAB SHARE

At the end of the year Peab's share capital amounted to SEK 1,583,866,056 divided among a total of 296,049,730 shares, resulting in a nominal value of SEK 5.35 per share. Of the shares, 34,319,957 are A shares with ten votes per share, and 261,729,773 are B shares with one vote per share. All shares carry equal rights to participation in the company's assets, profits and dividends. There

are no restrictions in the articles of association concerning transferring shares or votes at the AGM. On 31 December 2016 there were approximately 37,000 shareholders in Peab. Mats Paulsson with companies represents 28.6 percent of the votes, Fredrik Paulsson with family and companies 14.5 percent of the votes and Anita Paulsson with family and companies 14.5 percent of the votes. The total holding connected to the Paulsson families amounted to 25.6 percent of the capital and 57.6 percent of the votes. The company has no knowledge of any agreements between shareholders that can result in restriction of the right to transfer shares. In 2007 Peab established a profit-sharing foundation. According to the foundation's placement policy its capital should be placed primarily in Peab shares. On 31 December 2016 the foundation owned 8,928,432 B shares in Peab, corresponding to 3.0 percent of the B shares.

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. Peab's Annual General Meeting on 10 May 2016 resolved to authorize the Board to, during the period until the next Annual General Meeting, acquire shares so that the company would have at most 10 percent of the total shares in Peab. No own shares were purchased nor divested during 2016 which means that Peab's own shareholding was 1,086,984 B shares at the end of 2016.

CORPORATE GOVERNANCE

For a detailed description of the work of the Board of Directors, corporate governance and systems for internal control, see page 114, Corporate governance.

REMUNERATION FOR SENIOR OFFICERS

The Board will propose to the Annual General Meeting on 10 May 2017 that the remuneration policy will be unchanged. For more information about adopted guidelines regarding salaries and other remunerations to the Chief Executive Officer and other members of executive management, see note 9, page 77.

ANTICIPATED FUTURE DEVELOPMENT

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 2016, largely due to notable escalation of investments in water and sewage plants. Investment volumes 2017 and 2018 expected to be somewhat higher than in 2016.

Last year's economic growth in Norway 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. 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 according to Industrifakta. Housing construction might contract but public investments and civil engineering is forecasted to grow.

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 2016. 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 2016. 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.

PARENT COMPANY

The parent company's business consists of executive management and Group functions. Net sales in 2016 were SEK 242 million (267) and consisted primarily of internal Group services. Operating profit for the year was SEK -162 million (-17). The reduction in operating profit is largely due to greater investments in Group functions and provisions for the Long-term incentive program (LTI). Profit after net financial items was SEK -300 million (-166). During the year the parent company received net Group contributions of SEK 2,377 million (220). Profit after tax amounted to SEK 1,221 million (63).

Proposed appropriation of profit

The following amounts in SEK are at the disposal of the Annual General Meeting;

Share premium reserve	2,308,208,948
Special reserve	55,000,000
Fair value reserve	74,605,289
Profit brought forward	981,169,299
Profit for the year	1,220,650,374
Total	4,639,633,910

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

Dividend, 296,049,730 shares at SEK 3.60 per share	1,065,779,028
Carried forward ¹⁾	3,573,854,882
Total	4,639,633,910
¹⁾ of which to share premium reserve	2,308,208,948
of which to special reserve	55,000,000
of which to fair value reserve	74,605,289

Income statement – the Group

MSEK	Note	2016	2015
Net sales	3,4	46,337	44,376
Production costs		-41,948	-41,151
Gross profit		4,389	3,225
Sales and administrative expenses		-2,428	-2,296
Other operating income	6	149	112
Other operating costs	7	-12	-32
Operating profit	4,8,9,10,11,36	2,098	1,009
Financial income		195	157
Financial expenses		-243	-260
Net finance	12	-48	-103
Pre-tax profit		2,050	906
Tax	14	-323	-108
Profit for the year		1,727	798
Profit for the year attributable to:			
Shareholders in parent company		1,727	798
Non-controlling interests		0	0
Profit for the year		1,727	798
Profit per share before and after dilution, SEK		5.85	2.71

Statement of comprehensive income – the Group

MSEK	Note	2016	2015
Profit for the year		1,727	798
Other comprehensive income			
Items that have been reclassified or can be reclassified as income for the year			
Translation difference for the year when translating foreign operations		166	-155
Translation differences transferred to profit for the year		-1	1
Change for the year in fair value of financial assets available-for-sale		157	103
The change in fair value of financial assets available-for-sale transferred to profit for the year		-4	-13
Change for the year in fair value of cash flow hedges		31	28
Shares in joint ventures' other comprehensive income		1	-1
Tax referring to items that have been reclassified or can be reclassified as income for the year	14	1	-18
		351	-55
Items that cannot be reclassified to income for the year			
Revaluation of defined benefit pension plans		0	0
Tax referring to items that cannot be reclassified as income for the year	14	0	0
		0	0
Other comprehensive income for the year		351	-55
Total comprehensive income for the year		2,078	743
Total comprehensive income for the year attributable to:			
Shareholders in parent company		2,078	743
Non-controlling interests		0	0
Total comprehensive income for the year		2,078	743

Balance sheet – the Group

MSEK	Note	2016	2015
Assets			
Intangible assets	15	2,036	1,994
Tangible assets	16	4,277	3,654
Participation in joint ventures	17	715	787
Other securities held as fixed assets	20,34,35	864	489
Interest-bearing long-term receivables	19,30,34,35	1,762	2,199
Deferred tax recoverables	14	69	102
Other long-term receivables	21	178	98
Total fixed assets		9,901	9,323
Project and development properties	22	7,007	6,742
Inventories	23	364	363
Work-in-progress	24	1,203	1,010
Accounts receivable	25,34,35	8,221	6,435
Interest-bearing current receivables	19,34,35	336	210
Tax assets		37	44
Recognized but not invoiced income	26	2,656	2,193
Prepaid expenses and accrued income		435	365
Other current receivables	21	387	483
Current holdings	34,35	–	8
Liquid funds	34,35	1,062	865
Total current assets		21,708	18,718
Total assets		31,609	28,041
Equity			
	28		
Share capital		1,584	1,584
Other contributed capital		2,576	2,576
Reserves		-153	-504
Profit brought forward including profit for the year		5,373	4,420
Equity attributable to shareholders in parent company		9,380	8,076
Non-controlling interests		0	0
Total equity		9,380	8,076
Liabilities			
Interest-bearing long-term liabilities	29,34,35	2,728	3,301
Other long-term liabilities	32,34	182	157
Deferred tax liabilities	14	372	455
Provisions	31	594	592
Total long-term liabilities		3,876	4,505
Interest-bearing current liabilities	29,34,35	2,294	3,099
Accounts payable	34,35	4,474	3,980
Tax liabilities		407	45
Invoiced income not yet recognized	26	5,909	4,176
Accrued expenses and deferred income		3,433	2,805
Other current liabilities	32,34	1,631	1,236
Provisions	31	205	119
Total current liabilities		18,353	15,460
Total liabilities		22,229	19,965
Total equity and liabilities		31,609	28,041

Report on changes in Group equity

MSEK	Equity attributable to owners in parent company						Total	Non-controlling interests	Total equity
	Share capital	Other contributed capital	Translation reserve	Fair value reserve	Hedging reserve	Profit brought forward including profit for the year			
Opening balance equity 2015-01-01	1,584	2,576	-90	-184	-175	4,286	7,997	0	7,997
Total comprehensive income for the year									
Profit for the year						798	798		798
Other comprehensive income for the year			-167	90	22		-55		-55
Total comprehensive income for the year	-	-	-167	90	22	798	743	0	743
Contribution from, and value transferred to, owners									
Dividends						-664	-664		-664
Closing balance equity 2015-12-31	1,584	2,576	-257	-94	-153	4,420	8,076	0	8,076
Opening balance equity 2016-01-01	1,584	2,576	-257	-94	-153	4,420	8,076	0	8,076
Total comprehensive income for the year									
Profit for the year						1,727	1,727		1,727
Other comprehensive income for the year			178	153	20		351		351
Total comprehensive income for the year	-	-	178	153	20	1,727	2,078	0	2,078
Contribution from, and value transferred to, owners									
Dividends						-767	-767		-767
Acquisition of non-controlling interests, previous controlling interests						-7	-7		-7
Total contribution from, and value, transfers to, owners	-	-	-	-	-	-774	-774	-	-774
Closing balance equity 2016-12-31	1,584	2,576	-79	59	-133	5,373	9,380	0	9,380

Cash flow statement – the Group

MSEK	Note	2016	2015
Current operations	43		
Pre-tax profit		2,050	906
Adjustments for non-cash items		872	1,486
Income tax paid		-19	-38
Cash flow from current operations before working capital changes		2,903	2,354
Cash flow from changes in working capital			
Increase (-) /Decrease (+) project and development properties		-146	-39
Increase (-) /Decrease (+) inventories		-158	158
Increase (-) /Decrease (+) current receivables		-2,133	199
Increase (+) /Decrease (-) current liabilities		2,989	153
Cash flow from changes in working capital		552	471
Cash flow from current operations		3,455	2,825
Investment operations			
Acquisition of subsidiaries/businesses, net effect on liquid funds		-137	-30
Sale of subsidiaries/businesses, net effect on liquid funds		5	75
Acquisition of intangible fixed assets		-2	-1
Acquisition of tangible fixed assets		-847	-597
Sale of tangible fixed assets		107	207
Acquisition of financial assets		-688	-993
Sale of financial assets		758	301
Cash flow from investment operations		-804	-1,038
Cash flow before financing		2,651	1,787
Financing operations			
Change in used loan facility		-1,500	1,200
Raised loans		1,027	797
Loan amortization		-634	-2,564
Raised bonds		349	300
Bond amortization		-999	-599
Leasing liabilities amortization		-212	-169
Change in issued commercial papers		123	36
Dividend distributed to shareholders in parent company		-767	-664
Cash flow from financing operations		-2,613	-1,663
Cash flow for the year		38	124
Cash at the beginning of the year		873	812
Exchange rate differences in cash		151	-63
Cash at year-end		1,062	873

Income statement – the parent company

MSEK	Note	2016	2015
Net sales	3	242	267
Administrative expenses	9,10	-404	-284
Operating profit		-162	-17
Result from financial investments	12		
Result from participations in Group companies		0	0
Result from securities and receivables recognized as fixed assets		4	2
Interest expenses and similar profit/loss items		-142	-151
Result after financial items		-300	-166
Appropriations	13	1,855	220
Pre-tax profit		1,555	54
Tax	14	-334	9
Profit for the year		1,221	63

Statement of comprehensive income – the parent company

MSEK	2016	2015
Profit for the year	1,221	63
Other comprehensive income		
Items that can be reclassified or have been reclassified as income for the year		
Change for the year in fair value of financial assets available-for-sale	170	87
Other comprehensive income for the year	170	87
Total comprehensive income for the year	1,391	150

Balance sheet – the parent company

MSEK	Note	2016	2015
Assets			
Fixed assets			
Tangible assets			
Machinery and equipment	16	1	1
Total tangible assets		1	1
Financial assets			
Participation in Group companies	41	11,811	11,776
Other securities held as fixed assets	20,34,35	480	310
Deferred tax recoverables	14	99	88
Total financial assets		12,390	12,174
Total fixed assets		12,391	12,175
Current assets			
Current receivables			
Accounts receivable	25,34,35	1	1
Receivables from Group companies	34	2,444	1,263
Tax assets		–	4
Other current receivables	21	4	3
Prepaid expenses and accrued income	27	10	7
Total current receivables		2,459	1,278
Liquid funds	34	0	8
Total current assets		2,459	1,286
Total assets		14,850	13,461
Equity and liabilities			
Equity	28		
Restricted equity			
Share capital		1,584	1,584
Statutory reserve		300	300
Non-restricted equity			
Share premium reserve		2,308	2,308
Special reserve		55	55
Fair value reserve		75	-96
Profit brought forward		981	1,686
Profit for the year		1,221	63
Total equity		6,524	5,900
Untaxed reserves	42	522	0
Provisions			
Other provisions	31	28	25
Total provisions		28	25
Long-term liabilities			
Liabilities to Group companies	34	7,281	6,465
Total long-term liabilities		7,281	6,465
Current liabilities			
Accounts payable	34	28	24
Liabilities to Group companies	34	58	992
Tax liabilities		339	–
Other current liabilities	32	7	7
Accrued expenses and deferred income	33	63	48
Total current liabilities		495	1,071
Total liabilities		7,776	7,536
Total equity and liabilities		14,850	13,461

Report on changes in the parent company's equity

MSEK	Restricted equity		Non-restricted equity					Total equity
	Share capital	Statutory reserve	Share premium reserve	Special reserve	Fair value reserve	Profit brought forward	Profit for the year	
Opening balance equity, 2015-01-01	1,584	300	2,308	55	-182	2,318	31	6,414
Profit for the year							63	63
Other comprehensive income for the year					87			87
Total comprehensive income for the year	-	-	-	-	87	-	63	150
Allocation of profit						31	-31	-
Cash dividends						-664		-664
Closing balance equity, 2015-12-31	1,584	300	2,308	55	-95	1,685	63	5,900
Opening balance equity, 2016-01-01	1,584	300	2,308	55	-95	1,685	63	5,900
Profit for the year							1,221	1,221
Other comprehensive income for the year					170			170
Total comprehensive income for the year	-	-	-	-	170	-	1,221	1,391
Allocation of profit						63	-63	-
Cash dividends						-767		-767
Closing balance equity, 2016-12-31	1,584	300	2,308	55	75	981	1,221	6,524

Cash flow statement – the parent company

MSEK	Note	2016	2015
Current operations	43		
Pre-tax profit		-300	-166
Adjustments for non-cash items		4	206
Income tax paid		-3	-3
Cash flow from current operations before working capital changes		-299	37
Cash flow from changes in working capital			
Increase (-) /Decrease (+) current receivables		0	-7
Increase (+) /Decrease (-) current liabilities		20	7
Cash flow from changes in working capital		20	0
Cash flow from current operations		-279	37
Investment operations			
Shareholder contributions		-82	-28
Sale of financial assets		-	28
Cash flow from investment operations		-82	0
Cash flow before financing		-361	37
Financing operations			
Received Group contribution		1,123	898
Paid Group contribution		-903	-655
Raised loans		900	404
Loan amortization		-	-12
Dividend distributed		-767	-664
Cash flow from financing operations		353	-29
Cash flow for the year		-8	8
Cash at the beginning of the year		8	0
Cash at year-end		0	8

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1 Note 1 Accounting principles

COMPLIANCE WITH STANDARDS AND LEGISLATION

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

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

The annual report and the consolidated accounts have been approved of by the Board and CEO for publication on 29 March 2017. The consolidated income statement and balance sheet and the parent company's income statement and balance sheet will be presented for adoption by the AGM on 10 May 2017.

VALUATION BASIS APPLIED FOR PREPARATION OF THE PARENT COMPANY AND GROUP FINANCIAL REPORTS

Assets and liabilities are reported at historical acquisition values except for certain financial assets and liabilities which are assessed at fair value. Financial assets and liabilities valued at fair value consist of derivatives and shares and holdings that are not subsidiaries, joint arrangements or associated companies.

FUNCTIONAL CURRENCY AND REPORTING CURRENCY

The parent company's functional currency is the Swedish krona, which is also the currency in which the accounts of the parent company and the Group are reported. Unless otherwise indicated all amounts are rounded off to the nearest million.

ESTIMATES AND ASSESSMENTS IN THE FINANCIAL REPORTS

Preparing the financial reports requires on the one hand making assessments concerning the application of the accounting policies and on the other hand estimating the value of assets, liabilities, revenues and costs. Estimates and assumptions are based on historical experience and other factors considered relevant. Estimates and assumptions are regularly reviewed and compared to the actual outcome. Important assessments are described in more detail in note 2.

CHANGED ACCOUNTING PRINCIPLES

In essence the accounting principles are the same as in the Annual Report 2015.

The effect of amended IFRSs applied as of 2016 on consolidated financial reports has been immaterial.

NEW IFRSs AND INTERPRETATIONS THAT HAVE NOT YET BEEN APPLIED

IFRS 15 Revenue from contracts with customers will as of 2018 replace current standards related to revenue such as IAS 18 Revenue, IAS 11 Construction contracts and IFRIC 15 Agreements for the construction of real estate. Peab does not intend to prematurely apply IFRS 15. According to IFRS 15 revenue is recognized when control over a product or service is transferred to the customer, which is a change from current reporting standards that are based on the transfer of risks and benefits. IFRS 15 introduces new methods of determining how and when revenue should be recognized, requiring a new way of thinking compared to how revenue is currently recognized.

Peab is in the final phase of analyzing the effects of IFRS 15. At this point in time no material effects have been identified but the analysis must be completed before any possible final effects can be quantified. Peab has analyzed the effects of IFRS 15 by identifying and analyzing revenue flows in each business area and country.

The assessment of the effects described below is based on information currently known or estimated. Regarding the choice of transition method Peab will initially implement the retrospective method.

According to the preliminary analysis revenue from certain projects previously reported at single point in time will instead be reported over a period of time. This entails recognizing revenue earlier than compared to current principles. Based on assessments made so far the periodization of revenue should not be otherwise affected. IFRS 15 also entails additional revenue disclosure demands, which will expand the contents of note information.

IFRS 9 Financial instruments, will replace IAS 39 Financial instruments: Recognition and measurement, as of 2018. IFRS 9 deals with classification and valuation of financial assets and financial liabilities and hedging accounting. IFRS 9 has been approved for application by the EU but Peab does not plan to prematurely apply the standard.

Peab is working on an analysis of the consequences IFRS 9 will have on the Group's result and position as well as additional disclosure. The standard will have some effect on the recognition of credit losses since it requires loss reserves for anticipated credit losses. This differs from current regulations that only require loss reserves if something occurs that leads Peab to believe a customer may not be able to pay the entire balance due. However, historically Peab has only had minor credit losses in daily operations, which means the effect of IFRS 9 is not expected to be significant in this aspect. IFRS 9 further requires that all holdings of unlisted shares must be reported at fair value, even in cases where it is not deemed possible to arrive at a trustworthy estimation of the fair value. This will affect Peab in regards to unlisted shares for which it was not possible to arrive at a trustworthy estimation of the fair value based on the current criteria in IAS 39 and they have therefore been valued at their acquisition price minus any write-downs. Nonetheless, even these cases, the effect on Peab will be limited. The standard is also expected to entail additional disclosure requirements.

IFRS 16 Leases will replace IAS 17 Leases as of 1 January 2019 on the condition that it is approved by EU. Peab does not plan to prematurely apply the standard. IFRS 16 will require Peab as a lessee to report all leasing contracts as assets and liabilities, representing the right to use the leased asset respectively the obligation to pay leasing fees, on the balance sheet. Regarding leasing contracts, depreciation of the leasing asset and interest costs on the leasing liability are recognized in the income statement. There are voluntary exceptions from the application of IFRS 16 for leasing contracts for smaller amounts as well as contracts with a leasing period of 12 months or less. For Peab as a lessor there are no substantial changes except for additional disclosure requirements. Peab has initiated a project to determine the effect of IFRS 16 on the Group's result and position as well as additional disclosures. Peab's balance sheet total is expected to increase through activating contracts that are currently classified as operational, the operating margin is expected to improve while financial costs are expected to grow. Peab estimates that the balance sheet total will increase by around two-five percent but the analysis must be completed before any possible final effects can be quantified. Furthermore, the effects will be influenced by which of the available transition methods Peab chooses to use for the transition to IFRS 16.

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

OPERATING SEGMENTS

An operating segment is an entity in the Group that engages in business activities that generate revenues and expenses and the result of which is regularly reviewed by executive management.

CLASSIFICATION

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

CONSOLIDATION PRINCIPLES**Subsidiaries**

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

Subsidiary financial reports are recognized in the consolidated accounts from the day controlling influence occurs until it no longer exists.

Business combinations

Business combinations are recognized using the purchase accounting method. The method is applied from the point in time the Group has a controlling influence over the acquisition. The purchase accounting method means acquisitions are regarded as transactions through which the Group indirectly acquires the assets of the subsidiary and takes over its liabilities. The consolidated acquisition value is calculated in an acquisition analysis in conjunction with the acquisition. The analysis establishes the acquisition value of the participations or the business, the fair value on acquisition date of the acquired identifiable assets and the liabilities taken over. If ownership and controlling influence is successive a remeasuring of previous holdings to fair value at the point in time the company has controlling influence over the acquisition is performed and this change in value is reported in the profit/loss.

Goodwill is calculated as the sum of payment for the shares or the business and the fair value of previously acquired shares (in step acquisitions) less the fair value of the subsidiary's identifiable assets and overtaken liabilities. Where the difference is negative this is recognized directly in profit/loss for the year. Transaction costs for business combinations are charged immediately upon acquisition.

Contingent consideration is measured at fair value at the time of acquisition and subsequent changes in fair value are recognized in profit/loss as they occur.

Net assets attributable to owners of non-controlling interests (the minority) are recognized either as the fair value of all net assets excluding goodwill or the fair value of all assets including goodwill. The choice of principle is made for each acquisition individually.

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

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

Asset acquisition

When acquisitions of subsidiaries involve the acquisition of net assets which do not comprise operations, the acquisition cost of each identifiable asset and liability is divided up based on its fair value at the time of acquisition. Transaction costs are added to the purchase price of the acquired net assets when assets are acquired and the change in contingent payments after acquisition are added to the purchase price of the acquired assets. If the acquisition of a subsidiary is successive and an asset acquisition no remeasuring of previous acquisitions is performed when controlling influence occurs. If ownership diminishes through partial divestiture of shares in subsidiaries in an asset divestiture, unlike a transfer of operations, the remaining holdings are not remeasured if the remaining holdings constitute a joint venture or associated company. Any internal gain is eliminated against the remaining owned shares.

Joint ventures

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

Associated companies and joint ventures are consolidated in accordance with the equity method. The equity method means that the booked value of shares corresponds to the Group's share of the company's equity as well as Group goodwill and any other Group deficit and surplus values. The Group's share of the profit/loss in holdings after tax and minorities adjusted for depreciation, write-downs or dispersal of acquired deficit and surplus values are recognized in consolidated profit/loss. Received dividends reduce the booked value of the investment.

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

Joint operations

Joint operations, usually run as a company, are joint arrangements where Peab and one or more partners have the right to all the financial advantages related to the assets of the operations. How the liabilities of the operations are settled depends on the partners' purchases of output from them or capital infusions to them. Joint operations are reported according to the proportional method which means each party in a joint operation recognizes their respective share in assets, liabilities, income and expenses.

Associated companies

Associated companies are those companies in which the Group has a significant but not controlling influence over operating and financial control usually through shareholdings of between 20 and 50 percent. Associated companies are reported according to the equity method.

Transactions which must be eliminated upon consolidation

Intra-group receivables and liabilities, revenues or costs or unrealized gains or losses stemming from intra-group transactions are eliminated completely when preparing the consolidated accounts.

Unrealized gains arising from transactions with joint ventures, joint operations and associated companies are eliminated to the extent these refer to the Group's ownership participation in the company. Unrealized losses are eliminated in the same way as unrealized gains but only to the extent there is no write-down requirement. When subsidiaries considered to be operational become joint ventures or associated companies the residue holding is remeasured to fair value according to the principles above concerning presentation when controlling influence ceases.

FOREIGN CURRENCY**Transactions in foreign currency**

Transactions in foreign currency are converted to the functional currency at the exchange rate on the transaction date. The functional currency is the currency of the primary financial surroundings where the company operates. Monetary assets and liabilities in foreign currency are converted to the functional currency at the exchange rate applying on the balance sheet day. Exchange rate differences arising during translation are recognized in profit/loss for the year. Non-monetary assets and liabilities which are recognized at historical acquisition value are converted at the exchange rate applying at the time of the transaction. Non-monetary assets reported at fair value are recalculated to the functional currency at the exchange rate current at the time of valuation at fair value.

The financial reports of foreign business

Assets and liabilities in foreign entities including goodwill and other Group deficit and surplus values are converted from the foreign company's functional currency to the Group's reporting currency, Swedish crowns, at the exchange rate applying on balance sheet day. Earnings and costs in a foreign entity are converted to Swedish crowns at an average rate approximating to the rates applying on the respective transaction dates. Translation differences arising when converting the currency of foreign companies are recognized in other comprehensive income and are accumulated in a separate component in equity as a translation reserve.

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Net investment in a foreign company

Translation differences arising from the translation of a foreign net investment are recognized via other comprehensive income in the translation reserve in equity. Translation differences also comprise exchange rate differences from loans which form a part of the parent company's investment in foreign subsidiaries (so-called extended investment). When a foreign subsidiary is divested, the accumulated translation differences attributable to the company are reclassified from equity to profit/loss for the year.

INCOME**Construction contracts**

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

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

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

Own developed housing projects for sales

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

Sales of property projects

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

Other income

Other income excluding construction contracts is recognized in accordance with IAS 18 Revenue. Income from the sale of goods is recognized in profit/loss for the year when the material risks and benefits associated with ownership of the goods has been transferred to the buyer. Crane and machinery hire income is recognized linearly over the hiring period.

LEASING COSTS**Operational leasing agreements**

Expenses for operational leasing agreements where the Group is the lessee are recognized linearly in profit/loss for the year over the leasing period. Benefits obtained from the signing of an agreement are rec-

ognized linearly in profit/loss for the year over the term of the leasing agreement. Variable costs are expensed in the periods they occur.

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

Financial leasing agreements

Assets that are rented under a financial leasing agreement are depreciated over their estimated useful life. Minimum leasing charges are divided between interest costs and amortization of the outstanding debt. Interest costs are distributed over the leasing term such that an amount corresponding to a fixed interest rate for the debt accounted in the respective period is recognized in each accounting period. Contingent rents are carried as expenses in the periods it occurs. See also Leased assets under heading Tangible fixed assets below.

FINANCIAL INCOME AND EXPENSES

Financial income and expenses consist of interest income on cash at bank, receivables and interest-bearing securities, interest expenses on loans, dividend revenues, realized and unrealized gains and losses on financial investments and derivatives used within the financial business.

Interest income on receivables and interest expenses on liabilities are calculated in accordance with the effective interest rate method. The effective interest rate is the discount rate for estimated future payments and disbursements during the expected life of a financial instrument to the financial asset's or liability's initial book value. Interest income and interest expenses include accrued transaction costs and possible discounts, premiums and other differences between the original value of the receivable or liability and the amount received when it falls due.

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

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

Interest costs are charged to income during the period to which they refer except to the extent that they are included in that asset's acquisition value. An asset for which interest is included in the acquisition price is an asset which must necessarily require considerable time to prepare for the intended use or sale. Interest rate swaps and hedge accounting are used to hedge against interest risks connected to Group loans. Interest rate swaps are valued at fair value in the balance sheet. The coupon rate part is recognized on a current basis in profit/loss for the year as a correction of the interest expense. Unrealized changes in the fair value of rate swaps are recognized in other comprehensive income and are part of the hedging provision until the hedged item affects profit/loss for the year and as long as the criteria for hedge reporting is met.

TAXES

Income tax consists of current tax and deferred tax. Income tax is recognized in profit/loss for the year except when the underlying transaction is recognized in other comprehensive income or equity, in which case the relevant tax is recognized in other comprehensive income respectively in equity.

Current tax is tax that must be paid or will be received during the current year. This also includes current tax attributable to earlier periods. Current and deferred tax is calculated applying the tax rates and tax rules resolved upon or in practice resolved upon on the balance sheet day.

Deferred tax is calculated according to the balance sheet method based on temporary differences between the accounted and tax values of assets and liabilities. Valuation of deferred tax is based on how the underlying value of assets or liabilities is expected to be realized or regulated. Temporary differences are not taken into

account for the temporary difference generated by the acquisition of subsidiaries that are so-called asset acquisitions.

When shares in subsidiaries are acquired such acquisition either refers to business combinations or an asset purchase. An asset purchase refers to, for example, acquiring a company that only owns one or more properties with tenancy agreements but the acquisition does not comprise the processes required to operate a business. In business combinations deferred tax is recognized as a nominally valid tax rate with no discount according to the principles presented above. When an asset is acquired deferred tax is not recognized separately at the time of acquisition. Instead the asset is recognized at a purchase value corresponding to the asset's fair value after deductions for discounts for deferred tax.

Deferred tax assets in the form of deductible temporary differences and deficits are recognized only when use of them is probable. The value of deferred tax assets is reduced when being able to use them deemed no longer probable.

FINANCIAL INSTRUMENTS

On the assets side, financial instruments entered to the balance sheet include liquid funds, short-term investments, accounts receivable, securities holdings, loan receivables and derivatives. On the liabilities side, they include accounts payable, borrowing and derivatives.

Recognition in and removal from the balance sheet

Financial assets and financial liabilities are entered to the balance sheet when the company becomes involved in accordance with the instrument's contractual terms. Accounts receivable are recognized when the company has performed and the other party has a contractual responsibility to pay, even if the invoice has not yet been sent. Accounts receivable are entered into the balance sheet when the invoice has been sent. Liabilities are recognized when the counterparty has performed the service and there is a contractual payment obligation even if the invoice has not been received. Accounts payable are recognized when the invoice is received.

Financial assets are removed from the balance sheet when the rights of the agreement have been realized, fall due or the company loses control of them. The same applies to parts of financial assets. Financial liabilities are removed from the balance sheet when contractual obligations are discharged or have been otherwise extinguished. The same applies to parts of financial liability.

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

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

Classification and valuation

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

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

Financial assets valued at fair value via profit/loss

Financial assets in this category are constantly valued at fair value with value changes recognized in profit/loss for the year. This category consists of two sub-groups: financial assets held for trading and

other financial assets which the company initially chooses to place in this category with the support of the so called fair value option.

The first sub-group includes derivatives with positive fair value except for derivatives which are identified and effective hedge instruments. The other sub-group, "fair value option", is not currently being used.

Financial assets available for sale

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

Holdings of unlisted shares and participation valued at purchase price less any write-downs because the fair value could not be established with sufficient reliability are also reported in this category.

Loan receivables and accounts receivable

Loan receivables and accounts receivable are financial assets that are not derivatives and have fixed payments and which are not listed in an active market. These assets are valued at amortized cost. Accounts receivable are recognized at the estimated impact amount, i.e. after deduction of distressed debts.

Financial liabilities valued at fair value via profit/loss

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

Other financial liabilities

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

DERIVATIVES AND HEDGE ACCOUNTING

The Group's derivatives consist of interest, exchange and raw materials derivatives utilized to hedge risks of changes in exchange rates, interest rate changes and changes in the price of raw materials. Derivatives not used for hedge accounting are classified as financial assets or financial liabilities held for trading and are valued at fair value. Value changes are recognized in profit/loss.

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

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

1 Regarding hedge accounting of interest swaps see also the section
2 on "Financial income and expenses" above.

3 The Group has holdings of shares listed on foreign stock exchanges
4 that are classified as financial assets available for sale. To a certain
5 extent the value of these holding has been hedged through forward
6 exchange contracts. The hedge is identified as a fair value hedge.
7 The hedges are accounted for through the correspondence of the
8 exchange rate effects that occur when the shares are translated into
9 functional value to changes in the hedging instrument's fair value.
10 Any ineffective parts are recognized in profit/loss for the year.

11 HEDGE ACCOUNTING OF NET INVESTMENTS

12 To a certain extent measures have been taken to reduce exchange
13 risks connected to investments in operations abroad. This has been
14 done by taking out loans in the same currency as the net investments.
15 These loans are recognized at the translated rate on balance sheet
16 day. The effective part of the period's exchange rate changes in
17 relation to hedge instruments is recognized in other comprehensive
18 income and the accumulated changes in a separate component of
19 equity (the translation reserve), in order to meet and partly match
20 the translation differences that affect other comprehensive income
21 concerning net assets in the hedged operations abroad. In the cases
22 where the hedge is not effective, the ineffective part is recognized
23 directly in profit for the year as a financial item.

24 TANGIBLE FIXED ASSETS

25 Owned assets

26 Tangible fixed assets are recognized in consolidated accounts at
27 acquisition value minus accumulated depreciation and any write-
28 downs. The acquisition value consists of the purchase price and
29 costs directly attributable to putting the asset in place in the condition
30 required for utilization in accordance with the purpose of the acqui-
31 sition. Borrowing costs are included in the acquisition value of inter-
32 nally produced fixed assets. The accounting principles applying to
33 impairment loss are listed below.

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

39 Leased assets

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

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

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

43 Additional expenses

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

43 Borrowing costs

44 Borrowing costs which are directly attributable to the purchase, con-
45 struction or production of an asset and which require considerable
time to complete for the intended use or sale are included in the
acquisition value of the asset.

43 Depreciation principles

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

Buildings (operating buildings)	25–100 years
Land improvements	25–50 years
Asphalt and concrete factories	10–15 years
Vehicles and construction machinery	5–10 years
Other equipment and inventories	3–10 years

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

Gravel and rock quarries are written down based on substance
depletion, i.e. the amount of gravel and rock removed in relation to
the calculated total amount of substance deemed recoverable in
the gravel and rock quarry.

43 Real estate

44 Group real estate holdings are divided as follows:

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

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

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

43 INTANGIBLE ASSETS

43 Goodwill

44 Goodwill is valued at acquisition value minus any accumulated
45 write-downs. Goodwill is divided between cash-generating units
and is tested at least once a year for write-down needs. Goodwill
stemming from the acquisition of joint ventures and associated
companies is included in the recognized value of participations in
joint ventures and associated companies.

43 Research and development

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

43 Other intangible assets

44 Other intangible assets acquired by the Group are recognized at
45 acquisition value minus accumulated depreciation and write-downs.

43 Depreciation policies

44 Depreciation is linearly recognized in profit/loss for the year over
45 the estimated useful life of the intangible asset provided the useful
life can be determined. Goodwill and other intangible assets with
an indeterminate useful life is not depreciated but is tested for the

need for write-down annually or as soon as there are indications that the asset in question has declined in value. Depreciable intangible assets are depreciated from the date when the asset became available for use.

The estimated useful lives are:

Brands	5-10 years
Customer relations	3-5 years
Site leasehold agreements	During the term of the agreement

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

INVENTORIES

Inventories are valued at the lowest of acquisition value and net sale value. The acquisition value of stocks are calculated using the first-in, first-out method and include expenses arising with the acquisition of the stock assets and their transport to their current location and condition. For manufactured goods the acquisition value includes a reasonable share of the indirect costs based on a normal capacity.

The net sale value is the estimated sale price in the current business minus estimated costs of completion and bringing about the sale.

IMPAIRMENT LOSS

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

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

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

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

If write-down requirements are indicated, the recovery value of the asset is estimated in accordance with IAS 36. Moreover, the recovery value of goodwill, other intangible assets of indeterminate useful life and intangible assets which are not yet ready for use is estimated each year. If it is not possible to establish materially independent cash flows for a certain asset, when testing for write-down needs the assets are grouped at the lowest level where it is possible to identify materially independent cash flow – a so-called cash-generating unit.

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

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

Impairment test for financial assets

Each time reports are drawn up the company assesses whether there are objective indications that a financial asset or a group of financial assets need to be written down. Objective indications partly consist of occurred observable circumstances which have a negative impact on possibilities of recovering the acquisition value and partly on significant or lengthy decreases in the fair value of an investment in a financial placing classified as a financial asset available for sale.

Accounts receivable that need to be written down are reported

as the present value of the anticipated future cash flows. Current receivables are, however, not discounted. Write-downs charge profit for the year.

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

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

Reversed write-downs

A write-down is reversed if there are both indications that write-down requirements no longer exist and assumptions upon which the calculation of the recovery value were based have changed. However, write-downs of goodwill are never reversed. Reversing is only performed to the extent that the recognized value after reversing of the asset does not exceed the recognized value which would have been recognized deducted for depreciation where necessary if write-down had not been made.

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

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

EQUITY

Repurchase of own shares

Holdings of own shares and other equity instruments are recognized as a reduction in equity. Liquid funds from the divestment of such equity instruments are recognized as an increase in equity. Any transaction costs are charged directly to equity.

Dividends

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

Earnings per share

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

EMPLOYEE BENEFITS

Defined contribution pension plans

Pension plans are only classified as defined contribution pension plans where the company's obligations are limited to the contributions the company has undertaken to pay to an insurance company or to another independent legal entity. In such cases the size of an employee's pension depends on the size of the contributions the company pays to this legal entity and the yield it generates on the capital. The com-

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pany's obligations concerning contributions to defined contribution plans are expensed in profit/loss for the year as they are earned by the employee performing work for the company during the period.

Defined benefit pension plans

Pension plans that are not defined contribution plans are defined benefit plans, which means the employer is obligated to pay pension fees on a certain benefit level. The Group's defined benefit plans consist of the Swedish ITP Plan for Salaried Staff which is managed through insurance with Alecta. The ITP 2 pension plan, which is secured through insurance from Alecta, is recognized as a defined benefit plan that encompasses several employers. However, the plan is recognized as a defined contribution plan since Alecta cannot provide the necessary information required for each member company to report its proportional share of the plan obligations, assets and expenses.

The Group's recognized net obligations relating to defined benefit plans referred to Norwegian pension plans and are calculated separately for each plan through an assessment of the future payments which employees have earned. Such payment is discounted to a net present value deducted for the fair value of any plan assets. The discount rate is the market rate of corporate bonds extrapolated to a period equivalent to that of the pension obligations. Calculations of pension liabilities are performed by a qualified actuary.

Remuneration upon resignation or dismissal

A reserve for remuneration relating to the dismissal of staff is only established if the company is demonstrably subject to, without any realistic opportunity for avoidance, the termination of employment prior to the normal time and the affected groups of employees have been informed about the dismissal plan. Reserves are made for severance compensation which will be paid without requiring any service from the employee.

Short-term remuneration

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

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

PROVISIONS

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

Guarantees

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

Restoration costs

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

CONTINGENT LIABILITIES

A contingent liability is recognized in accounts when there is a possible obligation attributable to events occurred, the occurrence of which can only be confirmed by one or more uncertain future events, or when there is an undertaking not recognized as a liability or provision because it is not likely that the use of resources will be required or the amount cannot be calculated with sufficient reliability.

PARENT COMPANY ACCOUNTING PRINCIPLES

The parent company has prepared its annual report in accordance with the Swedish Company Accounts Act (1995:1554) and Swedish Financial Reporting Board recommendation RFR 2 Accounting rules for legal entities. RFR 2 requires that the parent company, in the annual report for the legal entity, use all EU adopted IFRSs and interpretations as far as possible within the framework of the Swedish Company Accounts Act, the Job Security Law and with due regard for the relationship between accounting and taxes. The recommendation states which exceptions and additions must be made to the IFRSs.

Changed accounting principles

The parent company accounting principles have changed in 2016 compared to 2015 as a result of changes in the Swedish Company Accounts Act. The changes entail that the parent company no longer reports pledged assets and contingent liabilities in connection with the balance sheet. They are instead reported in a note.

New IFRSs and interpretations that have not yet been applied are described above for the Group. The new standards regarding revenue (IFRS 15) and leasing (IFRS 16) are not expected to have any material effect on the parent company. Regarding IFRS 9 Financial instruments, the ongoing analysis has so far not revealed any material effects for the parent company.

DIFFERENCES BETWEEN THE GROUP AND PARENT COMPANY ACCOUNTING PRINCIPLES

Differences between the Group's and parent company's accounting principles are given below.

Classification and design types

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

Subsidiaries and joint arrangements

Participation in subsidiaries and joint arrangements are recognized in the parent company applying the acquisition value method. This means that acquisition costs are included in the reported value of the holding in the subsidiary. In Group accounting acquisition costs are recognized directly in profit and loss as they occur.

Financial guarantees

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

Leased assets

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

Taxes

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

Shareholder contributions

Paid shareholder's contributions are activated in shares and participation in the provider after taking into consideration any need for write-downs.

Group contributions

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

Note 2 Important estimates and assessments

Executive Management has together with the Board of Directors discussed developments, selections and information regarding the Group's important accounting principles and assessments, as well as the application of these principles.

Certain important accounting estimates made when applying the Group's accounting principles are described below.

The sources of uncertainty in the assessments given below refer to uncertainties that entail a risk that the value of assets or liabilities may be significantly adjusted in the coming fiscal year.

Peab's operative business is sensitive to changes in, among other things, volume and margins. The financial risks are connected to the business' tied-up capital, capital needs, interest risk and currency risk. For more information about how the changes in important variables affect Group profit, see the sensitivity analysis on page 52.

PERCENTAGE OF COMPLETION

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

IMPAIRMENT TESTS OF GOODWILL

Group's total goodwill amounts to SEK 1,759 million (1,719). When calculating cash generating units' recoverable amount in order to assess the need to write-down goodwill, several estimations and assessments about the future have been made. These are presented in note 15. As is apparent in the description in note 15 changes beyond what can reasonably be expected during 2017 of the conditions for these estimations and assessments could have a significant effect on goodwill. This risk is however very low since the recoverable values are for the most part higher than the reported values in those cases where goodwill values are substantial.

PROJECT AND DEVELOPMENT PROPERTY

Project and development property amounts to SEK 7,007 million (6,742). The booked value has been calculated as the lowest of the purchase price and the net sales price based on current price levels in the respective locations. Changes in supply and demand may alter reported values and write-downs may be required. Peab is using an internal model to test the value of Project and development property. As a compliment to this valuation external market-values are collected annually for some of the properties. For more information on Project and development property, see note 22.

DISPUTES

Peab's business is largely project-related. There are a number of different contract forms and risk levels vary depending on the contract form. With any type of contract however ambiguities can arise concerning the terms which can lead to demarcation issues followed by a dispute with the customer.

The actual outcome in disputed amounts may deviate from those recorded according to the best estimate. For more information on disputes, see note 31.

TAXES

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

ACCOUNTING PRINCIPLES

Tenant-owner projects in Sweden

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

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

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

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

In addition, Peab guarantees that it will acquire any apartments from the tenant-owner associations that remain unsold six months after the building is complete, which is a requirement from the certifiers, i.e. insurance companies and banks. This repurchase obligation is limited since tenant-owner associations do not sign construction contracts until most of the apartments are under contract with a home purchaser and, in our experience, generally do not represent high amounts. The few apartments bought by Peab are usually sold within a short period of time without any other costs than a few months of fees to the tenant-owner association. Reserves are made for possible estimated costs. Peab also guarantees for paid advances and down payments. For further information regarding guarantees for advances and down payments see note 38. No other guarantees or obligations are given to the tenant-owner association than the normal guarantees in conventional construction contracts.

Accounting standards and interpretations

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

Note 3 Income distributed by type

INCOME DISTRIBUTED BY MAIN INCOME TYPE

MSEK	Group		Parent company	
	2016	2015	2016	2015
Income from contracting ¹⁾	38,552	36,915		
Sales of goods	2,424	2,100		
Sales of property developments	2,664	2,882		
Crane, machine and vehicle rental	661	548		
Transport services	1,481	1,471		
Administrative services	3	1	242	267
Other	552	459		
Total	46,337	44,376	242	267

¹⁾ The write-down of SEK -800 million for project Mall of Scandinavia is included in the sum in 2015.

Note 4 Operating segments

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

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

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

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

The Group's internal reporting is constructed so that executive management follows every business area up to and including operating profit and operating margin. For business area Industry and Project Development executive management also follows the development of capital employed. The capital employed in the business areas consists of the business area's total capital reduced by deferred tax recoverables and internal receivables from the internal bank Peab Finans with deductions for non-interest-bearing liabilities and deferred tax liabilities.

Internal pricing between Group segments is based on the "arm's length principle", in other words, by well informed parties who are independent of each other and interested in the realisation of the transactions.

Segments' operating profit includes attributable items which can be reasonably and reliably allocated to the segments. Non-allocated items consist of financial income and expenses, and taxes.

OPERATING SEGMENTS

The Group consist of the following business areas:

- **Construction:** Business area Construction comprises Group resources in construction related services. Construction builds for external customers and internally, primarily for business area Project Development. Operations are run through 11 regions in Sweden, two in Norway and two in Finland. Three of the Swedish regions are focused on housing production. These are in Stockholm, Gothenburg and the Öresund region. Construction maintenance operations are run in a nationwide region primarily focused on the big city areas. The other regions do all kinds of construction in their geographic areas.
- **Civil Engineering:** Business area Civil Engineering works with the construction of larger infrastructure and civil engineering projects and smaller projects on the local market. Civil Engineering also operates and maintains roads and municipal facilities. The operations are run in geographical regions in Sweden, Norway and Finland. Customers are the Swedish Transport Administration, municipalities and local businesses.
- **Industry:** Business area Industry is run in seven product areas; Asphalt, Concrete, Gravel and rock, Transportation and machines, Rentals, Foundations and Industrial construction. All of them work on the Nordic construction and civil engineering markets. Customers are mainly Nordic construction and civil engineering companies.
- **Project Development:** Business area Project Development comprises Peab's developments in housing and property in Sweden, Norway and Finland. The business is run in two segments, Housing Development and Property Development. Housing development develops all kinds of housing such as apartment buildings in tenancy ownership, ownership and rental form as well as single homes. Operations in Property Development revolve around the acquisition, development and divestiture of commercial property in the Nordic region. The business includes projects in wholly owned and partly owned companies. Partly owned companies consist of, among other things, Peab's ownership in Tornet Bostadsproduktion AB (ownership of apartments for rent) and in Fastighets AB Centur (ownership and development of commercial property). In 2016 companies connected to the development of Arenastaden in Solna, which were then divested in the first quarter of 2017, were included in partially owned companies. Wholly owned subsidiaries and projects consists of a number of holdings that include everything from land for development where zoning is being worked out to completed projects ready for sale. Net sales and operating profit from operations are derived from running our wholly owned property, shares in the profit from partly owned companies as well as capital gains from the divestiture of completed property and shares in partly owned companies.

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

Group 2016, MSEK	Operating segments						Elimination	Total operative for the Group ¹⁾	Adjustment for different accounting principles for housing production ²⁾	Group
	Construction	Civil Engineering	Industry	Project Development	Group functions					
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 costs	-23,585	-10,396	-11,478	-7,068	-1,018	8,994	-44,551	175	-44,376	
Other operating income	8	15	74	52	-	-	149	-	149	
Other operating costs	-2	-4	-4	-1	-1	-	-12	-	-12	
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	
Financial income									195	
Financial expenses									-243	
Pre-tax profit									2,050	
Tax									-323	
Profit for the year									1,727	
Depreciation	-17	-36	-699	-18	-14				-784	
Write-downs within operating profit			-18	-60					-78	
Capital gains/losses	3	4	44	136	-1				186	
Other significant non-cash items	-19	-3	-2	30	44				50	
Capital employed on 31 December	-949	-302	5,416	10,281		-44 ³⁾			14,402	

Group 2015, MSEK	Construction	Civil Engineering	Industry	Project Development	Group functions	Elimination	Total operative for the Group ¹⁾	Adjustment for different accounting principles for housing production 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 costs	-24,076	-10,068	-10,216	-7,222	-930	9,232	-43,280	-167	-43,447
Other operating income	8	15	72	15	2	-	112	-	112
Other operating costs	-2	-14	-8	-	-8	-	-32	-	-32
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
Financial income									157
Financial expenses									-260
Pre-tax profit									906
Tax									-108
Profit for the year									798
Depreciation	-18	-28	-659	-17	-13				-735
Write-downs within operating profit			-5	-96	-6				-107
Capital gains/losses	3	7	50	32	-9				83
Other significant non-cash items	-711	-29	-93	-67	-28				-928
Capital employed on 31 December	-1,264	-302	4,885	10,838		319 ³⁾			14,476

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

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

³⁾ Non allocated capital employed.

Comments on the tables

A strong housing market has contributed to favorable development in the business areas in both 2016 and 2015. During 2016 business area Project Development included an effect on profit of SEK 104 million regarding the partial sale of a hotel property and development rights for offices at the Hyllie Station Square in Malmö. In business area Construction the write-down of the project Mall of Scandinavia in Solna in 2015 has affected both net sales and operating profit by SEK -800 million.

Geographic areas

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

Group, MSEK	Sweden		Norway		Finland		Other markets		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
External sales	38,607	36,780	5,157	4,923	2,538	2,636	35	37	46,337	44,376
Intangible and tangible fixed assets	5,324	4,858	633	506	356	284	-	-	6,313	5,648

Parent company, MSEK	Sweden		Norway		Finland		Total ¹⁾	
	2016	2015	2016	2015	2016	2015	2016	2015
Net sales	224	246	13	12	5	9	242	267

¹⁾ Included in Group functions.

Note 5 Business combinations

2016

During 2016 Peab acquired 90.3 percent of the shares in Solberg Maskin AS. The company was 100 % consolidated through the anticipated acquisition method, since Peab has a put/call option for the acquisition of the rest of the shares. The company works with machine contracts in civil engineering in Norway, primarily concentrated to the area around Trondheim. In addition, Peab acquired the gravel and rock operations in Källered and Torup in 2016 as well as cement production entailing the cement factory in Borås.

The above acquisitions in 2016 individually do not have any material acquisition effect from a Group perspective and the information on acquisition effects is therefore given collectively.

In the period after acquisition the above subsidiaries contributed SEK 110 million to Group income and SEK 0 million to profit in 2016. If the acquisitions had taken place on 1 January 2016, the combined effect of these acquisitions on Group income would have been SEK 216 million and on profit for the year by SEK 3 million.

EFFECTS OF ACQUISITIONS IN 2016

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

Goodwill consists of, among other things, human resources and future synergy effects regarding common systems and shared resources which do not meet the criteria for recognition as intangible assets at the time of acquisition.

Total transferred compensation amounted to SEK 228 million.

During the year, the acquisition of assets also occurred through the acquisition of shares (asset acquisitions which are not business combinations) which resulted in a cash flow of SEK -277 million and primarily refer to project and development properties with development rights in Gothenburg, Jönköping and Oslo.

ACQUISITIONS OF NON-CONTROLLING INTERESTS

In 2016 Peab acquired the remaining shares, 9.9 percent, in K. Nordang AS. The company was previously consolidated to 100 percent using the Anticipated acquisition method, because there was a put/call option for the acquisition of the rest of the shares.

ACQUISITIONS AFTER THE BALANCE SHEET DATE

No substantial acquisitions have been made during 2017 as of the presentation of these financial reports.

2015

In 2015 Peab acquired 100 percent of Öresundskraft Tjänster AB, now called ATS Tjänster AB and operations at Masab Asfalt and Renew Consulting och Construction. The acquisition effect of these acquisitions was immaterial from a Group perspective. Total transferred compensation amounted to SEK 33 million.

In the period after acquisition the above subsidiaries and operations contributed SEK 108 million to Group income and SEK 1 million to profit in 2015. If the acquisitions had taken place on 1 January 2015, the combined effect of these acquisitions on Group income would have been SEK 200 million and on profit for the year by SEK 1 million.

During the year, the acquisition of assets also occurred through the acquisition of shares (asset acquisitions which are not business combinations) which resulted in a cash flow of SEK -675 million and primarily refer to project and development properties with development rights in Solna, Stora Hammar, Partille and Kungsbacka.

THE ACQUIRED COMPANIES' NET ASSETS AT THE TIME OF ACQUISITION:

MSEK	2016	2015
Intangible fixed assets	25	9
Tangible fixed assets	262	21
Deferred tax recoverables	4	–
Project and development properties and inventories	14	1
Accounts receivable and other receivables	53	14
Liquid funds	14	2
Interest-bearing liabilities	-82	-1
Deferred tax liabilities	-14	-1
Provisions	-30	–
Accounts payable and other current liabilities	-34	-15
Net identifiable assets and liabilities	212	30
Previous value of share in joint venture	-7	–
Group goodwill	23	3
Consideration transferred	228	33

CONSIDERATION TRANSFERRED

MSEK	2016	2015
Liquid funds	151	32
Contingent consideration	24	1
Promissory note	53	–
Total consideration transferred	228	33

Note 6 Other operating income

Group, MSEK	2016	2015
Capital gains from shares sold in Group companies/joint ventures	1	–
Insurance compensation	21	8
Profit from sales of fixed assets	67	66
Exchange gains from receivables/liabilities relating to operations	3	7
Profit from participation in joint ventures	7	6
Other	50	25
Total	149	112

Note 7 Other operating costs

Group, MSEK	2016	2015
Capital loss from shares sold in Group companies/joint ventures	–	-6
Loss from sales of fixed assets	-5	-7
Exchange loss from receivables/liabilities relating to operations	-5	-6
Loss from participation in joint ventures	–	-9
Other	-2	-4
Total	-12	-32

Note 8 Government grants**GROUP**

Government grants related to assets amounted to SEK 4 million (0) in 2016. The contribution reduced the recognized value of the assets on the balance sheet.

Government grants received as compensation for operating costs amounted to SEK 2 million (19) in 2016, and have reduced costs in the income statement.

Note 9 Employees, personnel costs and remuneration to senior officers**PAYROLL COSTS FOR EMPLOYEES**

Group, MSEK	2016	2015
Salaries and remuneration	6,211	5,889
Pension costs, defined contribution plans	614	556
Social insurance costs	1,909	1,799
Total	8,734	8,244

AVERAGE NUMBER OF EMPLOYEES

	No. of employees 2016	Of were men 2016 percent	No. of employees 2015	Of were men 2015 percent
Parent company				
Sweden	128	49	119	50
Subsidiaries				
Sweden	11,403	89	10,917	90
Norway	1,508	92	1,328	92
Finland	670	86	669	86
Poland	3	67	3	67
Total in subsidiaries	13,584	89	12,917	90
Total in Group	13,712	89	13,036	90

GENDER DISTRIBUTION IN THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

	2016 Percentage of women	2015 Percentage of women
Parent company		
The Board of Directors	27%	20%
Other senior officers	33%	33%
Group total		
The Board of Directors ¹⁾	9%	12%
Other senior officers ²⁾	11%	12%

¹⁾ Refers to the Board of Directors in the parent company and boards in subsidiaries.

²⁾ Other senior officers in the Group refers to the other senior officers in the parent company along with business area management.

SALARIES AND OTHER REMUNERATION AS WELL AS PENSION COSTS FOR LEADING SENIOR OFFICERS

Group 2016, MSEK	Board of Directors and senior officers (14 persons) ¹⁾
Salaries and remuneration	31
– of which variable remuneration etc.	–
Pension costs	20
– of which pension costs for variable remuneration	11

¹⁾ The group leading senior officers refers to executive management. During 2016 the group consisted of six persons, three of which were in the parent company.

Group 2015, MSEK	Board of Directors and senior officers (13 persons) ¹⁾
Salaries and remuneration	24
– of which variable remuneration etc.	–
Pension costs	20
– of which pension costs for variable remuneration	11

¹⁾ The group leading senior officers refers to executive management. During 2015 the group consisted of six persons, three of which were in the parent company.

SALARIES AND OTHER REMUNERATION SEPARATED BETWEEN LEADING SENIOR OFFICERS AND OTHER EMPLOYEES, AND SOCIAL SECURITY COSTS

Parent company 2016, MSEK	Board of Directors and senior officers (11 persons) ¹⁾		Other employees	Total	Parent company 2015, MSEK	Board of Directors and senior officers (10 persons) ¹⁾		Other employees	Total
Salaries and remuneration	22	92	114		15	84	99		
– of which variable remuneration etc.	–	1	1		–	2	2		
Social security costs	20	57	77		18	52	70		
– of which pension costs	5	20	25		5	19	24		
– of which pension costs for variable remuneration	6	2	8		6	–	6		

¹⁾ The group leading senior officers refers to executive management. During 2016 the group consisted of six persons, three of which were in the parent company.

¹⁾ The group leading senior officers refers to executive management. During 2015 the group consisted of six persons, three of which were in the parent company.

SALARIES AND OTHER REMUNERATION FOR LEADING SENIOR OFFICERS IN 2016

Thousands, SEK	Basic salary/ Board remuneration	Variable remuneration	LTI-program ¹⁾	Other benefits	Pension costs	Total
Chairman of the Board, Göran Grosskopf	650					650
Vice Chairman of the Board, Mats Paulsson	3,030					3,030
Other members of the Board						
Karl-Axel Granlund	295					295
Lars Sköld	265					265
Fredrik Paulsson	265					265
Kerstin Lindell	265					265
Nina Udnes Tronstad	235					235
Malin Persson	235					235
Total related to Board of Directors from the parent company	5,240					5,240
CEO, Jesper Göransson	5,730	1,936	1,045	85	2,486	11,282
Other senior officers, remuneration from the parent company	10,741 ²⁾	1,914	1,135	167	2,488	16,445
Other senior officers, remuneration from subsidiaries	8,825	2,934	1,762	172	3,936	17,629
Total	30,536	6,784	3,942	424	8,910	50,596
Remuneration from the parent company	21,711	3,850	2,180	252	4,974	32,967
Remuneration from subsidiaries	8,825	2,934	1,762	172	3,936	17,629

¹⁾ The amount depends on the AGM's decision regarding the size of dividends. Furthermore, senior officers must still be employed on December 31, 2017 to obtain the allocated amount. For more information see Long-term incentive program (LTI program) on page 80.

²⁾ Includes 2016 provisions for termination salaries.

SALARIES AND OTHER REMUNERATION FOR LEADING SENIOR OFFICERS IN 2015

Thousands, SEK	Basic salary/Board remuneration	Variable remuneration	LTI-program ¹⁾	Other benefits	Pension costs	Total
Chairman of the Board, Göran Grosskopf	620					620
Vice Chairman of the Board, Mats Paulsson	3,060					3,060
Other members of the Board						
Karl-Axel Granlund	295					295
Lars Sköld	235					235
Fredrik Paulsson	235					235
Kerstin Lindell	235					235
Nina Udnes Tronstad	235					235
Total related to Board of Directors from the parent company	4,915					4,915
CEO, Jesper Göransson	4,923	2,136	671	82	2,564	10,376
Other senior officers, remuneration from the parent company	5,292	2,319	729	176	2,960	11,476
Other senior officers, remuneration from subsidiaries	8,461	3,601	1,132	159	3,808	17,161
Total	23,591	8,056	2,532	417	9,332	43,928
Remuneration from the parent company	15,130	4,455	1,400	258	5,524	26,767
Remuneration from subsidiaries	8,461	3,601	1,132	159	3,808	17,161

¹⁾ The amount depends on the AGM's decision regarding the size of dividends. Furthermore, senior officers must still be employed on December 31, 2017 to obtain the allocated amount. For more information see Long-term incentive program (LTI program) on page 80.

COMMENTS ON THE TABLES

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

Pension costs refer to costs charged to the year. See note 30 for additional information about pensions. In 2016 the group senior officers consisted of six persons (six), of which three officers (three) were in the parent company.

THE BOARD OF DIRECTORS

The 2016 AGM decided on a remuneration to external members of the Board of a maximum of SEK 5,240 thousand (4,915), of which SEK 560 thousand (535) consisted of remuneration to the Chairman of the Board. A remuneration of SEK 2,765 thousand, unchanged in comparison to last year, was decided as a special compensation to the Vice Chairman of the Board for his availability to the Group in matters concerning customers and the market. Remuneration to all members of the Board was a maximum of SEK 4,970 thousand (4,560), and SEK 180 thousand (180) for work in the remuneration and finance committees and SEK 90 thousand (175) for work in audit committee. During the year total remuneration amounted to SEK 5,240 thousand (4,915).

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

PRINCIPLES FOR THE REMUNERATION OF SENIOR OFFICERS

The group other senior officers is comprised of six senior officers who are members of executive management. The principles for remuneration of senior officers were adopted by the 2016 AGM.

Remuneration to the CEO and other senior officers consists of a fixed salary, any variable remuneration, extra health insurance and those benefits otherwise enjoyed by other Peab employees as well as pension. All pension obligations are defined contribution pensions. The total remuneration paid to each senior officer is based on market terms and the responsibilities and qualifications of the senior officer.

From time to time, senior officers may be offered variable remuneration. Such variable remuneration may not exceed 60 percent of the regular salary and must above all be based on the result goals for pre-tax profit of the Peab Group. Variable remuneration is decided upon each financial year. Variable remuneration for the financial year 2016 was maximized at SEK 3,240 thousand (2,772) for the CEO and a total of SEK 8,114 thousand (7,682) for the other senior officers.

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

From time to time, senior officers may be offered to participate in a LTI program. This variable remuneration is based on the operative operating margin for the Group and the dividend level. For senior officers and the CEO the upper limit is 40 percent of their fixed annual salary. The result of the LTI program is placed in a pension savings in a financial instrument connected to the Peab share. Provisions for the LTI program for 2016 were maximized at SEK 2,160 thousand for the CEO and a total of SEK 5,410 thousand for the other senior officers.

Notice on the part of Peab is twelve months combined with severance pay consisting of twelve months salary. Notice on the part of senior officers is six months combined with severance pay consisting of six months salary.

THE CEO

The CEO of Peab AB, Jesper Göransson, has in 2016 received wages and other remuneration, including benefits, totaling SEK 5,815 thousand (5,005). In addition, he has received variable remuneration for 2016 of SEK 1,936 thousand (2,136) and a provision for LTI-program of SEK 1,045 thousand (671), which will be placed in a pension savings connected to the Peab share. Pension premiums for the year were SEK 2,486 thousand (2,564).

Pension commitment for the CEO give him the right to pension from the age of 62. Annual pension premiums of 47 percent of basic salary are paid for this commitment. These pensions are part of defined contribution plans.

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Notice on the part of Peab is twelve months with a reduction for any salary from a new employer. Severance pay consisting of twelve months salary is paid out upon termination of employment. Notice on the part of the CEO is six months combined with severance pay consisting of six months salary.

OTHER SENIOR OFFICERS

The term other senior officers refers to the five other persons in addition to the CEO that make up Peab's executive management. Salary and other remuneration including benefits for other senior officers amounted to SEK 19,905 thousand (14,088) which includes provisions for termination salaries. In addition variable remuneration for 2016 amounted to SEK 4,848 thousand (5,920) and provision for LTI-program amounted to SEK 2,897 thousand (1,861), which will be placed in pension savings connected to the Peab share.

Pension premiums paid for other senior officers amounted to SEK 6,424 thousand (6,768) during the year.

Pension commitment for the other senior officers give them the right to pension from the age of 62. Annual pension premiums of 47 percent of basic salary are paid for this commitment. These pensions are part of defined contribution plans.

Notice on the part of Peab is twelve months with a reduction for any salary from a new employer. Severance pay consisting of twelve months salary is paid out upon termination of employment. Notice on the part of the other senior officers is six months combined with severance pay consisting of six months salary.

LONG-TERM INCENTIVE PROGRAM (LTI PROGRAM)

From time to time, senior officers may be offered to participate in a LTI program. A new LTI program has been launched for 2015 - 2017 with annual provisions based on meeting the operating margin goal for the Group. The provisions' size is related to the total dividends disbursed to shareholders for the year. The program is open to approximately 500 of the Group's key employees. In order for an employee to receive their share of the outcome in the LTI program the employee must still work for Peab on 31 December 2017. For senior officers and the CEO the upper limit is 40 percent of their fixed annual salary. For other positions the upper limit is 15-35 percent of their fixed annual salary, depending on their position. The result of the LTI program is either placed in a pension savings connected to the Peab share or alternatively paid out to the employee as salary in 2018. In 2016 Peab made a provision of SEK 66 million (35).

PROFIT-SHARING FOUNDATION

In 2007, Peab founded a profit-sharing foundation. The object of the profit-sharing foundation is to create greater participation through employee co-ownership and to better employees' financial situation after retirement. Individual annual shares in profits is related to the employee's profit sharing entitling work hours. Upon retirement employees can withdraw their share in the foundation. Under the foundation's investment policy, its assets must be mainly invested in shares in Peab. In 2016 Peab allocated SEK 52 million. This amount less payroll tax will be paid into the foundation in 2017. In 2015 Peab allocated SEK 46 million including payroll tax. Senior officers are not entitled to benefits from the profit-sharing foundation.

Note 10 Fees and cost remunerations to accountants

MSEK	Group		Parent company	
	2016	2015	2016	2015
KPMG AB				
Auditing assignments	16	17	4	4
Other audit-related assignments	1	1	1	1
Total	17	18	5	5

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

Note 11 Operating costs divided by type

Group, MSEK	2016	2015
Production costs ¹⁾	32,754	32,503
Personnel expenses	9,643	8,965
Depreciation	784	735
Write-downs	78	107
Other operating costs	1,117	1,137
Total	44,376	43,447

¹⁾ Included in production costs are purchased material, sub-contractors, expenses for property projects and other production costs.

Note 12 Net financial income/expense

Group, MSEK	2016	2015
Interest income ¹⁾	96	100
Dividend received related to financial assets valued at fair value	54	50
Profit from sales of joint ventures	16	-
Change in value currency swaps (trading)	11	5
Other items	18	2
Financial income	195	157
Interest expenses ²⁾	-167	-199
Net exchange rate fluctuation	-7	-23
Change in value currency swaps (trading)	0	-1
Write-downs ³⁾	-58	-22
Profit/loss from participation in joint ventures ⁴⁾	-1	-8
Other items	-10	-7
Financial expenses	-243	-260
Net financial income/expense	-48	-103

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

²⁾ Refers to interest from items valued at accrued acquisition value except current interest net from the interest coupon portion of interest swaps totaling SEK -74 million (-71).

³⁾ Includes write-down of an unlisted fund with SEK -29 million (-22), which is classified as a financial asset available for sale.

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

PROFIT FROM PARTICIPATION IN GROUP COMPANIES

Parent company, MSEK	2016	2015
Dividends	–	200
Write-downs ¹⁾	0	-200
Total	0	0

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

PROFITS FROM SECURITIES AND RECEIVABLES RECORDED AS FIXED ASSETS

Parent company, MSEK	2016	2015
Dividends	2	–
Interest income, external	2	2
Total	4	2

INTEREST EXPENSES AND SIMILAR PROFIT/LOSS ITEMS

Parent company, MSEK	2016	2015
Interest expenses, Group companies ¹⁾	-142	-151
Total	-142	-151

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

Note 13 Appropriations

Parent company, MSEK	2016	2015
Change in additional depreciation, machinery and equipment	0	0
Transfer to tax allocation reserve	-522	–
Received Group contribution	2,393	1,123
Paid Group contribution	-16	-903
Total	1,855	220

Note 14 Taxes**RECOGNIZED IN THE INCOME STATEMENT**

Group, MSEK	2016	2015
Current tax expenses/income		
Tax expenses/income for the year	-380	4
Adjustment of tax attributable to previous years	-9	-5
	-389	-1
Deferred tax expenses/income		
Temporary differences	77	-39
Capitalised tax value of loss carry-forwards during the year	0	4
Utilisation of capitalised tax value of loss carry-forwards	-117	-136
Changed tax rates	-2	-9
Tax income through the acquisition of companies with tax loss carry-forwards which were acquired at a price under the nominal value	–	25
Revaluation of reported deferred tax values	108	48
	66	-107
Total reported tax expenses in the Group	-323	-108

Parent company, MSEK	2016	2015
Current tax expenses/income		
Tax expenses for the year	-345	-1
Adjustment of tax attributable to previous years	–	4
	-345	3

Deferred tax income

Temporary differences	11	6
	11	6

Total reported tax expenses/income in the parent company	-334	9
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RECONCILIATION OF EFFECTIVE TAX

Group, MSEK	2016	2016 (%)	2015	2015 (%)
Pre-tax profit	2,050		906	
Tax in accordance with tax rate for the parent company	-451	22.0	-199	22.0
Effect of other tax rates for foreign subsidiaries	-1	0.0	-2	0.2
Non-deductible expenses	-89	4.4	-74	8.2
Tax exempt income	84	-4.1	46	-5.1
Deductible non profit-influencing items	11	-0.5	34	-3.7
Revaluation of reported deferred tax values	108	-5.2	48	-5.3
Utilized non-capitalised loss carry-forwards	14	-0.7	15	-1.7
Tax attributable to previous years	-9	0.4	-5	0.6
Changed tax rates	-2	0.1	-9	1.0
Increase in loss carry-forwards without corresponding activation of deferred tax	-6	0.3	-2	0.2
Tax income through the acquisition of companies with tax loss carry-forwards which were acquired at a price under the nominal value	–	–	25	-2.8
Effect net profit of joint ventures	18	-0.9	15	-1.7
Reported effective tax	-323	15.8	-108	11.9

Parent company, MSEK	2016	2016 (%)	2015	2015 (%)
Pre-tax profit	1,555		54	
Tax in accordance with tax rate for the parent company	-342	22.0	-12	22.0
Non-deductible expenses	-1	0.1	-44	81.5
Tax exempt income	1	-0.1	44	-81.5
Deductible non profit-influencing items	8	-0.5	16	-29.5
Utilized non-capitalised loss carry-forwards	–	–	1	-1.8
Tax attributable to previous years	–	–	4	-7.4
Reported effective tax	-334	21.5	9	-16.7

TAX ATTRIBUTABLE TO OTHER COMPREHENSIVE INCOME

Group, MSEK	Pre-tax	Tax	After tax	Pre-tax	Tax	After tax
	2016			2015		
Translation difference for the year foreign operations	166	12	178	-155	-12	-167
Financial assets available-for-sale	153		153	90		90
Cash flow hedges	31	-11	20	28	-6	22
Revaluation of defined benefit pension plans	0	0	0	0	0	0
Other comprehensive income	350	1	351	-37	-18	-55

**REPORTED ON THE BALANCE SHEET
DEFERRED TAX RECOVERABLES AND TAX LIABILITIES**

Group, MSEK	Deferred tax recoverables		Deferred tax liabilities		Net		Changes reported in profit for the year
	2016	2015	2016	2015	2016	2015	2016
Tangible assets			-338	-300	-338	-300	-29
Intangible assets			-62	-60	-62	-60	4
Financial assets			-41	-1	-41	-1	-40
Project and development properties		6	-5		-5	6	3
Work-in-progress	4	7			4	7	-4
Inventories	1	1			1	1	0
Accounts receivable	3	18			3	18	-17
Recognized but not invoiced income			-66	-45	-66	-45	-11
Other receivables			-2		-2	-	-2
Interest-bearing liabilities	95	81			95	81	9
Provisions for pensions	82	48			82	48	34
Provisions	63	60			63	60	-5
Invoiced income not yet recognized	244	90			244	90	154
Other liabilities	163	63			163	63	108
Loss carry-forwards	134	142			134	142	-23
Tax allocation reserve			-116	-1	-116	-1	-115
Safety reserve			-462	-462	-462	-462	-
Tax recoverables/tax liabilities	789	516	-1,092	-869	-303	-353	
Offset	-720	-414	720	414	-	-	
Net	69	102	-372	-455	-303	-353	66

Parent company, MSEK	Deferred tax recoverables		Deferred tax liabilities		Net		Changes reported in profit for the year
	2016	2015	2016	2015	2016	2015	2016
Provisions for pensions	97	88			97	88	9
Other liabilities	2				2		2
Net	99	88	-	-	99	88	11

UNREPORTED DEFERRED TAX RECOVERABLES REGARDING LOSS CARRY-FORWARDS

Ongoing correspondence between the Swedish Tax Authorities as well as assessments made together with external experts on the deductibility of individual deductions have been taken into consideration when evaluating deferred tax recoverables. Deferred tax attributable to deductions where the right to deduct is uncertain has not been reported as an asset. The value of the deferred tax in Sweden which has not been reported as an asset per 2016-12-31 is approximately SEK 187 million (284).

In consideration of earlier years reported losses in the Norwegian operations, remains an uncertainty in the use of loss carry-forwards which amount to SEK 417 million (397). Those have not been activated. The fiscal value of the unactivated loss carry-forward is SEK 100 million (99).

CHANGED TAX RATES

As of 2017 the tax rate in Norway has changed to 24 percent from 25 percent which was the tax rate during 2016. 2015 the tax rate was 27 percent.

Note 15 Intangible fixed assets

Group 2016, MSEK	Intangible fixed assets, external purchase					Intangible fixed assets, internally developed	Total
	Goodwill	Brands	Customer relations	Tenancies gravel and rock quarries	Other intangible assets	Industrial construction	
Opening acquisition value	1,740	249	56	202	44	22	2,313
Purchases					2		2
Purchases through acquired companies	23	12	5		8		48
Sales/disposals		-8	-2		-26		-36
Sale of business	-4						-4
Translation differences for the year	24	10	2				36
Closing accumulated acquisition value	1,783	263	61	202	28	22	2,359
Opening depreciation	-	-141	-44	-56	-37	-15	-293
Sales/disposals		8	2		26		36
Depreciation for the year ¹⁾		-18	-3	-8	-2	-1	-32
Translation differences for the year		-4	-1				-5
Closing accumulated depreciation	-	-155	-46	-64	-13	-16	-294
Opening write-downs	-21	-	-	-	-	-5	-26
Translation differences for the year	-3						-3
Closing accumulated write-downs	-24	-	-	-	-	-5	-29
Closing book value	1,759	108	15	138	15	1	2,036

Group 2015, MSEK	Intangible fixed assets, external purchase					Intangible fixed assets, internally developed	Total
	Goodwill	Brands	Customer relations	Tenancies gravel and rock quarries	Other intangible assets	Industrial construction	
Opening acquisition value	1,792	268	82	202	55	22	2,421
Purchases					1		1
Purchases through acquired companies	3	6	3				12
Sales/disposals	-32	-16	-27		-12		-87
Translation differences for the year	-23	-9	-2		0		-34
Closing accumulated acquisition value	1,740	249	56	202	44	22	2,313
Opening depreciation	-	-143	-70	-48	-46	-14	-321
Sales/disposals		16	27		12		55
Depreciation for the year ¹⁾		-19	-2	-8	-3	-1	-33
Translation differences for the year		5	1		0		6
Closing accumulated depreciation	-	-141	-44	-56	-37	-15	-293
Opening write-downs	-56	-	-	-	-	-5	-61
Sales/disposals	32						32
Translation differences for the year	3						3
Closing accumulated write-downs	-21	-	-	-	-	-5	-26
Closing book value	1,719	108	12	146	7	2	1,994

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

MSEK	2016	2015
Production costs	-32	-33
Total	-32	-33

GOODWILL IMPAIRMENT TESTING IN CASH GENERATING UNITS

The balance sheet of the Peab Group 2016-12-31 included total goodwill of SEK 1,759 million (1,719). The table below shows goodwill per group of cash-generating units for which goodwill is tested for impairment.

MSEK	2016	2015
Construction		
Construction Sweden	68	68
Construction Finland	61	59
Construction Norway	159	144
Civil Engineering		
Civil Engineering Sweden	146	140
Industry		
Business area level, when repurchased by Peab 2008	1,274	1,270
Industry Sweden	16	3
Project Development		
Property Development	21	21
Housing Development	14	14
Total	1,759	1,719

GOODWILL WRITE-DOWNS

Group goodwill has not been written down in 2015 and 2016. For the cash generating units where a calculation of the recovery value was made and no write-down need was identified, executive management has assessed that no feasible possible changes in important assumptions would result in a recovery value lower than the reported value.

METHOD FOR CALCULATING RECOVERY VALUE

The recovery value for the cash generating units has been based on calculation of useful value for all goodwill values. The calculation model is based on a discount of forecasted future cash flows compared to the unit's reported values. These future cash flows are based on 5 year forecasts produced by the management of the respective group of cash generating units. Goodwill impairment tests have an infinite time horizon and extrapolation of cash flow for the years after the forecast was calculated based on a growth rate from year 6 onwards of approximately 2 percent.

IMPORTANT VARIABLES WHEN CALCULATING USEFUL VALUE

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

Sales: The business' historical development, expected changes in the construction business cycle, general financial conditions, investment plans of public and municipal customers, interest rate levels and local market conditions.

Operating margin: Historic profitability levels and operative efficiency, access to key personnel and qualified manpower, access to internal resources, raises in salaries, materials and subcontractor costs.

Working capital requirements: Individual case assessment of whether the working capital reflects the company's needs or whether it should be adjusted for the forecast period. A reasonable or cautious assumption for future development is that it parallels net sales growth. A high level of internally developed projects may entail a greater need for working capital.

Investment needs: The company's investment needs are assessed on the investments required to achieve the initially forecasted cash flow, i.e. not including expansion investments.

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

Discount rate: Forecasted cash flows and residual values are discounted to current value applying a weighted average cost of capital (WACC). Interest rates on borrowed capital have been market adjusted to each country. The required return on equity is based on the Capital Asset Pricing Model. An after-tax weighted discount rate has been used in calculating useful value. The discount rate after tax used on cash generating units in Sweden is on average 7.8 percent (7.5), in Norway 10.2 percent (9.1) and in Finland 9.0 percent (8.2) The corresponding pre-tax discount in Sweden was on average 9.6 percent (9.6), in Norway 12.3 percent (10.9) and in Finland 11.4 percent (9.8).

Note 16 Tangible fixed assets

Group 2016, MSEK	Buildings and land	Machinery and equipment	Construction in progress	Total
Opening acquisition value	2,009	7,205	72	9,286
Purchases	30	966	112	1,108
Purchases through acquired companies	112	180		292
Sales/disposals	-67	-437		-504
Sale of business		-3		-3
Reclassifications	-4	56	-48	4
Translation differences for the year	10	95	1	106
Closing accumulated acquisition value	2,090	8,062	137	10,289
Opening depreciation	-774	-4,834	-	-5,608
Accumulated depreciation in acquired companies		-30		-30
Sales/disposals	60	382		442
Sale of business		1		1
Reclassifications	9	7		16
Depreciation for the year	-74	-678		-752
Translation differences for the year	-3	-60		-63
Closing accumulated depreciation	-782	-5,212	-	-5,994
Opening write-downs	-2	-22	-	-24
Sales/disposals		6		6
Closing accumulated write-downs	-2	-16	-	-18
Closing book value	1,306	2,834	137	4,277

Group 2015, MSEK	Buildings and land	Machinery and equipment	Construction in progress	Total
Opening acquisition value	2,141	6,921	71	9,133
Purchases	62	663	62	787
Purchases through acquired companies		24		24
Sales/disposals	-133	-331		-464
Sale of business	-68	-21	-14	-103
Reclassifications	16	35	-46	5
Translation differences for the year	-9	-86	-1	-96
Closing accumulated acquisition value	2,009	7,205	72	9,286
Opening depreciation	-739	-4,527	-	-5,266
Accumulated depreciation in acquired companies		-3		-3
Sales/disposals	23	279		302
Sale of business	9	4		13
Reclassifications	4	-15		-11
Depreciation for the year	-74	-628		-702
Translation differences for the year	3	56		59
Closing accumulated depreciation	-774	-4,834	-	-5,608
Opening write-downs	-21	-16	-	-37
Sales/disposals	13			13
Sale of business	6			6
Write-downs for the year ¹⁾		-6		-6
Closing accumulated write-downs	-2	-22	-	-24
Closing book value	1,233	2,349	72	3,654

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

MSEK	2016	2015
Production costs	-	-6
Total	-	-6

Parent company, MSEK	Machinery and equipment	
	2016	2015
Opening acquisition value	5	5
Closing accumulated acquisition value	5	5
Opening depreciation	-4	-4
Closing accumulated depreciation	-4	-4
Closing book value	1	1

GROUP FINANCIAL LEASING

Companies in the Group lease vehicles, construction machinery and other production equipment through many different leasing agreements. The recorded value related to Group financial leasing amounted to SEK 643 million (471). When the leasing agreements terminate Peab normally has a liability to buy equipment at its residual value. The leased assets are owned by the lessors.

Note 17 Shares in joint ventures

INFORMATION REGARDING SIGNIFICANT JOINT VENTURES IN THE GROUP

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

Fastighets AB ML4, 50 percent ownership. The company will develop, own and manage research facility Max IV in Lund. The facility is rented to Lund University and was completed in 2015.

Peab owned 50 percent of Visio Utveckling AB in 2016. The company is responsible for developing Arenastaden and owns and manages companies responsible for property development, including zoning and exploitation issues, implementation, construction and land sales. The company was acquired in December 2015 and prior to the acquisition was part of the joint venture company Visio Property Ltd. An adjustment of the preliminary reported purchase price was made in 2016. The shares in Visio Utveckling AB were sold to Fabege in January 2017.

Tornet Bostadsproduktion AB, 31 percent ownership. The company was acquired in June 2015 and was a part of the joint venture company TCL S.å.r.l. before the acquisition. The company will own, manage and develop housing.

Peab owns 50 percent of Point Hyllie Holding AB. The company will develop Hyllie's highest building, the 110 meter high office building The Point. The company will also own and manage Vårdshuset 5 on Hyllie Station Square. The company was formed when Peab sold 50 percent of the shares in the subsidiary to Volito Fastigheter AB on 1 June 2016. Internal profit and Group values equivalent to the remaining shareholding have been reclassified and are reported as shares in joint ventures.

For joint ventures acquired during the financial year, full calendar year income statements are presented in the table below after adaptation to Peab Group's accounting principles. The Group's share of total comprehensive income refers only to the result generated during the period the Group has owned the joint ventures.

Group, MSEK	Significant joint ventures 2016-12-31					Significant joint ventures 2015-12-31			
	Fastig-hets AB Centur	Fastig-hets AB ML4	Visio Utveck- ling AB	Tornet	Point	Fastig-hets AB Centur	Fastig-hets AB ML4	Visio Utveck- ling AB	Tornet Bostads- produk- tion AB
				Bostads- produk- tion AB	Hyllie Holding AB				
Net sales	245	51	50	93	26	274	42	41	71
Operating profit ¹⁾	199	9	24	55	7	359	15	57	40
Interest income and similar profit items	4	0	0		0	4	0		
Interest expenses and similar profit/loss items	-68	-25	-45	-47	-11	-87	-21	-25	-36
Tax	-25	4	0	-2	1	-24	1	-10	-1
Profit for the year	110	-12	-21	6	-3	252	-5	22	3
Other comprehensive income	1					-2			
Comprehensive income for the year	111	-12	-21	6	-3	250	-5	22	3
Less non-controlling interest			-2					-1	
Total comprehensive income less non-controlling interest	111	-12	-23	6	-3	250	-5	21	3
¹⁾ Depreciation amounts to		40	4	14	14		27	5	11
Fixed assets		5			1				
Short-term investments and liquid funds	166	57	7	51	17	64	84	48	31
Project and development properties	4,132	1,870	313	1,908	675	3,908	1,862	980	1,685
Other current assets	97	3	144	7	11	558	8	115	10
Total assets	4,395	1,935	464	1,966	704	4,530	1,954	1,143	1,726
Long-term financial liabilities	3,758	1,853	276	1,707	715	3,972	1,895	863	1,483
Other long-term liabilities	75		17			43		17	
Short-term financial liabilities		23	6					61	
Other short-term liabilities	57	36	11	27	11	123	24	29	18
Total liabilities	3,890	1,912	310	1,734	726	4,138	1,919	970	1,501
Net assets	505	23	154	232	-22	392	35	173	225
Less non-controlling interest			-55					-52	
Net assets less non-controlling interest	505	23	99	232	-22	392	35	121	225
Group share of net assets at the beginning of the year	196	17	61	70	-	71	0	0	0
Share of total comprehensive income	56	-6	-9	2	1	125	-3		0
Acquisitions			-16					61	70
Contribution / new issue			13		5		20		
Reclassification upon partial disposal of shares in subsidiary					-17				
Group share of net assets at year-end	252	11	49	72	-11	196	17	61	70
Group share of unrealized internal profit at the beginning of the year	-15	-51	-1	-20	-	-4	-41	0	0
Reclassification of internal profit upon partial disposal of shares in subsidiary					-99				
Elimination of unrealized profit	-15	-3	0	0		-11	-10	-1	-20
Group share of unrealized internal profit at year-end	-30	-54	-1	-20	-99	-15	-51	-1	-20
Recognized value at year-end	222	-43	48	52	-110	181	-34	60	50
Comprehensive income is divided among the following items in the income statement:									
Production costs	40	-9	-9	2	1	115	-13	-1	-20
Other comprehensive income	1					-1			
Total	41	-9	-9	2	1	114	-13	-1	-20
Recognized amount is divided among the following items in the balance sheet:									
Shares in joint ventures	222		48	52		181		60	50
Accrued expenses and deferred income ¹⁾		-43			-110		-34		
Total	222	-43	48	52	-110	181	-34	60	50

¹⁾ Refers to joint venture where the net sum of equity and internal profit elimination is negative.

INFORMATION ON OTHER JOINT VENTURES VALUE IN THE GROUP

Group, MSEK	2016	2015
Share of comprehensive income on other joint ventures	59	-5
Comprehensive income is divided among the following items in the income statement:		
Productions costs	53	6
Other operating income	7	6
Other operating costs	-	-9
Financial expenses	-1	-8
Total	59	-5
Recognized value of other joint ventures	339	447
Recognized amount is divided among the following items in the balance sheet:		
Participation in joint ventures	393	496
Other provisions ¹⁾	-43	-46
Accrued expenses and deferred income ²⁾	-11	-3
Total	339	447

¹⁾ Refers to joint venture where equity is negative.

²⁾ Refers to joint venture where the net sum of equity and internal profit elimination is negative.

Company, Registered Office, Corp. ID no.	Share percent 2016	Share percent 2015
Acturum Development AB, Stockholm, 556910-5488	50	50
Ale Exploatering AB, Gothenburg, 556426-2730	-	50
Blåsut Åstorp AB, Stockholm, 556627-4386	50	50
Bondistranda Utvikling AS, Lysaker, 992 512 741	50	50
Brekkeveien 5 Bolig AS, Lysaker, 991 935 177	50	50
Byggutveckling Svenska AB, Linköping, 556627-2117	50	50
Express Betong AB, Halmstad, 556317-1452	-	50
Fastighets AB Centur, Stockholm, 556813-6369	50	50
Fastighets AB ML4, Malmö, 556786-2155	50	50
Fastighets AB Tornet, Gothenburg, 559008-2912	50	50
Fjällvärme i Sälen AB, Malung-Sälen, 556536-1895	50	50
Flöjfjellet Eidendom AS, Tromsø, 915 467 407	50	50
Fotbollsstadion i Malmö Fastighets AB, Malmö, 556727-4641	-	12.5
Hans Haslums Vei Utvikling AS, Lysaker, 914 498 937	50	-
Hälsostaden i Ängelholm Holding AB, Ängelholm, 556790-5723	33.33	33.33
ITolv AB, Eksjö, 556513-2478	35	35
JHCS Skolfastigheter AB, Nacka, 559030-6923	-	50
Kaldslettneset AS, Tromsø, 911 692 058	50	50
KB Blåsut Åstorp, Stockholm, 969691-9043	-	50
KB Järnvägsstaden, Stockholm, 969681-8294	-	50
KB Älvhögsborg, Trollhättan, 916899-2734	50	50
Kirkebakken Vest AS, Horten, 988 796 174	50	50
Kungsörs Grusaktiebolag, Kungsör, 556044-4134	50	50
Ljusta Projektutveckling AB, Sundsvall, 556668-4899	50	50
Ljusta Projektutveckling KB, Sundsvall, 969700-6188	50	50
Log. Sunnanå AB, Helsingborg, 556699-7788	50	50
Log. Sunnanå Två AB, Helsingborg, 559023-3911	50	50
Log. Tostarp AB, Helsingborg, 556667-8784	50	50
Log. Tostarp Två AB, Helsingborg, 559025-2259	50	50
Medkila Nord AS, Harstad, 998 565 545	50	50
Mountain Resort Trysil AS, Trysil, 996 284 115	50	50
Nedre Holte AS, Harstad, 985 911 495	50	50
Nya Bara Utvecklings AB, Malmö, 556858-4311	50	50
Nyckel 0328 AB, Stockholm, 556871-6541	-	33.33
Nye Egne Hjem AS, Lysaker, 913 624 149	50	50

		Share percent 2016	Share percent 2015
1			
2	Company, Registered Office, Corp. ID no.		
3	PeBri Projektutveckling AB, Helsingborg, 556752-1108	50	50
4	PeKum AB, Kumla, 559041-7464	50	–
5	Point Hyllie Holding AB, Solna, 559023-4034	50	–
6	Polarkanten AS, Tromsø, 994 417 657	50	50
7	PPE Holding AB, Solna, 559003-7304	50	50
8	Runö Fastigheter Handelsbolag, Stockholm, 969723-2107	30	30
9	Sicklaön Bygg Invest AB, Solna, 556911-5479	50	50
10	Sikrenodalen AB, Stockholm, 556616-7242	50	50
11	Sjökrona Exploatering AB, Helsingborg, 556790-5624	25	25
12	Skiab Invest AB, Malung-Sälén, 556848-5220	50	50
13	Skiab Invest AS, Trysil, 915 659 454	50	50
14	Solligården Bolig DA, Lysaker, 913 765 516	50	50
15	Solligården Naering AS, Lysaker, 913 764 862	50	50
16	Stadsliden Utveckling AB, Umeå, 556874-7413	50	50
17	Strandvegen Utvikling AS, Tromsø, 916 575 939	50	–
18	Strömstad Exploatering AB, Solna, 559002-4518	50	50
19	Svenska Fräs och Asfaltåtervinning SFA AB, Markaryd, 556214-7354	40	30
20	Sydpartner AB, Ängelholm, 556712-4952	50	50
21	TCL S.à.r.l., Luxemburg, 19982401227	50	50
22	Telemark Vestfold Utvikling AS, Skien, 987 208 279	33.4	33.4
23	Tomasjord Park AS, Tromsø, 983 723 853	50	50
24	Tornet Bostadsproduktion AB, Stockholm, 556796-2682	31	31
25	Trysil Hotellutvikling AS, Trysil, 987 054 409	50	50
26	Trysil Suiter AS, Trysil, 991 276 068	50	50
27	Täljö Utveckling nr 4 AB, Stockholm, 556750-5069	30	30
28	Vardenbakken 99 AS, Oslo, 998 347 211	50	50
29	Visio Property Ltd, Buckingham, 3871355	50	50
30	Visio Utveckling AB, Solna, 556848-9032	50	50
31	Överby Trollhättan Fastigheter AB, Stockholm, 559049-7482	50	–

Note 18 Joint operations

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

		Share percent 2016	Share percent 2015
32	Company, Registered Office, Corp. ID no.		
33	Dockan Exploatering AB, Malmö, 556594-2645	33.33	33.33
34	Målarstrandens Utvecklings AB, Västerås, 556695-5414	44	44

Note 19 Interest-bearing receivables**INTEREST-BEARING LONG-TERM RECEIVABLES**

MSEK	Group		Parent company	
	2016	2015	2016	2015
Receivables from Group joint ventures	1,463	1,877		
Other interest-bearing receivables	299	322		
Total	1,762	2,199	-	-

INTEREST-BEARING CURRENT RECEIVABLES

MSEK	Group		Parent company	
	2016	2015	2016	2015
Receivables from Group joint ventures	237	155		
Other interest-bearing receivables	99	55		
Total	336	210	-	-

Parent company, MSEK	2016	2015
Opening balance 1 January	-	28
Settled receivables	-	-28
Closing balance per 31 December	-	-

Note 20 Other securities held as fixed assets

Group, MSEK	2016	2015
Available-for-sale financial assets		
Shares and participation	480	310
Holdings of unlisted funds	54	49
Unlisted shares and participation valued at purchase price	330	130
Total	864	489

Parent company, MSEK	2016	2015
Opening balance 1 January	310	223
Change in value	151	104
Translation differences	19	-17
Closing balance per 31 December	480	310

Note 21 Other receivables**OTHER LONG-TERM RECEIVABLES**

MSEK	Group		Parent company	
	2016	2015	2016	2015
Receivables from Group joint ventures	97	34		
Other long-term receivables	81	64		
Total	178	98	-	-

OTHER CURRENT RECEIVABLES

MSEK	Group		Parent company	
	2016	2015	2016	2015
Receivables from Group joint ventures	42	7	-	-
Other current receivables	333	471	4	3
Derivate instruments held for hedging purposes	12	5	-	-
Total	387	483	4	3

Note 22 Project and development properties

Group, MSEK	2016	2015
Development rights for housing	4,125	3,831
Commercial development rights	675	543
Projects under construction	736	944
Investment properties	1,246	1,244
Other	225	180
Total	7,007	6,742

Project and development properties were written down during the year for a total of SEK 59 million (72). Loan interest of SEK 6 million (26) has been activated during the year.

RECOVERY

Of the booked value of project and development property of SEK 7,007 million (6,742) some SEK 5,100 million (approximately 5,500) is expected to be recovered through the start of production or sales more than 12 months after the balance sheet day. The remaining part is expected to be recovered within 12 months of the balance sheet day.

Note 23 Inventories

Group, MSEK	2016	2015
Raw materials and consumables	106	91
Products in progress	9	10
Finished products and goods for resale	249	262
Total	364	363

Note 24 Work-in-progress

At the end of the year there was work-in-progress for a total of SEK 1,203 million (1,010) in the Group referring to costs in housing projects reported according to IAS 18, Revenue.

Note 25 Accounts receivable

Accounts receivables were written down for factual and feared bad debts for a total of SEK 26 million (28). Factual bad debts amounted to SEK 14 million (8) in the Group, of which SEK 6 million were written down in 2015. Losses were a result of some of the company's customers going bankrupt. The parent company had no bad debts.

Note 26 Construction contracts

RECOGNIZED INCOME NOT YET INVOICED

Group, MSEK	2016	2015
Recognized income on incomplete contracts	29,525	27,044
Invoiced sales on incomplete contracts	-26,869	-24,851
Total	2,656	2,193

INVOICED INCOME NOT YET RECOGNIZED

Group, MSEK	2016	2015
Invoiced sales on incomplete contracts	39,710	37,443
Recognized income on incomplete contracts	-33,801	-33,267
Total	5,909	4,176

Recognized income from contracts in progress is reported with the application of percentage of completion method. The degree of recognition is calculated on the basis of the project costs incurred at the end of the period in relation to the project costs corresponding to the project income for the whole project.

Contract assignments are reported in the balance sheet on the basis of gross project for project, either as Recognized income not yet invoiced in current assets or as Invoiced income not yet recognized in current liabilities. Projects that have higher recognized income than amounts invoiced are reported as assets, while projects that have been invoiced for more than recognized income are reported as liabilities.

Note 27 Prepaid expenses and accrued income

Parent company, MSEK	2016	2015
Prepaid overhead expenses	10	7
Total	10	7

Note 28 Equity

SHARES AND SHARE CAPITAL

Group	A shares	B shares	Number of issued fully paid shares	Share capital, SEK
Number of issued shares 1 January 2016	34,319,957	261,729,773	296,049,730	1,583,866,056
Number of issued shares 31 December 2016	34,319,957	261,729,773	296,049,730	1,583,866,056

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

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

Fair value reserve

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

Hedging reserve

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

REPURCHASED OWN SHARES THAT HAVE REDUCED THE EQUITY ITEM PROFIT/LOSS BROUGHT FORWARD INCLUDING PROFIT FOR THE YEAR

	Number of shares ¹⁾		Amount that affected equity, MSEK ²⁾	
	2016	2015	2016	2015
Opening repurchased own shares	1,086,984	1,086,984	929	929
Closing repurchased own shares	1,086,984	1,086,984	929	929

¹⁾ A withdrawal of 5,500,000 shares was made in 2007.

²⁾ Amount affecting equity refers to the accumulated net sum of acquired and divested own shares.

OTHER CONTRIBUTED CAPITAL

Refers to equity contributed by the owners. Includes premiums paid in conjunction with new issues.

RESERVES

Translation reserve

The translation reserve comprises all exchange rate differences generated by translating the financial reports from foreign companies presented in another currency than the one used in Group financial statements. The parent company and the Group present their reports in Swedish krona (SEK). The translation reserve also consists of exchange rate differences from extended investment in foreign business and re-borrowing from foreign operations.

PROFIT/LOSS BROUGHT FORWARD INCLUDING PROFIT FOR THE YEAR

Profit/loss brought forward including profit for the year consists of profit in the parent company and its subsidiaries and joint arrangements.

DIVIDEND

After the balance sheet day the Board of Directors proposed the following dividend; A cash dividend of SEK 3.60 (2.60) per share, totaling SEK 1,061,865,886 (766,903,140), was calculated on the number of outstanding shares. Total dividends are calculated on outstanding shares at the time of distribution. The dividend will be proposed for adoption by the AGM on 10 May 2017.

THE PARENT COMPANY

Restricted equity

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

Statutory reserve

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

Non-restricted equity

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

Share premium reserve

When shares are issued at a premium, i.e. when more must be paid for the shares than their nominal price, an amount equivalent to the amount received in excess of the share's nominal value is transferred to the share premium reserve. The amount transferred to the share premium reserve starting 1 January 2006 is included in unrestricted capital.

Special reserve

Refers to reserves to funds when the share capital is reduced, to be used as the AGM decides.

Fair value reserve

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

Profit/loss brought forward

Consists of the previous year's profit/loss brought forward and profit after being reduced by paid out dividends.

Note 29 Interest-bearing liabilities**LONG-TERM LIABILITIES**

Group, MSEK	2016	2015
Bank loans	1,521	2,279
Bonds	649	650
Financial leasing liabilities	453	315
Other long-term liabilities	105	57
Total	2,728	3,301

CURRENT LIABILITIES

Group, MSEK	2016	2015
Bank loans including overdraft facilities	440	719
Commercial paper	1,329	1,206
Bonds	350	999
Financial leasing liabilities	139	133
Liabilities to joint ventures	36	1
Other current liabilities	-	41
Total	2,294	3,099

FINANCIAL LEASING LIABILITIES

Financial leasing liabilities fall due for payment as follows;

Group, MSEK	2016		2015		2015	
	Minimum leasing charge	Interest	Capital amount	Minimum leasing charge	Interest	Capital amount
Within one year	153	14	139	140	7	133
Between one and five years	463	19	444	313	9	304
Later than five years	9	0	9	11	0	11
Total	625	33	592	464	16	448

Variable leasing fees were SEK 6 million (2). For further information concerning Group financial leasing, see note 16.

Note 30 Pensions**DEFINED BENEFIT PENSION PLANS**

Defined benefit plans consist of the Swedish ITP 2 Plan for Salaried Staff which is managed through insurance with Alecta. In 2016 the defined benefit pension plan in Norway was renegotiated and is now reported as a defined contribution plan. As Alecta cannot submit the information required to account for the ITP 2 plan as a defined benefit plan, this is entered as a defined contribution plan (see below). Since the amount of the defined benefit plans in addition to Alecta's is insignificant only a few facts are given below.

Group, MSEK	2016	2015
Present value of fully or partially funded obligations	-	9
Total present value of obligations	-	9
Fair value of plan assets	-	-10
Net reporting of defined benefit plans recognized as interest-bearing long-term receivables	-	-1

CHANGES IN PRESENT VALUE OF OBLIGATIONS FOR DEFINED BENEFIT PLANS

Group, MSEK	2016	2015
Net obligations for defined benefit plans as of 1 January	9	10
Settlement	-10	-
Translation differences	1	-1
Obligations for defined benefit plans as of 31 December	-	9

CHANGES IN RECOGNIZED FAIR VALUE IN THE BALANCE SHEET FOR PLAN ASSETS

Group, MSEK	2016	2015
Fair value of plan assets as at 1 January	10	10
Settlement	-11	-
Contributions from employer	0	1
Translation differences	1	-1
Fair value of plan assets on 31 December	-	10

EXPENSES RECOGNIZED IN COMPREHENSIVE INCOME

Group, MSEK	2016	2015
Expenses recognized in the income statement	0	0
Revaluation of defined benefit pension plans in other comprehensive income	0	0
Total net expense recognized in comprehensive income	0	0

HISTORICAL INFORMATION

Group, MSEK	2016	2015	2014	2013	2012
Present value of defined benefit plan obligations	-	9	10	11	23
Fair value of plan assets	-	-10	-10	-	-8
Net obligations in plan	-	-1	0	11	15

ITP 2 defined benefit plan obligations for old age pension and family pension obligations for salaried staff in Sweden are managed through insurance from Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 10 Reporting pension plan ITP 2 which is financed through insurance from Alecta, this is a defined benefit plan that encompasses several employers. For the financial year of 2016 the company did not have the necessary information required to report its proportional share of the plans obligations, plan assets and expenses which has made it impossible to recognise this plan as a defined benefit plan. Therefore the ITP 2 pension plan which is secured through insurance from Alecta is reported as a defined contribution plan. Premiums for the defined benefit old age and family plans are calculated individually taking into account salary, previously earned pension and anticipated remaining employment period. Anticipated premiums for the next report period for ITP 2 insurance that are covered by Alecta amount to SEK 139 million (142). The Group's share of total premiums for the plan and the Group's share of the total number of active members of the plan are 0.94 percent (0.66) respective 0.63 percent (0.60).

The collective consolidation level is made up of the market value of Alecta's assets as a percentage of the insurance obligations calculated in accordance with Alecta's insurance methods and adjustment assumptions, which are not in accordance with IAS 19. Normally the collective consolidation level is permitted to vary between 125 and 155 percent. If Alecta's collective consolidation level is less than 125 percent or exceeds 155 measures must be taken aimed at returning the consolidation level to the normal interval. If the consolidation level is low one measure may be raising the agreed price for new subscriptions and expanding existing benefits. If the consolidation level is high one measure may be implementing premium reductions. At the end of 2016, Alecta's surplus in the form of the collective consolidation level amounted to 149 percent (153).

DEFINED CONTRIBUTION PLANS

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

MSEK	Group		Parent company	
	2016	2015	2016	2015
Expenses of defined contribution plans	614	556	33	30
<i>Of which ITP 2 plans financed in Alecta</i>	<i>150</i>	<i>129</i>	<i>5</i>	<i>4</i>

Note 31 Provisions**PROVISIONS WHICH ARE LONG-TERM LIABILITIES**

Group, MSEK	2016	2015
Guarantee risk reserve	310	345
Re-establishment costs	136	96
Disputes	0	10
Commitments for joint ventures	43	46
Special payroll tax on pensions	85	72
Other	20	23
Total	594	592

PROVISIONS WHICH ARE CURRENT LIABILITIES

Group, MSEK	2016	2015
Guarantee risk reserve	104	55
Demobilization costs	-	1
Disputes	55	51
Other	46	12
Total	205	119

PROVISIONS

Parent company, MSEK	2016	2015
Special payroll tax on pensions	28	25
Total	28	25

Group 2016, MSEK	Guarantee risk reserve	Re-establishment costs	Demobilization costs	Disputes	Commitments for joint ventures	Special payroll tax on pensions	Other	Total
Opening book value	400	96	1	61	46	72	35	711
Provisions set aside during the year	167	23		4	6	13	55	268
Increase through business combinations		30						30
Amounts requisitioned during the year	-137	-12	-1	-11	-9		-2	-172
Reversed unutilized provisions during the year	-24	-1		-8			-26	-59
Reclassifications				8				8
Translation difference for the year	8			1			4	13
Closing book value	414	136	-	55	43	85	66	799
Provisions which are long-term liabilities	310	136		0	43	85	20	594
Provisions which are current liabilities	104			55			46	205

Group 2015, MSEK	Guarantee risk reserve	Re-establishment costs	Demobilization costs	Disputes	Commitments for joint ventures	Special payroll tax on pensions	Other	Total
Opening book value	402	85	42	18	47	49	75	718
Provisions set aside during the year	128	16	1	49	4	23	28	249
Amounts requisitioned during the year	-104	-5	-41	-6	-5		-56	-217
Reversed unutilized provisions during the year	-17	0		0			-13	-30
Reclassifications	-2						2	-
Translation difference for the year	-7	0	-1	0			-1	-9
Closing book value	400	96	1	61	46	72	35	711
Provisions which are long-term liabilities	345	96		10	46	72	23	592
Provisions which are current liabilities	55		1	51			12	119

Parent company, MSEK	2016	2015
Opening book value	25	20
Provisions set aside during the year	3	5
Closing book value	28	25
Provisions which are long-term liabilities	28	25

GUARANTEE RISK RESERVE

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

RE-ESTABLISHMENT COSTS

Refers to restoration costs for gravel pits and rock quarries after termination of operations. The provision grows in relation to the amount quarried and is reversed after restoration is complete. The reserved sum is expected to be used successively after operations are terminated. The estimated restoration time is 1 to 15 years.

DISPUTES

Refers to disputes in business area Construction and Industry.

COMMITMENTS FOR JOINT VENTURES

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

OTHERS

Refers to other minor provisions.

Note 32 Other liabilities

Group, MSEK	2016	2015
Other long-term liabilities		
Contingent consideration	23	–
Derivate instruments held for hedging purposes	95	144
Other liabilities	64	13
Total	182	157
Other current liabilities		
Liabilities to joint ventures	5	42
Tax at source, social security costs	189	169
VAT	573	424
On account work in progress	714	492
Derivate instruments held for hedging purposes	1	1
Other liabilities	149	108
Total	1,631	1,236
Parent company, MSEK	2016	2015
Other current liabilities		
Tax at source	3	3
Other liabilities	4	4
Total	7	7

Note 33 Accrued expenses and deferred income

Parent company, MSEK	2016	2015
Accrued payroll expenses	39	28
Accrued social security expenses	19	16
Accrued overhead expenses	5	4
Total	63	48

Note 34 Valuation of financial assets and liabilities at fair value

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

The fair value of listed shareholdings and share derivatives is calculated according to the closing price at the end of the accounting period. The fair value of the Group's shares in unlisted funds is based on the valuation received from the managing institute. The valuation belongs to level 3 in the fair value hierarchy. However, the Group does not have access to the information about the input data used by the institute for the valuation and therefore no information about such data is given. The fair value of the contingent consideration is calculated at the discounted value of the anticipated future cash flow.

When calculating the fair value of interest-bearing receivables and liabilities and interest rate swaps, future cash flow were discounted to the listed market interest for the remaining terms of maturity. Spot rates on the balance sheet date were used to calculate the value of currency swaps. The booked value of non-interest-bearing asset and liability items such as accounts receivable and accounts payable with a remaining maturity of less than six months is believed to reflect the fair value. The adjacent tables show the reported values compared with the estimated fair value per type of financial asset and liability.

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Group, MSEK	Financial assets valued at fair value via the income statement		Derivatives used in hedge accounting		Financial assets available-for-sale		Accounts and loan receivables		Other financial liabilities		Total recognized value		Fair value	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Financial assets														
Other securities held as fixed assets					864	489					864	489	864	489
Interest-bearing long-term receivables							1,762	2,199			1,762	2,199	1,765	2,205
Other long-term receivables							158	90			158	90	158	90
Accounts receivable							8,221	6,435			8,221	6,435	8,221	6,435
Interest-bearing current receivables							336	210			336	210	336	211
Deferred expenses and accrued income							49	22			49	22	49	22
Other current receivables	12	5					198	287			210	292	210	292
Current holdings								8				8		8
Liquid funds							1,062	865			1,062	865	1,062	865
Total financial assets	12	5	-	-	864	489	11,786	10,116	-	-	12,662	10,610	12,665	10,617
Financial liabilities														
Interest-bearing long-term liabilities									2,728	3,301	2,728	3,301	2,728	3,306
Other long-term liabilities			95	144					87	13	182	157	182	157
Interest-bearing current liabilities									2,294	3,099	2,294	3,099	2,296	3,099
Accounts payable									4,474	3,980	4,474	3,980	4,474	3,980
Accrued expenses and deferred income									14	98	14	98	14	98
Other current liabilities				1					96	114	96	115	96	115
Total financial liabilities	-	-	95	145	-	-	-	-	9,693	10,605	9,788	10,750	9,790	10,755
Unrealised profit/loss ¹⁾													1	2

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

The effect of valuing financial instruments at fair value was included in the Group's income statement for a total of SEK 11 million (4). The effects stem from the market value of the outstanding currency swaps.

Parent company, MSEK	Financial assets available-for-sale		Accounts and loan receivables		Other financial liabilities		Total recognized value		Fair value	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Financial assets										
Other securities held as fixed assets	480	310					480	310	480	310
Accounts receivable			1	1			1	1	1	1
Current receivables Group companies			2,444	1,263			2,444	1,263	2,444	1,263
Liquid funds				8				8		8
Total financial assets	480	310	2,445	1,272	-	-	2,925	1,582	2,925	1,582
Financial liabilities										
Long-term liabilities Group companies					7,281	6,465	7,281	6,465	7,281	6,465
Accounts payable					28	24	28	24	28	24
Current liabilities Group companies					58	992	58	992	58	992
Total financial liabilities	-	-	-	-	7,367	7,481	7,367	7,481	7,367	7,481

FAIR VALUE

Measurement of fair value is based on a three-level hierarchy.

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

Level 2: based on direct or indirect observable inputs not included in level 1

Level 3: based on inputs unobservable to the market

The table below shows the allocated level of financial assets and financial liabilities recognized as fair value in the Group balance sheet.

Group, MSEK	Level 1		Level 2		Level 3		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Financial assets								
Other securities held as fixed assets	480	310			54	49	534	359
<i>Whereof shareholding in listed company</i>	480	310					480	310
<i>Whereof investment in a unlisted fund</i>					54	49	54	49
Other current receivables			12	5			12	5
<i>Whereof currency swaps</i>			12	5			12	5
Total financial assets	480	310	12	5	54	49	546	364
Financial liabilities								
Other long-term liabilities			95	144	23		118	144
<i>Whereof interest rate swaps</i>			95	137			95	137
<i>Whereof commodity hedging with futures</i>				7			-	7
<i>Whereof contingent consideration</i>					23		23	-
Other current liabilities			0	1			0	1
<i>Whereof currency swaps</i>			0	1			0	1
Total financial liabilities	-	-	95	145	23	-	118	145
Parent company, MSEK								
Financial assets								
Other securities held as fixed assets	480	310					480	310
<i>Whereof shareholding in listed company</i>	480	310					480	310
Total financial assets	480	310	-	-	-	-	480	310

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

Group, MSEK	Other securities held as fixed assets ¹⁾		Contingent consideration	
	2016	2015	2016	2015
Opening balance	49	66	-	-
Investments during the year	38	13	24	
Dividends received	-51	-50		
Reported in profit for the year ²⁾	22	28		
Reported in other comprehensive income	-4	-8	-1	
Interest expense (discount) ¹⁾			0	
Closing balance	54	49	23	-

¹⁾ Refers in its entirety to an investment in a unlisted fund. The holding is classified as financial assets available-for-sale and is valued at fair value through other comprehensive income.

²⁾ Reported in net financial items.

¹⁾ Reported in net financial items.

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

Note 35 Financial risks and financial policy

FINANCE AND TREASURY

The Group is exposed to various types of financial risks through its operations. The term financial risk refers to fluctuations in the company's profit and cash flow resulting from changes in exchange rates, interest rates, refinancing and credit risks. Group finance and treasury is governed by the financial policy established by Peab's Board of Directors. The policy is a framework of guidelines and regulations in the form of a risk mandate and limitations in finance and treasury. The Board has appointed a finance and treasury committee which is chaired by the Chairman of the Board. It is authorised to make decisions that follow the financial policy in between meetings of the Board. The finance and treasury committee must report any such decisions at the next meeting of the Board. The Group Function Finance and Treasury and the Group's internal bank Peab Finans AB manage coordination of Group finance and treasury. The overall responsibility of the Finance and Treasury function is to provide cost-effective funding and to minimise the negative effects on Group profit due to the price of financial risks.

The liquidity risk refers to the risk of Peab having difficulties in meeting its payment obligations as a result of a lack of liquidity or problems in converting or receiving new external loans. To ensure access to liquid funds binding credit facilities are contracted. The Group has a rolling one-month liquidity plan for all the units in the Group. Plans are updated each week. Group forecasts also comprise liquidity planning in the medium term. Liquidity planning is used to handle the liquidity risk and the cost of Group financing.

The objective is for the Group to be able to meet its financial obligations in favorable and unfavorable market conditions without running into significant unforeseen costs. Liquidity risks are managed centrally for the entire Group by the central Finance and Treasury function and the liquidity available at the year-end is presented below.

AVAILABLE LIQUID FUNDS

Group, MSEK	2016-12-31	2015-12-31
Liquid funds and bank holdings	1,062	873
Unutilized overdraft facilities	1,000	1,080
Other unused credit lines	4,000	3,000
Total	6,062	4,953

The financial policy dictates that Group net debt should mainly be covered by loan commitments that mature between 1 and 7 years. At the end of the year, the average loan period for utilised credits was 62 months (35), for unutilised credits 29 months (25), and for all granted credits 45 months (31). In 2015 Peab refinanced its basic financing, a credit facility totaling SEK 5,000 million with a new credit facility of SEK 4,000 million with better terms. The new contract runs until September 2018 with the option to extend it one plus one year. In 2016 the option to extend it for one year was used which means the contract runs until September 2019. This loan facility is supplemented by capital market financing, other kinds of short-term operations financing, project-related credits and financial leasing. The loan agreements contain financial covenants in the form of interest coverage ratios and equity/assets ratios that the Group must meet, which is standard for this kind of loan. Peab exceeded the key ratios by a broad margin at the end of the year.

Peab set up a lending program for commercial papers in 2004. Under the program, Peab can issue commercial papers for a maximum of SEK 3.5 billion. The borrower is Peab Finans AB and the guarantor is Peab AB. At the end of the year, Peab had outstanding commercial papers worth SEK 1,329 million (1,206).

In February 2012 Peab received FSA approval and registration for the issue of Medium Term Notes (MTN) with a loan limit of SEK 3 billion. In 2016 new bond loans were issued with a nominal value of SEK 350 million (300) under the MTN program while bond loans with a nominal value of SEK 1,000 million (600) matured during the year. At the end of the year Peab had outstanding bonds with a nominal value of SEK 1,000 million (1,650).

Total credit commitments, excluding unutilized leasing lines, the unutilized part of the certificate program and the unutilized part of MTN-program amounted to SEK 10,022 million (10,481) per 31 December 2016. Of the total credit commitments SEK 5,022 million (6,400) was utilized.

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AGE ANALYSIS OF FINANCIAL LIABILITIES, UNDISCOUNTED CASH FLOW INCLUDING INTEREST

Group 2016, MSEK	Currency	Average interest rate on balance sheet day, %	Nominal value, original currency	Amount SEK	Matures 2017	Matures 2018	Matures 2019	Matures 2020	Matures 2021	Matures 2022-
Bank loans	SEK	1.1	920	920	245	176	146	158	144	51
Bank loans	NOK	3.0	336	354	184	153	3	5	5	4
Bank loans	EUR	1.0	93	893	67	303	5	5	5	508
Commercial paper	SEK	0.2	1,331	1,331	1,331					
Bonds	SEK	1.3	1,024	1,024	362	106	204	352		
Financial leasing liabilities	SEK	1.0	407	407	90	128	166	15	5	3
Financial leasing liabilities	NOK	2.4	175	184	45	47	36	28	15	13
Financial leasing liabilities	EUR	1.8	3	26	9	12	5			
Total interest-bearing financial liabilities				5,139	2,333	925	565	563	174	579
Accounts payable	SEK		3,696	3,696	3,696					
Accounts payable	NOK		586	618	618					
Accounts payable	EUR		17	160	160					
Other liabilities	SEK		173	173	90	23	4	33	21	2
Other liabilities	NOK		9	10	6					4
Other liabilities	EUR		1	14	14					
Interest rate swaps	SEK			102	56	28	6	5	4	3
Total non-interest bearing financial liabilities				4,773	4,640	51	10	38	25	9
Total financial liabilities				9,912	6,973	976	575	601	199	588

Group 2015, MSEK	Currency	Average interest rate on balance sheet day, %	Nominal value, original currency	Amount SEK	Matures 2016	Matures 2017	Matures 2018	Matures 2019	Matures 2020	Matures 2021-
Bank loans	SEK	1.2	2,342	2,342	127	71	1,592	129	147	276
Bank loans	NOK	3.7	162	155	130	1	10	6	8	
Bank loans	EUR	1.9	78	710	375	69	4	4	3	255
Commercial paper	SEK	0.3	1,207	1,207	1,207					
Bonds	SEK	1.7	1,690	1,690	1,025	360	104	201		
Financial leasing liabilities	SEK	1.7	366	366	6	23	6	5	28	298
Financial leasing liabilities	NOK	1.9	107	102	5	6	20	16	19	36
Financial leasing liabilities	EUR	1.7	2	20	3	1	16			
Total interest-bearing financial liabilities				6,592	2,878	531	1,752	361	205	865
Accounts payable	SEK		3,469	3,469	3,469					
Accounts payable	NOK		402	384	384					
Accounts payable	EUR		14	127	127					
Other liabilities	SEK		191	191	177	9	2			3
Other liabilities	NOK		15	14	14					
Other liabilities	EUR		2	20	20					
Interest rate swaps	SEK			134	70	42	18	3	1	0
Total non-interest bearing financial liabilities				4,339	4,261	51	20	3	1	3
Total financial liabilities				10,931	7,139	582	1,772	364	206	868

INTEREST RATE RISK

The interest rate risk is the risk that Peab's cash flow or the value of financial instruments may vary with changes in market interest rates. The interest rate risk can result in changes in fair values and cash flows. A crucial factor affecting interest rate risk is the fixed interest period. On 31 December 2016, interest-bearing net debt amounted to SEK 1,862 million (3,118). Interest-bearing liabilities amounted to SEK 5,022 million (6,400), of which SEK 2,294 million (3,099) were short-term. The financial policy dictates that the average fixed interest period on total borrowing may not exceed 24 months.

Interest rate derivatives

MSEK	Currency	Effective rate %	Amount SEK	Matures 2016	Matures 2017	Matures 2018	Matures 2019	Matures 2020	Matures 2021	Matures 2022-
Interest rate swaps 2016-12-31	SEK	2.7	2,250		850	1,150				250
Interest rate swaps 2015-12-31	SEK	2.2	2,850	600	850	1,150				250

As the table below shows, the fixed interest period for SEK 3,622 million (4,150) of the Group's total interest-bearing liabilities, including derivatives, is less than 1 year. Interest-bearing asset items totaling SEK 916 million (842) have short fixed interest periods, with the result that the fixed interest period for SEK 1,644 million (2,435) of Group net debt, including derivatives, is less than 1 year, making these liabilities directly susceptible to changes in market interest rates. Since the majority of the financial liabilities have a short maturity most of the interest rate risk is considered a cash flow risk. For further information see the sensitivity analysis on page 52 in the Board of Directors' report.

Fixed interest rate period on utilized credits, excluding derivatives per 31 December 2016

Fixed interest period	Amount, MSEK	Average effective interest rate, percent	Share, percent
2017	5,022	1.4	100
2018-	0	0.0	0
Total	5,022	1.4	100

Fixed interest rate period on utilized credits, including derivatives per 31 December 2016

Fixed interest period	Amount, MSEK	Average effective interest rate, percent	Share, percent
2017	3,622	2.5	72
2018-	1,400	2.7	28
Total	5,022	2.6	100

CURRENCY RISKS

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

Financial exposure

Group borrowing is done in local currencies to reduce currency risks in operations. Assets and liabilities in foreign currency are translated at the rate on the balance sheet date. Borrowing in the interest-bearing liabilities per 31 December 2016, including leasing but excluding currency and interest rate derivatives, was allocated as follows:

	2016-12-31		2015-12-31	
	Local currency in millions	MSEK	Local currency in millions	MSEK
SEK	3,625	3,625	5,456	5,456
EUR	92	883	77	702
NOK	487	514	253	242
Total		5,022		6,400

Peab has chosen short fixed interest periods for outstanding credits. Per 31 December 2016 there were interest rate swaps of SEK 2,250 million (2,850) with maturity between 0 and 5 years at an effective interest rate of 2.7 percent (2.2) according to the table below. Peab pays a fixed annual interest rate and receives floating rates (Stibor 3 months) for the interest rate swap. Since Stibor 3 months was negative at the end of the year Peab will pay the floating rate as well. The swap agreement is recognised at fair value on the balance sheet day. Per 2016-12-31 this fair value was SEK -95 million (-137).

Internal loans from Peab Finans AB are used to handle temporary liquidity needs in Peab's foreign operations. Currency swaps are used to eliminate exchange risks. Currency swaps usually run less than three months. Currency swaps are reported at fair value in book closing and value changes are reported as unrealized exchange rate differences in the income statement and as current receivables and liabilities in the balance sheet. At the end of the year, there were EUR 50 million (32) in outstanding currency swaps relating to financial exposure. Of the currency swaps referring to financial exposure EUR 42 million (32) are a hedge for the shareholding in Lemminkäinen Oyj. Exchange rate differences in net financial items from financial exposure were SEK -7 million (-23). Exchange rate differences in operating profit were SEK -2 million (1).

Exposure of net assets in foreign currency

The translation exposure arising from investments in foreign net assets is primarily hedged through loans in foreign currency or forward exchange contracts. At the end of 2016 hedges in forward exchange contracts in EUR for foreign net assets in Finland were EUR 10 million (10).

Foreign net assets

Local currency in millions	2016	Of which hedged	2015	Of which hedged
NOK	822	-	922	-
EUR	38	10	28	10
PLN	1	-	3	-

A 10 percent stronger euro rate on 31 December 2016 would entail a positive translation effect on equity of SEK 27 million (16). A corresponding strengthening of the Norwegian crown would generate a positive translation effect on equity of SEK 87 million (88). The translation effects are calculated on that part of foreign net assets which are not hedged. The effects of corresponding exchange rate changes on profit for the year are limited.

Annual exchange rate differences in equity (net assets in foreign subsidiaries) amounted to SEK 166 million (-155).

Commercial exposure

Although international purchases and sales of goods and services in foreign currency are currently small, they are expected to increase as the competition grows regarding purchasing goods and services. Contracted or forecasted currency flows can be hedged for 12 months from the date of the contract. At the end of the year, there were exchange rate hedges related to forecasted currency flows of EUR 7 million (6).

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

Share price risk

Peab is exposed to share price risk through shareholding in the listed company Lemminkäinen Oyj. On closing date the total reported value of this holding was SEK 480 million (310).

CREDIT RISK

Credit risk refers to the risk of a counterparty failing to meet their obligations.

Credit risks in financial instruments

Credit risks in financial instruments are very limited, since Peab only deals with counterparties with high credit ratings. Counterparty risks are primarily associated with receivables to banks and other counterparties involved in the purchase of derivatives. The financial policy contains special counterparty regulations which specify the maximum credit exposure for various counterparties. The framework agreement of the International Swaps and Derivatives Association (ISDA) is used with all counterparties in derivative transactions. The agreement entails that when a counterparty cannot settle its obligations in all transactions the agreement is discontinued and all outstanding dealings are then settled for a net amount. ISDA agreements do not meet the criteria for offsetting in the balance sheet. The information in the table below shows the financial instruments covered by ISDA agreements.

Group, MSEK	2016		2015	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Booked gross amount	12	95	5	145
Amount covered by netting agreement	-12	-12	-5	-5
Net sum after netting agreement	0	83	0	140

Peab did not suffer any financial instrument losses in 2016. Total counterparty exposure related to derivative trading calculated as a net receivable per counterparty amounted to SEK 0 million (0) at the end of 2016. The estimated gross exposure to counterparty risks related to liquid funds and current investments amounted to SEK 1,062 million (873).

Credit risk in accounts receivable

The risk that Group customers cannot meet their obligations, i.e. payment is not received from customers, is a customer credit risk. Credit losses are relatively rare in the construction business since there are a great number of projects and customers that are invoiced at regular intervals during production. The Group's customers undergo a credit rating control providing information on customers' financial positions from various credit rating companies before a project is undertaken. The Group has established a credit policy for handling customer credit. For instance, it specifies where decisions regarding credit limits of various magnitudes are taken and how uncertain receivables should be handled. Bank guarantees or other collateral are required for customers with low credit ratings or insufficient credit history. The maximum exposure to credit risk is the reported value presented in the Group balance sheet. Total bad debts amounted in 2016 to SEK 14 million (8). The credit quality in accounts receivable that are not yet due and not written down is considered good.

Age analysis, overdue not written down accounts receivable

Group, MSEK	2016	2015
Accounts receivable, not mature	6,612	5,022
Accounts receivable, overdue 0 – 30 days	570	508
Accounts receivable, overdue 31 – 90 days	284	466
Accounts receivable, overdue 91 – 180 days	134	155
Accounts receivable, overdue 181 – 360 days	49	38
Accounts receivable, overdue > 360 days	623	290
Total	8,272	6,479

Accounts receivable written-down

Group, MSEK	2016	2015
Opening balance	44	28
Reversed write-downs	-10	-7
Write-downs for the year	17	23
Translation difference	0	0
Balance carried forward	51	44

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

OFFSETTING AGREEMENTS

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

Group, MSEK	2016	2015
Holding of preference shares in a joint venture	-	2,667
Interest-bearing long-term liabilities in a joint venture	-	-2,667
Total	-	0

CAPITAL MANAGEMENT

Peab aims to have a good capital structure and financial stability in order to provide a stable basis for continuing business activities, thereby enabling the company to keep existing owners and attract new ones. A good capital structure is also intended to promote the development of good relations with the Group's creditors in a manner which benefits all parties.

Capital is defined as Equity and refers to equity attributable to shareholders in the parent company.

Equity

Group, MSEK	2016	2015
Share capital	1,584	1,584
Other contributed capital	2,576	2,576
Reserves	-153	-504
Retained earnings including profit for the year	5,373	4,420
Equity attributable to shareholders in parent company	9,380	8,076

One of Peab's financial targets is an equity/assets ratio (equity divided by the balance sheet total) in excess of 25 percent. The Board of Directors believes that this level is well suited to Peab's construction and civil engineering activities in Sweden, Norway and Finland. The target is a part of the Group's strategic planning. If the equity/assets ratio is expected to exceed this level on a permanent basis, the capital should be transferred to the shareholders in an appropriate form. The equity/assets ratio at the end of 2016 was 29.7 percent (28.8).

It is the ambition of the Board of Directors to preserve a balance between a high rate of return on equity, which can be done through increased lending, and the security and benefits associated with a higher equity ratio. Therefore, one of Peab's financial targets is a return on equity (profit for the period attributable to holders of participations in the parent company divided by the average equity attributable to holdings of participations in the parent company) in excess of 20 percent. The return on equity was 20.1 percent (9.9) at the end of 2016. The Board believes the target figure is a long-term relevant level for Peab. By way of comparison, the Group's average interest expenses on interest-bearing borrowing, including derivatives, were 2.6 percent (2.4) on 31 December 2016.

Peab's target concerning dividends is an annual distribution of at least 50 percent of profits after tax to shareholders. The level of dividends should be reasonable in relationship to developments in Peab's profit and consolidation requirements. An ordinary dividend of SEK 3.60 per share (2.60) is proposed for 2016. Calculated as a share of the Group's reported profit after tax, the proposed dividend amounts to 61 percent (96). Excluding the 1,086,984 B shares owned by Peab AB on 31 December 2016, which do not entitle to dividends, the proposed dividend is equivalent to a total dividend distribution of SEK 1,062 million (767). Besides the ordinary dividend, extra cash dividends may be proposed if the Board of Directors finds there are sufficient funds which are not considered necessary to Group development. Extra dividends may also be made in other forms besides cash.

At the start of 2016, Peab's holding of own shares amounted to 1,086,984 B shares, corresponding to 0.4 percent of the total number of shares. On 10 May 2016, the Peab Annual General Meeting authorize the Board of Directors to acquire at the most the number of shares in Peab AB such that after acquisition Peab would hold a maximum of 10 percent of the registered shares in the company. During 2016 no repurchases or divestitures have taken place. The purpose of the purchase of own shares is to improve the capital structure of the company or to be used in the financing of acquisitions.

Note 36 Operational leasing contracts

EXPENSED LEASING PAYMENTS FOR THE PERIOD:

Group, MSEK	2016	2015
Minimum lease payments	261	524
Total leasing costs	261	524

INTERMINABLE LEASING PAYMENTS AMOUNT TO:

Group, MSEK	2016	2015
Within a year	210	406
Between one and five years	504	595
Later than five years	58	46
Total	772	1,047

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

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

Note 37 Investment obligations

In 2016, the Group signed agreements to acquire tangible fixed assets amounting to SEK 212 million (153).

At the end of both 2016 and 2015, the Group had no commitments to invest in joint arrangements.

Companies classified as joint arrangements have committed investments of SEK 948 million (1,105). Most of the investment obligations should be regulated in the coming financial year.

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

Note 38 Pledged assets, contingent liabilities and contingent assets

PLEGDED ASSETS

MSEK	Group		Parent company	
	2016	2015	2016	2015
For own liabilities and provisions				
Real estate mortgages ¹⁾	1,037	804		
Assets with attached lines	1,576	1,335		
Other	153	49		
Other pledged assets and guarantees				
Real estate mortgages ²⁾	3	3		
Floating charges	8	8		
Total pledged assets	2,777	2,199	-	-

¹⁾ Pledged assets recognized as current assets.

²⁾ Pledged assets recognized as fixed assets.

CONTINGENT LIABILITIES

MSEK	Group		Parent company	
	2016	2015	2016	2015
Shared obligations as partial owners in limited partnerships	72	35	–	–
Guarantees and contracting guarantees for Group companies	–	–	11,020	11,733
Guarantee liabilities for the benefit of joint arrangements	2,267	2,188	2,267	2,188
Obligations to tenant-owner associations under construction	4,498	3,778	4,498	3,778
Other guarantees and contingent liabilities	138	139	138	139
Total	6,975	6,140	17,923	17,838

In most of the tenant owner associations Peab develops, Peab AB signs guarantees as security for paid advances and down payments. Those guarantees ensure the tenant-owner's right to repayment of a down payment if the tenant-owner makes a cancellation because of a substantial rise in fees during the first year after the annual meeting where the final cost of the project is presented. After that the guarantee is null and void. Those guarantees or equivalent insurance from an external insurer has never been used and Peab does not believe this will happen in the future either. The guarantees are therefore not reported as contingent liabilities.

Note 39 Appropriation of profit**PROPOSED APPROPRIATION OF PROFIT**

The following amounts in SEK are at the disposal of the Annual General Meeting;

Share premium reserve	2,308,208,948
Special reserve	55,000,000
Fair value reserve	74,605,289
Profit brought forward	981,169,299
Profit for the year	1,220,650,374
Total	4,639,633,910

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

Dividend, 296,049,730 shares at SEK 3.60 per share	1,065,779,028
Carried forward ¹⁾	3,573,854,882
Total	4,639,633,910
¹⁾ of which to share premium reserve	2,308,208,948
of which to special reserve	55,000,000
of which to fair value reserve	74,605,289

Note 40 Related parties

The Group is subject to considerable influence by Mats Paulsson, Fredrik Paulsson and Anita Paulsson together with families, children and companies. Their combined votes accounted for some 58 percent of the votes in Peab AB per 31 December 2016.

SKISTAR

The Skistar Group is subject to considerable influence by Mats Paulsson with families, children and companies through their ownership of the company. Mats Paulsson has been a member of the Board of Directors of Skistar until December 2015.

KRANPUNKTEN

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

OCAY

Fredrik Paulsson was one of the major owners of Ocay up to August 2012 when he sold the majority of his share of the company. Fredrik Paulsson has been a member of the Board of Directors of Scandinavian Office Group until December 2015, which is the parent company of Ocay. Transactions are included up until December 2015.

AB AXEL GRANLUND/VOLITO

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

JOINT ARRANGEMENTS

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

SUBSIDIARIES

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

SUMMARY OF TRANSACTIONS WITH RELATED PARTIES

Group, MSEK	2016	2015
Transactions with joint arrangements		
Sales to joint arrangements	1,081	1,065
Purchases from joint arrangements	118	121
Interest income from joint arrangements	86	63
Interest costs to joint arrangements	12	80
Receivables from joint arrangements	1,986	2,203
Liabilities to joint arrangements ¹⁾	53	58
Dividends from joint arrangements	180	621
Capital contributions to joint arrangements	19	28
Guarantee liabilities for the benefit of joint arrangements	2,267	2,188
Transactions with Skistar		
Sales to Skistar	7	27
Purchases from Skistar	1	1
Receivables from Skistar	0	3
Transactions with Kranpunkten		
Sales to Kranpunkten	36	29
Purchases from Kranpunkten	48	53
Receivables from Kranpunkten	7	5
Liabilities to Kranpunkten	6	5
Transactions with Ocay ²⁾		
Sales to Ocay	–	10
Purchases from Ocay	–	30
Receivables from Ocay	–	2
Liabilities to Ocay	–	2
Transactions with AB Axel Granlund/Volito		
Sales to AB Axel Granlund/Volito	28	4
Sales of 50 percent of the shares in Peab FU Linné AB ³⁾	389	–
Purchases from AB Axel Granlund/Volito	1	1
Receivables from AB Axel Granlund/Volito	8	1
Dividends to AB Axel Granlund/Volito	50	44

¹⁾ Note 35, page 100, section Offsetting agreements describes offsetting rights regarding preference shares in joint ventures and interest-bearing long-term liabilities, which have not been included in Liabilities to joint arrangements.

²⁾ Peab has continued operations with Ocay but above include only transactions during the time they were related parties to Peab.

³⁾ The AGM 10 maj 2016 approved the Board's proposal to sell 50 percent of the shares in Peab's wholly owned subsidiary Peab FU Linné to Volito Fastigheter. For further information see page 54 in the Board of Directors' report.

SUMMARY OF TRANSACTIONS WITH RELATED PARTIES

Parent company, MSEK	2016	2015
Transactions with subsidiaries		
Sales to subsidiaries	241	267
Purchases from subsidiaries	48	46
Interest costs to subsidiaries	142	151
Receivables from subsidiaries	2,444	1,263
Liabilities to subsidiaries	7,339	7,456
Capital contributions to subsidiaries	35	82
Dividends from subsidiaries	–	200
Transactions with Ocay ¹⁾		
Purchases from Ocay	–	2
Transactions with AB Axel Granlund/Volito		
Dividends to AB Axel Granlund/Volito	50	44

¹⁾ Peab has continued operations with Ocay but above include only transactions during the time they were related parties to Peab.

EXECUTIVE MANAGEMENT

For information on salaries and other remuneration to the Board of Directors and the CEO and senior officers along with information on costs relating to pensions and similar benefits and agreements on retirement remuneration, see note 9.

TRANSACTION TERMS

Transactions with related parties were priced on general market terms.

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Note 41 Group companies

Company	Corp.ID.nr	Registered office	Share of equity ⁽¹⁾⁽²⁾	Book value in parent company, MSEK		Company	Corp.ID.nr	Registered office	Share of equity ⁽¹⁾⁽²⁾	Book value in parent company, MSEK	
				2016	2015					2016	2015
Peab Finans AB	556552-1324	Båstad	100.0%	1,616	1,616	Olof Mobjer Entreprenad AB	556445-1275	Båstad	100.0%		
Peab Sverige AB	556099-9202	Båstad	100.0%	3,622	3,622	West Wind AB	556615-7797	Solna	100.0%		
Peab Sp.z.o.o	40624	Warszawa	100.0%			G Nilsson Last & Planering i Ranseröd AB	556236-0908	Båstad	100.0%		
Kompetenskraft i Solna AB	556737-7683	Solna	100.0%			BEFAB Entreprenad Mjölby AB	556595-7452	Linköping	100.0%		
Kompetanskraft AS	991687971	Oslo	100.0%			Peab Industribyggnad i Norr AB	556851-7121	Båstad	100.0%		
KB Muraren 135	916837-9841	Båstad	100.0%			Peab Anlegg AS	913 502 566	Lysaker	100.0%		
KB Möllevarvet	969639-7877	Båstad	100.0%			Peab Projekt i Nord ANS	913 935 047	Lysaker	100.0%		
KB Snickaren 204	969684-0975	Båstad	100.0%			Solberg Maskin AS ³⁾	999 327 869	Heimdal	90.3%		
Torghuset i Värnamo AB	556607-6807	Båstad	100.0%			Peab Oy	1509374-8	Helsinki	100.0%	488	488
Undertak- och Fasadentreprenader Sverige AB	556058-5837	Stockholm	100.0%			Kehitysyhtiö Pyyntikki Oy	2214064-5	Helsinki	100.0%		
Rörman Installation & Service Sverige AB	556026-0316	Sundbyberg	100.0%			Peab AS	990 040 729	Lysaker	100.0%	861	605
Fastighetsförvaltningsbolaget Gasellen 2 HB	916563-4271	Stockholm	100.0%			Björn Bygg AS	943 672 520	Tromsø	100.0%		
Olsson & Zarins Baltinvest AB	556439-3592	Uppsala	100.0%			Peab Eiendomsutvikling Nord AS	982 794 528	Harstad	100.0%		
Kungsfiskaren Bygg & Fastighet AB	556471-2296	Stockholm	100.0%			Nilsen & Haukland AS	986 359 168	Harstad	100.0%		
Peab Construction Syd AB	556292-2368	Båstad	100.0%			Bogstrand AS	996 043 428	Harstad	100.0%		
Peab Construction i Göteborg AB	556626-9089	Båstad	100.0%			Firkanten Utbygging AS	915 464 254	Tromsø	100.0%		
Peab Byggservice AB	556066-3675	Båstad	100.0%			Peab Eiendomsutvikling AS	987 099 011	Lysaker	100.0%		
Nybyggarna i Nerike AB	556582-1146	Örebro	100.0%			Trondheimsveien 113 AS	994 535 250	Lysaker	100.0%		
Geodells Byggnads AB	556396-4187	Järfälla	100.0%			ANS Solligården	957 524 346	Lysaker	100.0%		
Peab Fastigheter i Växjö AB	556716-6664	Båstad	100.0%			Peab Bolig Prosjekt AS	990 892 385	Lysaker	100.0%		
Peab Ugglarp AB	556094-5072	Båstad	100.0%			K.Nordang AS	936 574 696	Stranda	100.0%		
HälsingeBygg i Hudiksvall AB	556624-4025	Hudiksvall	100.0%			Peab Invest AS	981 704 665	Lysaker	100.0%	-	256
Värby Fastighets AB	556703-4771	Båstad	100.0%			Peab Industri AB	556594-9558	Båstad	100.0%	2,588	2,588
Peab Exploatering AB	556129-8562	Stockholm	100.0%			Peab Industri Sverige AB	556594-9624	Ängelholm	100.0%		
Peab Sverige AB, dansk filial	1595622	Fredrikshavn	100.0%			Lambertsson Sverige AB	556190-1637	Båstad	100.0%		
KB Brämaregården 18:4	969638-3364	Kristianstad	100.0%			Lambertsson Kran AB	556543-5293	Båstad	100.0%		
Peab Infra Oy	2303725-2	Helsinki	100.0%			KB Muraren 105	916837-9544	Mölnadal	100.0%		
Peab Bostadsproduktion AB	556554-6487	Båstad	100.0%			Krantorp KB	969623-0540	Mölnadal	100.0%		
Norrberga Exploaterings AB	556809-1846	Solna	100.0%			ATS Kraftservice AB	556467-5998	Båstad	100.0%		
Fastighets AB Partille 11	556518-4354	Gothenburg	100.0%			ATS Tjänster AB	556501-1011	Helsingborg	100.0%		
Partille 11 Bostad Holding AB	556958-4146	Gothenburg	100.0%			Hagström i Nås AB	556377-1376	Vansbro	100.0%		
Partille 11 Bostad 4B AB	556960-0256	Gothenburg	100.0%			Swerock AB	556081-3031	Helsingborg	100.0%		
Partille 11 Bostad BR 1 AB	556960-0330	Gothenburg	100.0%			Swerock Uppsala AB	556031-3289	Uppsala	100.0%		
Partille 11 Bostad BR 2 AB	556960-0348	Gothenburg	100.0%			AB Uppsala Grus	556206-6281	Uppsala	100.0%		
Partille 11 Bostad BR 3 & 4 AB	556960-0355	Gothenburg	100.0%			Rådasand AB	556042-8699	Lidköping	100.0%		
Partille 11 Bostad 3A AB	556960-0363	Gothenburg	100.0%			Peab Transport & Maskin AB	556097-9493	Örkelljunga	100.0%		
Partille 11 Bostad 3B AB	556960-0371	Gothenburg	100.0%			AB Roler	556100-0729	Örebro	100.0%		
Partille 11 Bostad 4A AB	556960-0389	Gothenburg	100.0%			Ferdigbetong AS	987 013 117	Tromsø	100.0%		
Partille Port Holding AB	556960-0264	Gothenburg	100.0%			Gryttby Grus och Sand AB	556846-9323	Uppsala	100.0%		
Fastighets AB Partille Port 3	556960-0272	Gothenburg	100.0%			Berg och Falk AB	556602-3064	Ödeshög	100.0%		
Fastighets AB Partille Port 4	556960-0280	Gothenburg	100.0%			BEFAB Schakt AB	556555-2287	Mjölby	100.0%		
Peab Anläggning AB	556568-6721	Båstad	100.0%	492	462	Skandinaviska Byggelement AB	556034-2148	Helsingborg	100.0%		
Skillingenäs AB	556587-0192	Båstad	100.0%			Lättklinkerbetong AB	556239-1721	Alingsås	100.0%		
Peab Drift & Underhåll AB	556569-4386	Stockholm	100.0%			P Andersson Fastighet 1 i Mälardalen AB	556824-5624	Helsingborg	100.0%		
Stockholms Hamnentreprenad AB	556036-9133	Stockholm	100.0%			Peab PGS AB	556428-5905	Båstad	100.0%		
						Peab Asfalt AB	556098-8122	Båstad	100.0%		

Company	Corp.ID.nr	Registered office	Share of equity ¹⁾²⁾	Book value in parent company, MSEK		Company	Corp.ID.nr	Registered office	Share of equity ¹⁾²⁾	Book value in parent company, MSEK	
				2016	2015					2016	2015
Bodenhus AB	556279-8768	Boden	100.0%			Peab Riksten 4 AB	559036-7446	Solna	100.0%		
Pionjären Fastighets AB	556114-9773	Boden	100.0%			Peab Sturefors AB	559065-7499	Solna	100.0%		
Kvalitetsasfalt i Mellansverige AB	556537-5432	Västerås	100.0%			Peab Blåeld AB	559052-7429	Solna	100.0%		
Peab Asfalt Norge AS	994 628 577	Lysaker	100.0%			Stockholms Kommersiella Fastighets AB	556105-6499	Stockholm	100.0%		
Peab Grundläggning AB	556154-7364	Båstad	100.0%			Stora Hammars Exploatering AB	556763-4216	Vellinge	100.0%		
Nordisk Fundamentering AS	996 217 981	Ytre Enebakk	100.0%			Hatteskär AB	556874-6936	Båstad	100.0%		
Peab Bildrift Norden AB	556707-8380	Helsingborg	100.0%			Peab Projektutveckling Väst AB	556092-9852	Gothenburg	100.0%		
Peab Bildrift Sverige AB	556313-9608	Helsingborg	100.0%			Peab Trading Väst AB	556594-9590	Gothenburg	100.0%		
Peab Bildrift Norge AS	892 890 692	Lysaker	100.0%			Lambel AB	556577-8890	Gothenburg	100.0%		
Peab Vagnpark AB	556234-0371	Båstad	100.0%			Smögen Exploatering AB	556090-5472	Båstad	100.0%		
Swecem AB	556919-5760	Helsingborg	100.0%			Peab Borås Exploatering AB	556651-7727	Båstad	100.0%		
Peab Industri Norge AS	990 609 527	Lysaker	100.0%			Kreaton AB	556644-5010	Gothenburg	100.0%		
Kranor AS	976 313 062	Slemmestad	100.0%			Peab Holding Väst AB	556900-2586	Gothenburg	100.0%		
Peab Industri Finland AB	556687-9226	Helsingborg	100.0%			Kompligens Fastigheter AB	556691-2555	Båstad	100.0%		
Peab Industri Oy	1509160-3	Helsinki	100.0%			KB Klagshamn Exploatering	916563-4412	Båstad	100.0%		
Lambertsson Oy	0937993-4	Helsinki	100.0%			Peab Trading Nord AB	556715-4827	Solna	100.0%		
Annehem Fastigheter AB	556683-4452	Båstad	100.0%	22	22	Fastighets AB Ekudden	556628-0326	Alingsås	100.0%		
Annehem Fastigheter & Projekt AB	556715-5220	Båstad	100.0%			Västgöta Mark och Entreprenad AB	556644-1308	Alingsås	100.0%		
Fastighets AB Skeppsdockan i Malmö	556563-0711	Ängelholm	100.0%	0	0	Husgruppen i Alingsås KB	969728-7887	Gothenburg	100.0%		
Valhall Flyg AB	556718-8593	Ängelholm	100.0%			Peab i Kungsbacka 8 AB	556789-7466	Gothenburg	100.0%		
Valhall Flyg KB	969724-7865	Ängelholm	100.0%	0	0	Peab i Kungsbacka 9 AB	556791-4493	Gothenburg	100.0%		
Br Paulsson Peab AB	556113-4114	Båstad	99.9%	157	157	Kista Gård 3 Parkering AB	556938-3648	Solna	100.0%		
Stadiongatans Lokaltuthyrning AB	556141-1736	Båstad	100.0%			Fastighetsbolaget Måsbo-darna Tre AB	556691-9907	Solna	100.0%		
Norrsviken Exploaterings AB	556245-3356	Båstad	100.0%			Telge Peab AB	556790-5889	Södertälje	100.0%		
Vejby Transport & Miljö AB	556240-2742	Ängelholm	100.0%	1	1	Peab Trading Öst AB	556778-8749	Stockholm	100.0%		
Peab Support AB	556061-1500	Stockholm	100.0%	55	55	Fastighets AB Isolatorn	556913-9644	Solna	100.0%		
Peab Support AS	998 622 670	Lysaker	100.0%			Perioden Fastighets AB	556832-7919	Solna	100.0%		
Peab Support Oy	2586326-7	Helsinki	100.0%			Peab Trading Solna AB	556793-1554	Solna	100.0%		
Peab Försäkrings AB	556511-5408	Båstad	100.0%	1,370	1,370	KB Messingen	916837-9817	Stockholm	100.0%		
Birsta Fastigheter AB	556190-3765	Helsingborg	100.0%	60	60	Fastighets AB Spelhagen	556795-0992	Solna	100.0%		
Peabskolan AB	556442-7432	Båstad	100.0%	1	1	DGV i Enskede AB	556750-3791	Stockholm	100.0%		
Peab Norden AB	556134-4333	Båstad	100.0%	7	7	Peab Förskolan AB	556707-9719	Sigtuna	100.0%		
Peab Skandinavien AB	556568-8784	Båstad	100.0%	0	0	Hanbjelken AB	556699-4306	Solna	100.0%		
Flygstaden Intressenter i Söderhamn AB	556438-9665	Båstad	100.0%	241	241	Furuspecialen i Nyköping Fastighets AB	556695-9986	Solna	100.0%		
HDWG Finans AB	556470-0184	Båstad	100.0%			Eldslundfastigheter Sverige AB	556750-2165	Linköping	100.0%		
Skånska Stenhus AB	556233-8680	Stockholm	100.0%			Råsta Arenabostäder AB	556789-3002	Solna	100.0%		
Flygstaden Intressenter i Grevie AB	556541-5360	Båstad	100.0%			Råsta Köpcenterbostäder AB	556789-2921	Solna	100.0%		
Peab Projektutveckling AB	556715-0254	Båstad	100.0%	11	6	Peab Hermelinen AB	556872-5633	Stockholm	100.0%		
Peab Bostad AB	556237-5161	Stockholm	100.0%			Peab Racketen AB	556721-1635	Stockholm	100.0%		
Peab BU Holding 3 AB	559076-5466	Solna	100.0%			Peab Söderbymalm 3:405 AB	556722-0735	Stockholm	100.0%		
Peab BU Lager 1 AB	559076-5516	Solna	100.0%			Centrumhuset i Sigtuna AB	556961-9769	Solna	100.0%		
Peab BU Lager 2 AB	559076-5524	Solna	100.0%			Norrsvikens Fastigheter AB	556703-1470	Stockholm	100.0%		
Peab BU Holding 2 AB	559036-7396	Solna	100.0%			Peab Markutveckling AB	556949-4437	Solna	100.0%		
Peab Riksten 1 AB	559036-7354	Solna	100.0%			Peab BU Holding 1 AB	559019-1846	Solna	100.0%		
Peab Riksten 2 AB	559036-7461	Solna	100.0%			Peab Slättö Exploatering AB	559065-1427	Solna	100.0%		
Peab Riksten 3 AB	559036-7453	Solna	100.0%			Peab Målet 4 i Nyköping AB	559025-3851	Solna	100.0%		
						Peab Hyllie Allé AB	559033-0543	Solna	100.0%		

	Company	Corp.ID.nr	Registered office	Share of equity ¹⁾²⁾	Book value in parent company, MSEK		Company	Corp.ID.nr	Registered office	Share of equity ¹⁾²⁾	Book value in parent company, MSEK	
					2016	2015					2016	2015
1												
2												
3												
4	Ale Exploatering AB	556426-2730	Gothenburg	100.0%			Peab FU ÖFU AB	556916-2596	Solna	100.0%		
5	Wood & Hill Projekt 6B AB	559032-4686	Gothenburg	100.0%			Annehem MAH AB	556919-5752	Solna	100.0%		
6	G.H 34:6 Fastighetsaktiebolag	556898-8553	Gothenburg	100.0%			Peab FU Bommen AB	556928-0752	Solna	100.0%		
7	Peab i Valla AB	559019-1853	Solna	100.0%			Peab FU Holding 2 AB	556864-4156	Solna	100.0%		
8	Peab Alp Lodge AB	559019-1903	Solna	100.0%			Peab Projektfastigheter AB	556202-6962	Stockholm	100.0%		
9	Peab Innovation H AB	559019-2497	Solna	100.0%			Peab Förvaltning Nyköping AB	556632-7747	Nyköping	100.0%		
10	Åkanten Smedstabäcken AB	559019-1929	Solna	100.0%			Peab Park AB	556107-0003	Båstad	100.0%		
11	Peab Etage AB	559019-1895	Solna	100.0%			Kokpunkten Fastighets AB	556759-5094	Stockholm	100.0%		
12	Paletten i Valla AB	559019-1887	Solna	100.0%			Ångelholms Flygplats AB	556814-2896	Båstad	100.0%		
13	Valla Tegelbrännaren AB	559019-1879	Solna	100.0%			Ljungbyhed Park AB	556545-4294	Båstad	100.0%		
14	White Campus Corner AB	559019-1861	Solna	100.0%			Projektfastigheter Götaland AB	556259-3540	Båstad	100.0%		
15	Peab Råsunda Holding AB	559030-7723	Solna	100.0%			Skånehus AB	556547-6958	Båstad	100.0%		
16	Visio Exploatering AB	556570-7030	Solna	100.0%			Peab FU Silhouette 1 AB	556895-0116	Solna	100.0%		
17	Peab Fastighetsutveckling AB	556824-8453	Båstad	100.0%			Ulriksdal Utveckling AB	556509-6392	Solna	100.0%		
18	Peab FU Holding 6 AB	556649-9116	Båstad	100.0%			Riksten Friluftstad AB	556547-8764	Stockholm	100.0%		
19	Båråmo i Värnamo AB	556713-7871	Båstad	100.0%			Peab Holding AB	556594-9533	Båstad	100.0%		
20	Peab Invest Oy	1773022-9	Helsinki	100.0%			Fältjägaren 1 AB	556851-7287	Östersund	100.0%		
21	Property Gardener Oy	2558819-7	Helsinki	100.0%			Fältjägaren 3 AB	556851-7261	Östersund	100.0%		
22	Kiinteistö Oy Eventes II	1582860-1	Esbo	100.0%			Fältjägaren 4 AB	556851-7279	Östersund	100.0%		
23	Kiinteistö Oy Mallanpuisto	1580499-2	Esbo	100.0%			Fältjägaren 5 AB	556851-7246	Östersund	100.0%		
24	Kiinteistö Oy City Garden	2625235-3	Tammerfors	100.0%			Fältjägaren 7 AB	556855-7176	Östersund	100.0%		
25	Ultimes Ky	2568845-4	Helsinki	100.0%			Visborg Infanteristen 1 AB	556970-5717	Solna	100.0%		
26	Ultimes Parking Ky	2568844-6	Helsinki	100.0%			Peab FU Rebbelberga 147 AB	556470-0176	Solna	100.0%		
27	Peab Fastighetsutveckling Sverige AB	556825-9856	Båstad	100.0%			Peab FU Holding 4 AB	556946-9058	Solna	100.0%		
28	Peab Utveckling Nord AB	556341-7228	Båstad	100.0%			Peab FU Vintrie 1 AB	559034-8925	Solna	100.0%		
29	Peab Ågaarena 1 AB	556741-8552	Solna	100.0%			Peab FU Vintrie 2 AB	559034-8917	Solna	100.0%		
30	Peab Ågaarena 2 AB	556741-8560	Solna	100.0%			Peab FU Distansen AB	556946-9033	Solna	100.0%		
31	Peab Exploateraarenastaden AB	556741-8586	Solna	100.0%			Peab FU Husbacka AB	556946-9108	Solna	100.0%		
32	Peab Drivaarena AB	556741-8578	Solna	100.0%			Peab FU Spinnakern AB	556949-4338	Solna	100.0%		
33	Peab Hem AB	556077-8499	Båstad	100.0%			Peab FU Gennakern AB	556949-4312	Solna	100.0%		
34	Peab Fågelbärsvägen AB	559011-5613	Solna	100.0%			Peab FU Holding 5 AB	556979-7698	Solna	100.0%		
35	Peab Fabriksgatan AB	556963-9825	Solna	100.0%			Peab FU Holding 7 AB	559030-7301	Solna	100.0%		
36	Peab Kastanjeparken AB	556059-0910	Båstad	100.0%			Peab FU Lager 1 AB	559076-5490	Solna	100.0%		
37	Annehem Hyllicentrum AB	556683-4478	Båstad	100.0%			Peab FU Lager 2 AB	559076-5508	Solna	100.0%		
38	Annehem Bygg & Projekt AB	556699-8430	Båstad	100.0%			Incasec AB	556591-2267	Båstad	100.0%	0	0
39	Peab Bad AB	556870-3564	Solna	100.0%			Peab Grevie AB	556715-0213	Båstad	100.0%	0	0
40	Pebri Glumslöv AB	556758-6853	Helsingborg	100.0%			Peab Invest Yek AB	556753-4226	Borås	100.0%		
41	Pebri Glumslöv HB	969717-3335	Helsingborg	100.0%			Peab Vejby AB	556663-2682	Båstad	100.0%	50	50
42	Åke & Clas Skoogh Holding AB	556722-9066	Kristianstad	100.0%			Sieglo AB	556556-0595	Båstad	100.0%	169	169
43	Peab FU Holding 1 AB	556855-6954	Solna	100.0%			Skåne Projektfastigheter AB	556471-9143	Båstad	100.0%	0	0
44	Peab FU Måby AB	556874-6837	Solna	100.0%			Lappmarken i Malmö AB	556796-2849	Båstad	100.0%		
45	INSPI Sweden AB	556796-7970	Stockholm	100.0%			Mauritz Larsson Byggnads AB	556036-8242	Båstad	100.0%		
	Peab FU Sporthall AB	556901-4557	Solna	100.0%			Projektfastigheter Väst AB	556044-1866	Båstad	100.0%		
	Peab FU Holding 3 AB	556866-8635	Solna	100.0%			Peab Lokal AB	559025-6607	Solna	100.0%	0	-
	Peab FU Almnäs AB	556594-9160	Solna	100.0%			Total				11,811	11,776
	Peab FU Visby AB	556679-4862	Solna	100.0%								
	Peab FU Visby Exploatering AB	556800-9335	Solna	100.0%								
	Peab FU Fartygsmekano AB	556345-8586	Solna	100.0%								
	Peab FU Jupiter 11 AB	556892-3428	Solna	100.0%								
	Peab FU Jupiter 4 AB	556126-0745	Solna	100.0%								

¹⁾ The share of capital corresponds to the share of votes.

²⁾ Except for the Group companies acquired in 2016 (see note 5), the share of capital in 2016 corresponds to the share of capital in 2015.

³⁾ The company was 100 % consolidated through the anticipated acquisition method, since Peab has a put/call option for the acquisition of the rest of the shares.

Parent company, MSEK	2016	2015
Acquisition value brought forward	16,148	16,066
Purchases	–	0
Paid shareholder contribution	35	82
Accumulated acquisition values brought forward	16,183	16,148
Revaluations brought forward	100	100
Accumulated revaluations carried forward	100	100
Write-downs brought forward	-4,472	-4,272
Write-downs for the year	0	-200
Accumulated write-downs carried forward	-4,472	-4,472
Book value carried forward	11,811	11,776

During the year, participations in Group companies were written down by SEK 0 million (-200) and the write-downs refer to share in dormant companies or companies with little activity where the value of the write-downs is equivalent to equity. Annual write-downs are reported in the income statement on the "Profit from shares in Group companies" line.

Note 42 Untaxed reserves

Parent company, MSEK	2016	2015
Tax allocation reserve	522	–
Accumulated additional depreciation, machinery and equipment	0	0
Total	522	0

Note 43 Cash flow statement

PAID INTEREST AND DIVIDENDS RECEIVED

MSEK	Group		Parent company	
	2016	2015	2016	2015
Dividends received	220	671	2	200
Interest received	69	98	2	2
Interest paid	-268	-354	-142	-151

ADJUSTMENTS FOR ITEMS NOT INCLUDED IN CASH FLOW

MSEK	Group		Parent company	
	2016	2015	2016	2015
Profit from participation in joint ventures	-41	-24		
Dividends received from joint ventures	166	621		
Depreciation and write-downs	920	864	0	200
Unrealised exchange rate difference	-118	11		
Losses on sale of fixed assets	-68	-47		
Profit on sale of business/subsidiary	-1	1		
Provisions	21	47	4	5
Change in fair value of financial instruments	-12	11		
Other	5	2	–	1
Total	872	1,486	4	206

TRANSACTIONS WITHOUT PAYMENTS

Group, MSEK	2016	2015
Acquisition of an asset by issuing a promissory note directly related to the asset	77	1
Acquisition of assets by financial leasing	261	191

ACQUISITION OF SUBSIDIARIES/BUSINESSES

Group, MSEK	2016	2015
<i>Acquired assets and liabilities</i>		
Intangible assets	48	12
Tangible assets	262	21
Deferred tax recoverables	4	0
Project and development properties and inventories	14	1
Accounts receivable and other receivables	53	14
Liquid funds	14	2
Interest-bearing liabilities	-82	-1
Deferred tax liabilities	-14	-1
Provisions	-30	–
Accounts payable and other current liabilities	-34	-15
	235	33
Less: Previous shares in joint ventures	-7	–
Acquired net assets	228	33
Purchase prices	228	33
Promissory note	-77	-1
Paid purchase sum	151	32
Less: Liquid funds in acquired companies	-14	-2
Effect on liquid funds	137	30

DISPOSAL OF SUBSIDIARIES/BUSINESSES

Group, MSEK	2016	2015
<i>Disposed assets and liabilities</i>		
Intangible assets	4	–
Tangible assets	2	84
Liquid funds	3	–
Accounts payable and other current liabilities	-2	-8
	7	76
Sales price	8	75
Received purchase sum	8	75
Less: Liquid funds in the divested business	-3	–
Effect on liquid funds	5	75

LIQUID FUNDS

The following components are included in liquid funds:

Group, MSEK	2016	2015
Liquid funds	1,062	865
Current holdings (equivalent to liquid funds)	–	8
Total	1,062	873

Note 44 Events after the balance sheet date**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 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 m2 rentable space where Johnson & Johnson rents as well as a garage with 327 parking spaces and 15,000 m2 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.

Note 45 Information on parent company

Peab AB is a Swedish registered limited company domiciled in Båstad. Peab AB's shares are listed on Nasdaq Stockholm. The address of the head office is Margretatorpsvägen 84, SE-269 73 Förslöv. The consolidated accounts for 2016 consist of the parent company and its subsidiaries, together referred to as the Group. The Group also includes shares of holdings in joint arrangements.

The Board and Chief Executive Officer assure that the Annual Report has been prepared in accordance with good accounting practices in Sweden and the consolidated accounts have been prepared in accordance with International Accounting Standards, stated in the regulation of the European Parliament and the Council of Ministers (EG) no 1606/2002 of July 19, 2002, concerning the application of international accounting standards. The Annual Report and the consolidated accounts give a true and fair view of the parent company as well as of the Group's position and result. The Board of Directors' report for the parent company and the Group gives a true and fair view of the parent company's and Group's business development, position and result. It also describes the major risks and uncertainty factors facing the parent company and Group companies.

Förslöv, March 29, 2017

Göran Grosskopf
Chairman of the Board

Mats Paulsson
Vice Chairman of the Board

Karl-Axel Granlund
Member of the Board

Kerstin Lindell
Member of the Board

Fredrik Paulsson
Member of the Board

Malin Persson
Member of the Board

Lars Sköld
Member of the Board

Nina Udnes Tronstad
Member of the Board

Patrik Svensson
Member of the Board

Kim Thomsen
Member of the Board

Egon Waldemarsson
Member of the Board

Jesper Göransson
Chief Executive Officer

The Annual Report and the consolidated accounts have been approved for publication by the Board of Directors and the Chief Executive Officer on March 29, 2017. The consolidated income statement and balance sheet and the parent company's income statement and balance sheet will be presented for adoption by the AGM on May 10, 2017.

Our Auditor's report was submitted on March 31, 2017
KPMG AB

Dan Kjellqvist
Authorized Public Accountant

Auditor's report

To the general meeting of the shareholders of Peab AB (publ.), corp. id 556061-4330

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Peab AB (publ.) for the year 2016, except for the corporate governance report on pages 114-117. The annual accounts and consolidated accounts of the company are included on pages 36-109 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance report on pages 114-117. The Board of Directors' report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the Group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Revenue recognition for construction projects

See notes 2 and 26 and accounting principles on page 68 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The Group recognises ongoing construction projects according to the percentage of completion method, which means that revenue and expenses are recognised gradually in line with the contract progress. Revenue and profits are recognised in relation to the progress of the project, based on expenses incurred as at the balance sheet date compared with estimated total expenses on completion of the projects. Any forecast losses are recognised as expenses as soon as they are known.

Revenue and profit recognition is based on estimates of the total project cost and project revenue. An effective control environment, with ongoing forecast monitoring of the project's final financial outcome, is therefore of great importance to the Group. Changes in assumptions during the implementation of a project may have a material impact on the Group's profit and financial position. Project forecasts are evaluated regularly by the Group during the course of the project and are adjusted as necessary. Modifications of the forecasts, additional works and requirements are considered when the Group considers it probable that the amount will be received from the client and when the amount can be measured reliably.

Response in the audit

We have obtained information about and evaluated management's process for reviewing projects, including their procedures for identifying loss-making projects and/or high risk projects as well as the process for forecasting revenue and expenses (including the assessment of forecast modifications and additional works).

We selected a sample of construction projects to test for which we have evaluated and assessed the most significant areas such as the control environment, financial forecasts and risks. Among other things, we have:

- tested to ensure that controls are effective throughout the year for expenses attributable to construction projects such as payroll expenses, expenses for subcontractors and acquisition costs,
- evaluated the financial result against the project estimate and forecasts to assess the Group's ability to deliver the forecast margin in projects,
- visited selected large sites that are deemed high risk to assess the actual degree of completion and the effectiveness of the Group's internal controls and
- assessed whether risks and opportunities in projects were accurately reflected in project forecasts.

Projects where particularly complex areas have been identified have been discussed with management based on forecast revenue and predicted final expenses.

We have assessed loss-making contracts and evaluated whether the reserves reflect the risks in projects, and challenged management's assessments of these risks.

We have also evaluated reports from the Group's own and externally engaged legal experts concerning disputes and assessed whether and how these were taken into consideration in project forecasts.

Valuation of project and development properties

See notes 2 and 22 and accounting principles on pages 70 – 71 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

Project and development properties amount to SEK 7,007 million (6,742) per the balance sheet date. The properties are recognised as inventories among current assets. They are valued at the lower of cost and net realisable value, based on the prevailing price in the local area. Changes in supply and demand may change the assessments of carrying amounts and impairment may be necessary.

Given that development properties account for a material proportion of the Group's total assets and that the valuation process is based on subjective judgement this is a key area in our audit.

For valuation of development properties under construction, it is also necessary to assess the Group's process for project management, particularly how they are accounting for construction expenses and any commitments linked to these projects.

There may be a risk that the carrying amount for project and development properties is overestimated and that this would have a material impact on the Group's profit and financial position.

Response in the audit

The Group assesses the net realisable value of the project and development properties based on an internal valuation model. As a supplement to this valuation, they also obtain external market valuations for a number of the properties. Among other things, we have:

- evaluated the Group's internal valuation process. We have examined the assumptions made and their application in the internal valuation model,
- assessed the internal valuations and carrying amounts, also taking into account the external market valuations and
- tested a sample of the property valuations in further detail. For the selected sample we have examined inputs and calculations in the internal valuation model.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-35 respectively 114-128. The Board of Directors and the Chief Executive Officer are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors and the Chief Executive Officer are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Chief Executive Officer are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts the Board of Directors and the Chief Executive Officer are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Chief Executive Officer intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Chief Executive Officer.
- Conclude on the appropriateness of the Board of Directors' and the Chief Executive Officer's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern..
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions. We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified. We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Chief Executive Officer of Peab AB (publ.) for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the Group's type of operations, size and risks place on the size of the parent company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Chief Executive Officer shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Chief Executive Officer in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance report

The Board of Directors is responsible for that the corporate governance report on pages 114-117 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance report is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance report. This means that our examination of the corporate governance report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

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

Förslöv, March 31, 2017

KPMG AB

Dan Kjellqvist

Authorized Public Accountant

Corporate governance report 2016



"Good corporate governance is built on openness and transparency and leads the company's owners and Board to run the company with clear strategies, responsibly and with a far-reaching perspective. This enhances confidence in the company and its leadership. For Peab, a company with distinct values, being considered trustworthy is essential for our ability to create value for our shareholders, employees and society."

Göran Grosskopf

CORPORATE GOVERNANCE AND THE CORPORATE GOVERNANCE REPORT

Corporate governance is the decision-making systems that owners use to govern the company directly or indirectly. On the one hand these systems consist of external laws and regulations such as the Company Act and other relevant laws, the regulations for Nasdaq Stockholm issuers and the Swedish Code of Corporate Governance and on the other hand they consist of Peab's Articles of Association as well as Peab's own internal regulations and policies that the Board of Directors and executive management decide on.

The corporate governance report is not a part of the financial reports. The company's auditor read the corporate governance report and acknowledge that a corporate governance report has been drawn up and that its legally stipulated information is consistent with the annual accounts and Group accounts.

SHAREHOLDERS, GENERAL MEETING AND THE NOMINATION PROCEDURE

The General Meeting (GM) is the highest decisionmaking organ in Peab. All shareholders can use their right to vote at the GM. The shareholders also have the right to ask questions and have opinions about Peab's business at the GM.

The procedure of preparing the nomination of members of the Board of Directors and the auditor for the Annual General Meeting (AGM) follows the nomination procedure established at the previous AGM.

The AGM was held on 10 May 2016 at Grevieparken, Grevie. It was attended by 437 shareholders, representing over 74% of the votes, either personally or through representatives. The AGM elected Göran Grosskopf, Ulf Liljedahl, Mats Rasmussen and Malte Åkerström, all reelected, to act as Peab's nomination committee with Ulf Liljedahl as Chairman. The nomination committee's proposals will be presented to shareholders in the notice to attend the 2017 AGM. A reasoned opinion, including information on the diversity policy used by the nomination committee when preparing the proposal and an account of the

work of the nomination committee will be available on Peab's website as the notice to attend the AGM is made public.

THE BOARD OF DIRECTORS AND ITS WORK

Peab's Board of Directors is ultimately responsible for the business. According to Peab's Articles of Association the Board of Directors must be made up of no fewer than five and no more than nine members in addition to the statutory employee representatives. The members of the Board of Directors are elected annually by the AGM. It was decided at the 2016 AGM that the Board of Directors should consist of eight members chosen by the AGM and the following persons were elected as members of the Board of Directors;

- Göran Grosskopf, reelected
- Karl Axel Granlund, reelected
- Malin Persson, new election
- Fredrik Paulsson, reelected
- Mats Paulsson, reelected
- Lars Sköld, reelected
- Kerstin Lindell, reelected
- Nina Udnes Tronstad, reelected

Göran Grosskopf was appointed Chairman of the Board by the AGM and Mats Paulsson was appointed vice Chairman. The members of the Board of Directors elected by the shareholders are compensated in accordance with decisions taken by the AGM.

The following employee representatives were appointed by the employee unions at the 2016 AGM; Patrik Svensson, Kim Thomsen and Egon Waldemarsson (members), Torsten Centerdal and Kristina Bengtsson (deputies).

The Board of Directors held nine meetings in 2016, of which five were ordinary Board meetings (including the constitutional meeting) and four additional Board meetings, which were held over the telephone. Members of executive management have given reports at the Board meetings. The principle company accountant was present at two Board meetings. The Board's work follows the work program adopted by the Board of Directors. The Board evaluates its work on an annual basis.

THE AUDIT COMMITTEE

Members between 1 January 2016 and 10 May 2016:

- Göran Grosskopf, Chairman
- Mats Paulsson
- Karl-Axel Granlund
- Kerstin Lindell
- Fredrik Paulsson
- Lars Sköld
- Nina Udnes Tronstad

Members between 10 May 2016 and 31 December 2016:

- Lars Sköld, Chairman
- Göran Grosskopf
- Kerstin Lindell

The Audit Committee prepares the work of the Board of Directors by ensuring the quality of company financial reports, establishing guidelines for which other services besides auditing the company may procure from the company accountants, maintaining regular contact with the company accountant regarding the scope and focus as well as their view of company risks, evaluating the auditing work and informing the nomination committee of the evaluation and assisting the nomination committee in producing proposals for auditors and remuneration for auditing work. The Audit Committee, that changed its composition at the constitutional meeting on 10 May 2016, met three times in 2016, all held after the change in the Audit Committee composition. The principle company accountant assisted in all relevant parts of these meetings. The Audit Committee regularly reports to the Board of Directors.

THE FINANCE COMMITTEE

Members in 2016:

- Göran Grosskopf, Chairman
- Karl-Axel Granlund
- Mats Paulsson (between 1 January 2016 and 10 May 2016)
- Fredrik Paulsson (between 10 May 2016 and 31 December 2016)

The Finance Committee handles and makes decisions on financial matters in accordance with the Finance Policy established by the Board of Directors. Executive management representatives give reports to the Finance Committee meetings. The Finance Committee met six times during 2016. The Finance Committee regularly reports to the Board of Directors.

THE REMUNERATION COMMITTEE

Members in 2016:

- Göran Grosskopf, Chairman
- Karl-Axel Granlund
- Mats Paulsson

The Remuneration Committee prepares guidelines and the framework for Group executives regarding salaries and other terms of employment and it provides the Board of Directors with a proposal regarding the CEO's salary and other terms, in accordance with the Remuneration Policy established each year by the AGM. The Remuneration Committee also decides the salaries and other terms for other members of executive management based on proposals from the CEO. The Remuneration Committee met four times in 2016. The Remuneration Committee regularly reports to the Board of Directors.

Board meetings, attendance 2016

AGM elected members	Independent in relation to the company and executive management	Independent in relation to the major shareholders	Attendance Board meetings	Audit Committee	Presence Audit Committee	Remuneration Committee	Presence Remuneration Committee	Finance Committee	Presence Finance Committee
Göran Grosskopf	Yes	Yes	100%	M	100%	C	100%	C	100%
Mats Paulsson									
In the Finance Committee after 10 May	No	No	100%			M	100%	M	100%
Karl-Axel Granlund	Yes	Yes	100%			M	100%	M	100%
Kerstin Lindell	Yes	Yes	100%	M	100%				
Fredrik Paulsson									
In the Finance Committee after 10 May	No	No	100%					M	100%
Malin Persson									
After the AGM 10 May	Yes	Yes	50%						
Lars Sköld	Yes	Yes	100%	C	100%				
Nina Udnes Tronstad	Yes	Yes	100%						
Employee representatives									
Lars Modin, ordinary									
Jan-Feb 2016			100%						
Patrik Svensson, ordinary			100%						
Kim Thomsen, ordinary			89%						
Egon Waldemarsson, ordinary									
From 10 May 2016			100%						
Torsten Centerdal, deputy			100%						
Kristina Bengtsson, deputy			100%						

C – Chairman M – Member

REMUNERATION TO EXECUTIVE MANAGEMENT

The 2016 Annual General Meeting approved the Remuneration Policy for executive management. The Remuneration Policy is available on Peab's website, www.peab.com. Information about salaries and other remuneration to the CEO and members of executive management can be found in note 9 in the Annual Report, page 77 and on our website.

INCENTIVE PROGRAM

Peab has no outstanding share or share related incentive programs for the Board of Directors or executive management.

AUDITORS

Under Peab's articles of association one or two auditors with an equal number of deputies are elected by the AGM. At the AGM in 2016 KPMG was elected the company auditor with the authorized public accountant Dan Kjellqvist as principle company accountant until the AGM 2017.

In addition to auditing, the accountant has only provided services for Peab in the form of accounting and tax advisement and certain analyses in connection with acquisitions and divestments over the last three years.

EXECUTIVE MANAGEMENT

The President and CEO leads the company according to the framework established by the Board of Directors and is responsible for the administration and control of the Group. In 2016 executive management consisted of the CEO, the CFO, the HR Director, the Business Area Manager of Construction and COO, the Business Area Manager of Civil Engineering and Industry and the Business Area Manager of Project Development.

Executive management meetings are held once a month and address issues of strategy and tactics to improve operations. Heads of Group staff teams and other officers are called to attend meetings when needed.

BUSINESS MANAGEMENT

Executive management adopts comprehensive goals and strategies for the business in the Group business plan. This is then passed on to the business areas, regions and companies that then make their own business plans.

Peab's organization is characterized by a focus on production with a clear decentralization and delegation of authority and responsibility in order to achieve efficiency and steering in each area.

Control is ensured through a clear decision process for each kind of major decision, comprising the need for specific approval from executive management or an organ appointed by executive management. This applies to acquisitions and divestitures of project and development property, operations and other major investments as well as in procurement processes where there are predefined levels for each position. The principles for manning boards of directors and signatories in Group companies are adopted centrally.

BUSINESS AREAS

Group operations are run in four business areas: Construction,

Civil Engineering, Industry and Project Development. Each business area has a management team led by the BA Manager and consisting otherwise of operational managers in the business area and staff members. The BA Managers are responsible for managing each operation and for running the line organization by delegating responsibility and authorizations.

GROUP FUNCTIONS

The Group functions, which support both executive management and operations in the business areas, strategically and in day-to-day operations, are divided into the following teams;

- Finance and treasury
- Communication
- HR
- Production

SUSTAINABILITY WORK AND THE SUSTAINABILITY COUNCIL

Peab Sustainability Council coordinates the overall sustainability work and creates the prerequisites for integrating sustainability work into the business. The Group CEO is the Chairman of the Sustainability Council and the other members are: COO, CFO, HR Director, Head of Sustainability, General Counsel, and Head of Competence Development. The Sustainability Council met four times in 2016.

THE ETHICAL COUNCIL

The Ethical Council is charged with communicating Peab's approach to ethical issues, both internally and externally, answering questions of an ethical character that come up internally and to prepare and make decisions on issues when laws or ethical guidelines are breached. The Group HR Director was the Chairman of the Ethical Council and the other members were the HR Directors for each business area as well as the Group Security Manager. The Ethical Council met twice in 2016.

CODE OF CONDUCT AND ETHICAL GUIDELINES

Peab founded its ethical work on Peab's core values; Down-to-earth, Developing, Personal and Reliable many years ago. These core values form the basis of Peab's code of conduct and Peab's ethical guidelines. In 2016 work with updating the code of conduct was initiated and it will be launched in 2017. The work to spread and root Peab's ethical guidelines throughout the organization is continuous.

THE BOARD OF DIRECTORS' DESCRIPTION OF INTERNAL CONTROL AND RISK MANAGEMENT CONCERNING FINANCIAL REPORTING

Peab's Board of Directors is responsible for ensuring that there are efficient procedures for the management and control of the Group regarding financial reporting. The CEO is responsible for ensuring that internal control is organized and follows the guidelines laid down by the Board of Directors. There is a clear set of rules in the Group for the delegation of responsibility and authority which follows the Group's operative structure. Processes and tools for internal steering and control is provided and coordinated by the Group function Finance and treasury.

The Board of Directors' guidelines for internal control concerning financial reporting were laid down in the Internal Control Policy. This policy establishes the way in which the internal control of financial

reporting is organized, reviewed and assessed based on the following factors;

- control environment
- risk assessment
- information and communication
- control structure
- evaluation/follow-up

The CEO has the comprehensive responsibility for an efficient control environment and good internal control in the Group. It is the responsibility of each Business Area Manager to ensure good internal control in their respective area and they need also to ensure that everyone works in accordance with the Group policies, systems and routines.

The CEO is responsible for evaluating the management and control of financial reporting at the first ordinary meeting of the Board of Directors after the end of the financial year.

The Board of Directors has assessed the need for an internal auditing department. The established control structure in Peab ensures sufficient management and control of the Group. At this time there is therefore no need for an internal auditing function in the company.

DEVIATIONS FROM THE CODE

Peab has elected to make the following deviations from the code.

Code rule 9:2

The Chairman of the Board may chair the remuneration committee.

Other members elected by the AGM must be independent in relation to the company and Group management.

Deviation

Mats Paulsson, who is a member of the Remuneration Committee, is not independent in relation to the company and Group management.

Explanation of the deviation

The Board wishes to take advantage of the long and unique experience in matters of compensation for senior officers that founder and former CEO of Peab, Mats Paulsson, has. The majority of the members of the Remuneration Committee are independent in relation to the company and Group management and this is believed to guarantee the objectivity and independence of the Remuneration Committee.

Auditor's statement on the corporate governance report to the Annual General Meeting of Peab AB (publ) company id nr. 556061-4330

The Board of Directors are responsible for the corporate governance report 2016 on pages 114-117 and that it has been prepared according to the Annual Accounts Act.

We have read the corporate governance report and based on this reading and our knowledge of the company and the Group we believe we have sufficient grounds for our statement. This means that our statutory review of the corporate governance report has a different focus and a much more narrow scope than compared to the focus and scope of an audit according to the International Standards on Auditing and the professional code for auditors in Sweden.

In our opinion a corporate governance report has been prepared, and its legal contents agree with the annual accounts and Group accounts.

Förslöv, March 31, 2017

KPMG AB

Dan Kjellqvist

Authorized Public Accountant

Board of Directors



Göran Grosskopf

Born 1945. Appointed 2004
Professor, LLD and Dr Econ
Chairman of the Boards of Peab AB, Stichting INGKA Foundation, Stichting IKEA Foundation, Stichting IMAS Foundation, ColoPlus AB, Mats Paulsson's Foundation and Medicon Village AB.
Member of the Board of Stichting Polar Light.
Former professor of tax law and working Chairman of the board of Tetra Laval Group.
Holding: 823,500 A shares, 460,000 B shares



Mats Paulsson

Born 1944. Appointed 1992.
Vice chairman of the Board of Peab AB.
Member of the Boards of Mentor Sverige AB, Mats Paulsson's Foundation and Medicon Village AB.
Formerly, various management positions in Peab since 1959.
Holding: 13,754,910 A shares, 35,255,750 B shares



Karl-Axel Granlund

Born 1955. Appointed 2000.
MSc (economics), MSc (engineering)
Principle owner and Chairman of the Board of Volito AB.
Holding: 1,500,000 A shares, 17,902,000 B shares



Kerstin Lindell

Born 1967. Appointed 2014.
MSc (engineering), Ph D Polymer Chemistry, MSc (economics)
CEO of Bona AB.
Vice chairman of the Board of the Chamber of Commerce and Industry of Southern Sweden.
Member of the Boards of HMS Networks AB and Hexpol AB.
Holding: 5,000 B shares



Fredrik Paulsson

Born 1972. Appointed 2009.
Member of the Board and CEO of Kranpunkten i Skandinavien AB.
Holding: 8,280,810 A shares, 5,002,154 B shares



Malin Persson

Born 1968. Appointed 2016.
MSc (engineering)
CEO and owner of Accuracy AB.
Board member of companies including Getinge AB, Hexpol AB, Mekonomen AB and Konecranes Abp.
Holding: 2,000 B shares



Lars Sköld

Born 1950. Appointed 2007.
Chairman of the Boards of Kulturgastronomen AB, Södertuna Slott drift AB and Södertuna Konferensslott AB.
Formerly positions as CEO and President of STC Interfinans AB, CEO of Sveaskog AB and CEO of Klövern Fastigheter AB.
Holding: 20,000 B shares



Nina Udnes Tronstad

Born 1959. Appointed 2014.
MSc (engineering)
CEO of Sjøkerhatten AS.
Member of the Boards of the Rambollgruppen AS, NTNU (Norwegian University of Science and Technology), GIEK (The Norwegian Export Credit Guarantee Agency) and Technoport AS.
Formerly positions as Group Executive of Kvaerner ASA, CEO of Kvaerner Verdal AS, Group Executive of Statoil ASA and various management positions at Statoil in Scandinavia.
Holding: 7,500 B shares



Patrik Svensson

Born 1969. Appointed 2007.
Foreman Construction Sweden
Employee representative Byggnads
Holding: None



Kim Thomsen

Born 1965. Appointed 2008.
Carpenter Construction maintenance Sweden
Employee representative Byggnads
Holding: None



Egon Waldemarsson

Born 1954. Appointed 2016.
Planner Construction Sweden
Employee representative Ledarna
Holding: 6,000 B shares



Torsten Centerdal

Born 1958. Appointed 2013.
Asphalt layer Industry Sweden
Employee representative (deputy) SEKO
Holding: 7,000 B shares



Kristina Bengtsson

Born 1977. Appointed 2013.
KMA coordinator Construction Sweden
Employee representative (deputy) Unionen
Holding: 500 B shares

The holdings reported were those on 28 February 2017. Holdings include those of spouses, children who are minors and private company holdings.

Executive management



Jesper Göransson
CEO and President
Born 1971
Employed since 1996
MSc (Business and Economics)
Holding: 427,000 B shares and 382,985 B shares via endowment insurance ¹⁾



Niclas Winkvist
CFO
Born 1966
Employed since 1995
MSc (economics)
Holding: 100,000 B shares and 131,150 B shares via endowment insurance ¹⁾



Roger Linnér
COO
Born 1970
Employed since 1996
MSc (engineering)
Holding: 80,300 B shares via endowment insurance ¹⁾



Karl-Gunnar Karlsson
Business Area Civil Engineering
Business Area Industry
Born 1956
Employed since 2003
Technical College Graduate
Holding: 15,400 B shares and 245,250 B shares via endowment insurance ¹⁾



Göran Linder
Business Area Project Development
Born 1968
Employed since 2011
MSc (economics)
Holding: 0 shares



Stefan Danielsson
Business Area Construction
Born 1969
Employed since 2015
BSc (electrical engineering)
Holding: 0 shares

Auditor

KPMG AB
Dan Kjellqvist
Authorized public accountant

The holdings reported were those on 28 February 2017. Holdings include those of spouses, children who are minors and private company holdings.

¹⁾ According to employment contracts for senior officers, part of or the entire outcome from variable remuneration can, while the outcome of the LTI program must, be placed in an endowment insurance which primarily invests in Peab shares. Information regarding variable remuneration and the LTI program can be found in the Annual and Sustainability Report, note 9.

The Peab share

Peab's B share is listed on the Nasdaq Stockholm, Large Cap. As of 31 December 2016 the total market capital of Peab was SEK 21.4 billion (19.2).

TRADING IN THE PEAB SHARE

As of 31 December 2016 the last day of the year the closing price of the Peab B share was SEK 72.30 (64.85), which was an 11 percent increase during the year. The Swedish Stock Exchange, measured by the Affärsvärlden Index, increased in 2016 by 6 percent (7). In 2016, the Peab B share was quoted at a maximum of SEK 77.30 (74.70) and a minimum of SEK 54.60 (55.00). About 106 million shares (136) were traded, which is equivalent to 421,000 shares per trading day (540,000) and a turnover rate of 40.7 percent.

TOTAL RETURN

The total return on the Peab share in 2016 amounted to 16.0 percent, to be compared to the SIX Return index of 9.6 percent. In the five-year period 1 January 2012 to 31 December 2016 the annual total return on Peab's B share amounted to 160.3 percent, to be compared to the SIX Return Index of 108.9 percent during the same period.

SHARES AND SHARE CAPITAL

The total number of shares at the beginning of 2016 was 296,049,730 divided into 34,319,957 A shares with 10 voting rights per share and 261,729,773 B shares with one voting right per share. The share capital amounted to SEK 1,583.9 million (1,583.9).

At the end of 2016 the number of A shares was 34,319,957 representing 11.6 percent (11.6) of capital and 56.7 percent (56.7) of the votes and the number of B shares was 261,729,773 representing 88.4 percent (88.4) of capital and 43.3 percent (43.3) of the votes. Information on share capital development over time is available at www.peab.com.

HOLDINGS OF OWN SHARES

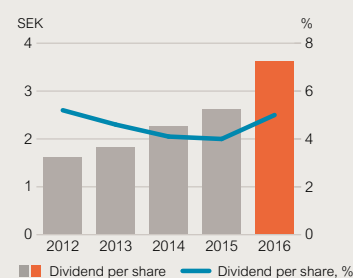
At the beginning of 2016 Peab's own B shareholding was 1,086,984 which corresponds to 0.4 percent of the total number of shares. No own shares were repurchased or divested in 2016.

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 31 December 2016, which are not entitled to dividends, 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).

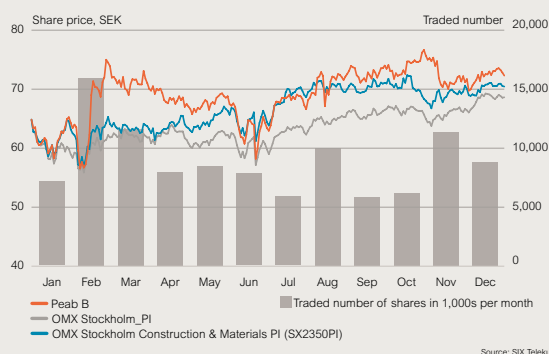
The direct return calculated on the proposed dividend and at the closing price on 31 December 2016 is 5.0 percent (4.0).

Dividend and direct return



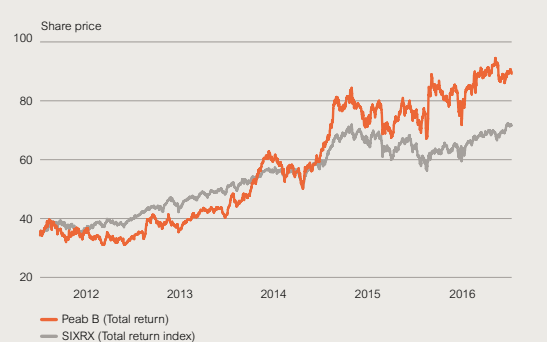
Price trend of the Peab share

1 January – 31 December 2016



Peab share, total return

31 December 2011 – 31 December 2016



List of shareholders on 31 December 2016

	A shares	B shares	Total number of shares	Proportion of capital, %	Proportion of votes, %
Mats Paulsson with companies	13,754,910	35,255,750	49,010,660	16.6	28.6
Karl-Axel Granlund with family and companies	1,500,000	17,902,000	19,402,000	6.6	5.4
Anita Paulsson with family and companies	8,280,811	5,013,905	13,294,716	4.5	14.5
Fredrik Paulsson with family and companies	8,280,810	5,002,154	13,282,964	4.5	14.5
Carnegie Funds		13,060,062	13,060,062	4.4	2.2
Peab's profit share foundation		8,928,432	8,928,432	3.0	1.5
Kamprad family foundation		8,600,000	8,600,000	2.9	1.4
CBNY-Norges Bank		6,758,255	6,758,255	2.3	1.1
Handelsbanken Funds		6,699,574	6,699,574	2.3	1.1
SIX SIS AG, W8IMY	823,500	4,096,268	4,919,768	1.7	2.0
CBNY-DFA-INT SML CAP V		3,768,937	3,768,937	1.3	0.6
Danica Pension		3,439,809	3,439,809	1.2	0.6
Clients Account-DCS		3,100,281	3,100,281	1.0	0.5
Other shareholders	1,679,926	139,017,362	140,697,288	47.3	25.8
Number of outstanding shares	34,319,957	260,642,789	294,962,746		
Peab AB		1,086,984	1,086,984	0.4	0.2
Number of registered shares	34,319,957	261,729,773	296,049,730	100.0	100.0

Data per share

	2016	2015
Earnings, SEK	5.85	2.71
Equity, SEK	31.80	27.38
Cash flow before financing, SEK	8.99	6.06
Share price at year-end, SEK	72.30	64.85
Share price/equity, %	227.4	236.9
Dividend, SEK ¹⁾	3.60	2.60
Direct return, % ²⁾	5.0	4.0
P/E-ratio ²⁾	12	24

¹⁾ For 2016, Board of Directors' proposal to the AGM.

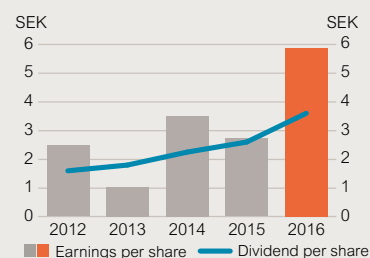
²⁾ Based on closing price at year-end.

Allocation of shareholdings ¹⁾

Number of shares	Number of shareholders	Proportion of capital, %	Proportion of votes, %
1– 500	20,653	1.3	0.6
501– 1,000	5,910	1.7	0.8
1,001– 5,000	7,685	6.3	3.1
5,001– 10,000	1,420	3.5	1.7
10,001– 15,000	512	2.1	1.1
15,001– 20,000	272	1.6	0.8
20,001–	706	83.5	91.9
	37,158	100.0	100.0

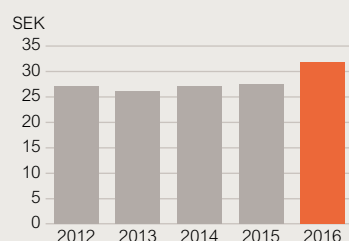
¹⁾ Per 2016-12-31.

Key ratios

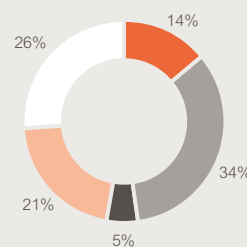
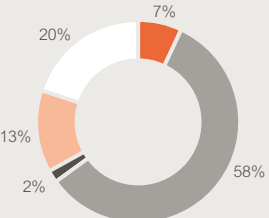
Earnings and dividend per share ¹⁾

¹⁾ For 2016, Board of Directors' proposal to the AGM.

Equity per share

Shares and votes per share class ¹⁾

Share class	Number	Number of votes	Proportion of capital, %	Proportion of votes, %
A	34,319,957	10	11.6	56.7
B	261,729,773	1	88.4	43.3
Total	296,049,730		100.0	100.0

Shareholder categories, proportion of capital ¹⁾Shareholder categories, proportion of votes ¹⁾

Legend for Shareholder categories:

- Financial companies and trust funds
- Other Swedish legal entities
- Swedish private persons
- Foreign shareholders
- Interest organizations

¹⁾ Per 2016-12-31.

Five-year overview

Group, MSEK	2016	2015	2014	2013	2012 ¹⁾
Income statement items					
Net sales	46,337	44,376	43,630	43,127	46,840
Operating profit	2,098	1,009	1,752	614	1,057
Pre-tax profit	2,050	906	1,230	383	815
Profit for the year	1,727	798	1,027	298	726
Balance sheet items					
Fixed assets	9,901	9,323	9,284	9,770	9,788
Current assets	21,708	18,718	19,101	22,135	22,287
Total assets	31,609	28,041	28,385	31,905	32,075
Equity	9,380	8,076	7,997	7,668	7,979
Long-term liabilities	3,876	4,505	4,719	6,087	7,767
Current liabilities	18,353	15,460	15,669	18,150	16,329
Total equity and liabilities	31,609	28,041	28,385	31,905	32,075
Key ratios					
Operating margin, percent	4.5	2.3	4.0	1.4	2.3
Profit margin, percent	4.9	2.6	4.3	2.0	2.8
Equity, average during the year	8,584	8,088	7,832	7,823	7,965
Return on equity, percent	20.1	9.9	13.1	3.8	9.2
Capital employed, at year-end	14,402	14,476	14,762	16,202	16,620
Capital employed, average during the year	14,128	14,224	15,482	16,411	16,856
Return on capital employed, percent	16.2	8.2	12.1	5.2	7.7
Equity/assets ratio, percent	29.7	28.8	28.2	24.0	24.9
Net debt	1,862	3,118	3,886	5,948	6,478
Debt/equity ratio, multiple	0.2	0.4	0.5	0.8	0.8
Interest coverage ratio, multiple	13.3	5.5	4.8	1.9	2.9
Capital expenditures					
Goodwill	40	-17	26	-14	14
Other intangible assets	34	5	-2	-4	2
Buildings and land	200	-94	36	0	57
Machinery and equipment	1,175	627	532	261	847
Shares and participations	303	-210	-263	105	-487
Project and development properties	324	291	-99	265	822
Orders					
Orders received	41,445	37,812	31,690	34,292	38,743
Order backlog	33,572	26,991	24,922	28,164	28,056
Personnel					
Number of employees, at year-end	13,869	13,300	13,213	13,290	14,000
Average number of employees	13,712	13,036	13,176	13,792	14,828
Data per share					
Earnings, SEK	5.85	2.71	3.48	1.01	2.47
after completed subscription and conversion	5.85	2.71	3.48	1.01	2.47
Cash flow, SEK	8.99	6.06	9.50	2.12	3.30
after completed subscription and conversion	8.99	6.06	9.50	2.12	3.21
Equity, SEK	31.80	27.38	27.11	26.00	27.05
after completed subscription and conversion	31.80	27.38	27.11	26.00	27.05
Share price at year-end, SEK	72.30	64.85	54.95	39.35	31.04
Dividend, SEK ²⁾	3.60	2.60	2.25	1.80	1.60
Number of shares at year-end, millions	295.0	295.0	295.0	295.0	295.0
after completed subscription and conversion	295.0	295.0	295.0	295.0	295.0
Average number of outstanding shares, millions	295.0	295.0	295.0	295.0	295.0
after completed subscription and conversion	295.0	295.0	295.0	295.0	303.0

1) Not translated according to IFRS 11, Joint Arrangements.

2) For 2016, the Board of Director's proposal to the AGM.

Alternative performance measures and 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.

Financial

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 recoverables and internal receivables from the internal bank Peab Finans with deductions for non-interest-bearing liabilities and deferred tax liabilities.

Cash flow per share

Cash flow per share calculated as the total of the cash flow from current operations and cash flow from investment activities divided by the average number of outstanding shares during the year.

Direct return, shares

Dividend as a percentage of the share price at year-end.

Earnings per share

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

Equity/assets ratio

Equity as a percentage of total assets at 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.

Interest coverage ratio

Pre-tax profit items plus interest expenses in relation to interest expenses.

Net debt

Interest-bearing liabilities including provisions for pensions less liquid funds 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) plus 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 Board of Directors' Report on page 36.

Orders received

The sum of orders received during the period.

P/E ratio

Share price at year-end divided by earnings per share.

Profit margin

Pre-tax profit plus financial expenses as a percentage of net sales.

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.

Construction related

Contract amount

The amount stated in the contract for contract work excluding VAT.

Fixed price

Contract to be carried out for a fixed price without the contractor being able to alter it, unless the client makes changes to the contract or makes supplementary orders.

General contract

Contract work where the contractor carries out construction and appoints and is responsible for subcontractors on the basis of documentation provided by the client.

Partnering/Collaboration

A type of structured collaboration in the construction industry in which the developer, consultants, contractors and other key players work together to achieve a construction goal. The collaboration is founded on trust where each person's professional skills supplement the others' throughout the construction process.

The basic idea is that the developer gathers together all the expertise needed to realize the project early on. We avoid different players only being involved in the process for a limited time. In partnering/collaboration we take advantage of everyone's know-how all the time as we work together from start to finish.

PGS

PGS stands for Peab Gemensamt System (Peab's General System) and refers to standardized construction elements manufactured in Peab's own factories or by partners. PGS means industrial construction from fabrication to final mounting.

Project and development property

Holdings of undeveloped land and decontamination property for future development, real estate with buildings for project development or improvement and thereafter sales within Peab's normal business cycle.

Project development

Finding project or development properties and developing these into complete projects.

Turnkey contract

Contract work where the contractor, in addition to building, is also responsible for planning the project.

About the sustainability report

Peab has previously published a separate sustainability report every year. This is the first year that we publish a combined financial and sustainability report. Just as our previous sustainability report, which was published in April 2016, this year's report follows the current GRI guidelines G4. The sustainability report has not been reviewed by external accountants but we feel certain it meets the criteria for base level core.

More information about Peab is available on our website: www.peab.com. Any questions regarding the sustainability report will be answered by Elin Olsson, Sustainability Coordinator at Peab, via mail: elin.olsson@peab.se or by phone +46 (0) 733 33 93 17.

Global Compact principles and page references

Area	Principles	Page
Human rights	1. Businesses should support and respect the protection of internationally proclaimed human rights; and	22–25
	2. make sure that they are not complicit in human rights abuses.	16–25
Labour	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	16–25
	4. the elimination of all forms of forced and compulsory labour;	22–25
	5. the effective abolition of child labour; and	22–25
	6. the elimination of discrimination in respect of employment and occupation.	16–25
Environment	7. Businesses should support a precautionary approach to environmental challenges;	26–31
	8. undertake initiatives to promote greater environmental responsibility; and	26–31
	9. encourage the development and diffusion of environmentally friendly technologies.	26–31
Anti-corruption	10. Businesses should work against corruption in all its forms, including extortion and bribery.	23–25

Active memberships

ASIS INTERNATIONAL

ASIS is a non-profit organization for safety managers and other managers in the field of safety. ASIS makes sure that safety management is acknowledged as a profession by the industry, media authorities and the general public. Peab is a member.

BASTA

BASTA is an industry-wide system that aims to phase out hazardous substances. Peab participates in BASTA's science council.

BEAST

BEAST is a Swedish acronym for the Construction and Property Industry's Electronic Business Standard, and at present there are just over 90 members. It is a meeting place for anything to do with e-commerce B2B, web solutions and e-communication in the industry. A representative from Peab is Chair of the Board at BEAST.

BIM ALLIANCE

BIM Alliance is a non-profit organization that works for improved community building through BIM (Building Information Modeling) – digital structured information management – by creating networks and disseminating information, as well as developing tools and support. The members consist of a number of different players within the community building sector, including Peab.

BRAINS & BRICKS

Brains & Bricks – B2 – is a center of excellence that focuses on flows of materials and information, as well as support for decision-making and planning, to create the conditions for a cost-efficient construction industry. It is a joint initiative set up by Peab, Linköping University and Katrineholm Municipality.

BYGGVARUBEDÖMNINGEN (BVB)

BVB performs assessments of building products from a life cycle perspective. Peab is responsible for the system's criteria group.

CENTRE FOR MANAGEMENT OF BUILT ENVIRONMENT (CMB)

CMB was formed as a collaboration between Chalmers University of Technology and the Swedish community building sector, and it is now Sweden's biggest forum for management-related issues in the field of community building. Peab is a member of many of the CMB's committees. One representative from Peab is a member of the BIM Management Group.

COMPREHENSIVE DEVELOPMENT OF NEARLY ZERO-ENERGY MUNICIPAL BUILDINGS (COMBI)

In Finland Peab is participating in research project COMBI for the purpose of contributing to the development of nearly zero-energy municipal service buildings. The project is led by Tampere University of Technology. Several universities and municipalities participate in

the work as a step in achieving EU 2020 energy efficiency targets.

CLEAN SOIL NETWORK

The Clean Soil Network is a non-profit organization that aims to promote development in the remediation of contamination in soil and water. The aim is to create greater contact between different groups in society that are affected by the issue, to promote current issues and to collaborate with Nordic and European networks. Peab is a corporate member.

COMPREHENSIVE DEVELOPMENT OF NEARLY ZERO-ENERGY MUNICIPAL SERVICE BUILDINGS (COMBI)

In Finland Peab is participating in research project COMBI for the purpose of contributing to the development of nearly zero-energy municipal service buildings. The project is led by Tampere University of Technology. Several universities and municipalities participate in the work as a step in achieving EU 2020 energy efficiency targets.

CONFEDERATION OF SWEDISH ENTERPRISE'S SAFETY DELEGATION

A network for profitable risk management, it is based at the Confederation of Swedish Enterprise. Peab is a member and has also made presentations at member meetings.

DEVELOPMENT FUND OF THE SWEDISH CONSTRUCTION INDUSTRY (SBUF)

SBUF is the construction industry's own organisation for research and development, with almost 5,000 affiliated companies in Sweden. SBUF strives to develop the construction process in order to create better commercial conditions for contractors and fitters to make use of research and to drive development work. Peab is represented on the Board as Chair and on a couple of the committees.

GALAXEN BYGG

Galaxen Bygg is the construction sector's own company for preventive work in the work environment and rehabilitation. Peab is represented on the Board of Galaxen, Galaxen Council East, as well as in Galaxen's school group.

LIFT OPERATOR TRAINING COUNCIL (LUR)

Peab is a member of LUR, which is an independent body responsible for the content and development of LLP (Lift Operator Curriculum). LUR authorises lift operator training companies that commit to observe LLP and LUR's terms and conditions.

SVEBY

Sveby is a Swedish acronym for Standardise and verify energy performance in buildings, and is an industry-wide program that develops tools for agreements on energy utilisation. Peab is involved as a financier and is in the steering group.

SWEDISH ASSOCIATION FOR SUSTAINABLE BUSINESS (NMC)

NMC is a non-profit organization for companies and organizations that wish to improve and stimulate work on sustainable development. The association offers a cross-industry platform and strives to share knowledge, contacts and experiences between companies and organizations. Peab is a member.

SWEDISH CENTRE FOR INNOVATION AND QUALITY IN THE BUILT ENVIRONMENT

The Swedish Centre for Innovation and Quality in the Built Environment is a node and a catalyst for research, innovation and quality development in community building. Peab is represented on the Board.

SWEDISH CONSTRUCTION FEDERATION (BI)

The Swedish Construction Federation (BI) is the industry and employers' organization for the construction industry, with around 3,200 member companies. BI's purpose is to promote the common interests of its member companies as employers and entrepreneurs in the construction industry. Peab holds the position of Chair at BI and has representatives on many of BI's councils/committees, including the Energy and Environment Council and the working environment reference group.

SWEDISH PRECAST CONCRETE FEDERATION

The Swedish Precast Concrete Federation is a meeting place for those who manufacture concrete and those who build with it. The Swedish Precast Concrete Federation is a provider of knowledge that lobbies for the benefits of concrete from a life cycle perspective. Peab is represented on the Board and in all committees.

SWEDEN GREEN BUILDING COUNCIL (SGBC)

SGBC is a non-profit organization owned by its members, open to all companies and organizations in the Swedish construction and property sector. The association strives to achieve green construction and to develop and influence work on the environment and sustainability in the industry. Peab is involved in most of the SGBC's committees. Peab is also a member of the Norwegian (NGBC) and Finnish (FIGBC) Green Building Councils.

UN GLOBAL COMPACT

Peab signed the UN Global Compact in 2012, and is working strategically with the ten principles of sustainable business in the areas of human rights, labor, the environment and anti-corruption.

GRI Index

General standard disclosures

Indicator	Description	Page	Comment
STRATEGY AND ANALYSIS			
G4-1	Statement from the CEO about the relevance of sustainable development.	2–3	
ORGANIZATION PROFILE			
G4-3	The name of the organization.	cover	
G4-4	The most important brands, products and services.	40–49	
G4-5	Location of the organization's head office.	cover	
G4-6	The number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to sustainable development.	cover	
G4-7	Ownership structure and legal form.	cover, 120–121	
G4-8	Markets in which the organization operates.	10–11	
G4-9	The scale of the organization.	cover	
G4-10	Total workforce, broken down by type of employment, gender and region.	19–20	Subcontractors are not included in the employee statistics
G4-11	Percentage of total employees covered by collective bargaining agreements.		100% are covered by collective bargaining agreements
G4-12	Describe the organization's supply chain.	23–24	
G4-13	Significant changes regarding the organization's size, structure, ownership or supply chain.	23–24, 40–49	
G4-14	Whether and how the precautionary principle is applied in the organization.	26–31	
G4-15	External economic, environmental and social principles, and standards to which the organization subscribes or which it endorses.	2, 15, 124–125	
G4-16	List of active memberships of organizations.	125	
MATERIAL ASPECTS AND BOUNDARIES			
G4-17	List all entities included in the financial statements.	7, 40–49	
G4-18	Processes for defining the content of the report.	12–14	
G4-19	List all material aspects identified.	14	
G4-20	Describe any internal boundaries in the area of sustainability.	12–15	
G4-21	Report whether the sustainability aspects are material and their external boundaries.	12–15	
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatement.	12–35, 124	
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries.	12–35, 124	
STAKEHOLDER ENGAGEMENT			
G4-24	List the stakeholder groups with which the organization has contact.	12–13	
G4-25	Principle for identification and selection of stakeholders.	12–13	
G4-26	Method of stakeholder dialogue, broken down by type of dialogue, stakeholder group and frequency.	12–13	
G4-27	Report key topics that have been raised through stakeholder engagement.	12–14	
Information about the report			
G4-28	Reporting period for the information provided.	124	
G4-29	Date of publication of the most recent report.	124	
G4-30	Reporting cycle (annual/biannual, etc.).	124	
G4-31	Contact persons for questions regarding the report and its content.	124	
G4-32	GRI Index.	126–127	
G4-33	Policy and current application in respect of having the report attested externally.	124	
GOVERNANCE			
G4-34	Report the governance structure of the organization, including committees of the highest governance body that are responsible for economic, environmental and social issues.	114–117	
ETHICS AND INTEGRITY			
G4-56	Describe the organization's values and principles, e.g. a code of conduct or similar.	cover, 6–9, 23–25	

Specific standard disclosures

Material aspects – GRI definition	Indicator	Description	Page	Comment
SOCIAL INDICATORS				
Occupational health and safety	G4-DMA	Disclosure on Management Approach.	15-21	
	G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	17	
	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.	21	
	G4-LA7	Workers with high incidence or risk of diseases related to their occupation.	16-21	
Training and education	G4-DMA	Disclosure on Management Approach.	15-21	
	G4-LA9	Average hours of training per year per employee by gender, and by employee category.	21	
	G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	18	
Diversity and equal opportunity	G4-DMA	Disclosure on Management Approach.	15-21, 32-35	
	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	19-20, 118-119	Minority groups are not reported, in accordance with Swedish law.
Equal remuneration for women and men	G4-DMA	Disclosure on Management Approach.	15, 19	
	G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	19	
Anti-corruption	G4-DMA	Disclosure on Management Approach.	15, 22-25	
	G4-SO4	Communication and training on anti-corruption policies and procedures.	25	
	G4-SO5	Confirmed incidents of corruption and actions taken.	25	
Anti-competitive behavior/aktiviteter	G4-DMA	Disclosure on Management Approach.	15, 22-25	
	G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	25	
Product and service labeling	G4-DMA	Disclosure on Management Approach.	15, 22-23	
	G4-PR5	Results of surveys measuring customer satisfaction.	22	
ENVIRONMENTAL INDICATORS				
Materials	G4-DMA	Disclosure on Management Approach.	15, 26-31	
	G4-EN2	Percentage of materials used that are recycled input materials.	27	Information is available for parts of the organization
Energy	G4-DMA	Disclosure on Management Approach.	15, 26-31	
	G4-EN3	Energy consumption.	31	
	G4-EN6	Reduction of energy consumption.	26-31	
Emissions	G4-DMA	Disclosure on Management Approach.	15, 26-31	
	G4-EN15	Direct greenhouse gas emissions, scope 1.	31	
	G4-EN16	Energy indirect greenhouse gas emissions, scope 2.	31	
	G4-EN17	Other indirect greenhouse gas emissions, scope 3.	31	
	G4-EN19	Reduction of greenhouse gas emissions.	26-31	
Effluents and waste	G4-DMA	Disclosure on Management Approach.	15, 26-31	
	G4-EN23	Total weight of waste by type and disposal method.	30	Information is available for parts of the organization
Products and services	G4-DMA	Disclosure on Management Approach.	15, 26-31	
	G4-EN27	Extent of impact mitigation of environmental impacts of products and services.	26-31	
SECTOR SPECIFIC INDICATORS				
Product and service labeling	G4-DMA	Disclosure on Management Approach.	15, 26-31	
	CRE8	Type and number of sustainability certification, rating and labeling schemes for new construction, management, occupation and redevelopment.	29	

Welcome to Peab's Annual General Meeting

Time and location

The Annual General Meeting of Peab AB will be held at 3 p.m. on Wednesday 10 May 2017, Grevieparken in Grevie, Sweden.

Notification

Notification of participation in the Annual General Meeting must be submitted at the latest at 2 p.m. on Thursday 4 May 2017. Notification may be submitted by telephone to +46 431 893 50, by mail to Peab Annual General Meeting, c/o Euroclear Sweden AB, Box 7841, SE-103 98 Stockholm, or via the company's website at www.peab.com. To participate in the Annual General Meeting shareholders must be registered in the share register kept by Euroclear Sweden AB by Thursday 4 May 2017 at the

latest. Shareholders who have registered their shares in trust must have registered such shares in their own names at the latest by this date. Shareholders should request trustees to undertake such registering a few days in advance.

Dividend

The Board of Directors proposes to the Annual General Meeting an ordinary dividend of SEK 3.60 per share for 2016. The proposed record day is Friday 12 May 2017. If the Annual General Meeting approves the proposal submitted, dividends will be distributed from Euroclear Sweden AB on Wednesday 17 May 2017.



Financial information

At www.peab.com we continually provide current information on the company, financial results and how our share is developing. Financial reports and publications can be downloaded there as well. They can also be ordered by contacting: Peab AB, Margretetorpsvägen 84, SE-269 73 Förslöv or Tel +46 431-890 00.

FOLLOW PEAB QUARTER BY QUARTER

When Peab publishes our quarterly reports we also present the financial results for the previous quarter and a description of the current situation. The link to the presentations can be found at www.peab.com/reports.

SHAREHOLDER CONTACT

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Annual calendar 2017

First Quarter Report	10 May
Annual General Meeting	10 May
Second Quarter Report	18 August
Third Quarter Report	9 November
Year-end Report	13 February 2018
Annual Report	April 2018

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Peab is the Nordic Community Builder with more than 14,000 employees and net sales of more than SEK 46 billion. The Group has strategically located offices in Sweden, Norway and Finland. Group headquarters are in Förslöv on the Bjäre Peninsula in Skåne. The share is listed on Nasdaq Stockholm.

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