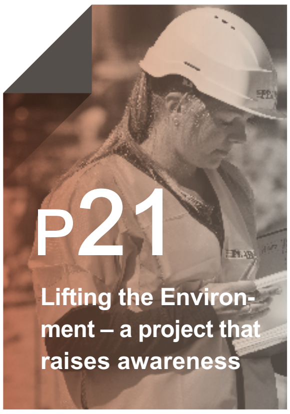
Annual and Sustainability Report 2017

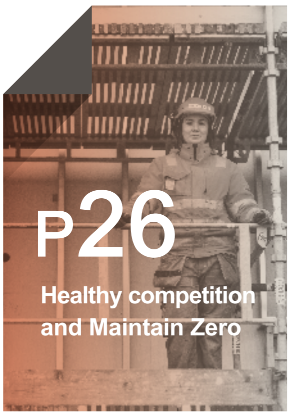
LOCALLY ENGAGED COMMUNITY BUILDER

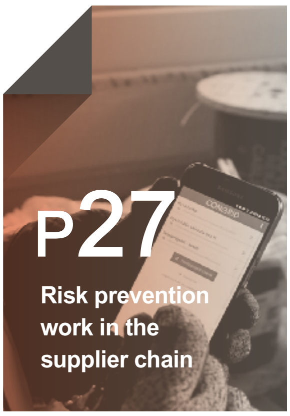
PEAB
THE NORDIC COMMUNITY BUILDER

Our take on sustainable business

Six initiatives that reflect how we work sustainably through Social, Environment and Economic.







Content

Formal annual and Group financial reports which have been audited by company accountants, pages 28–105.

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 2016 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: Minervagymnasiet, Umeå. Photo: Mikael Lundgren

Photographers other pictures: Klas Andersson, Jonas Hellsén, Victor Gårdsäter, Nicolas Tourrenc, Magnus Torle, Peter Steen, KGZ Fougstedt, Andreas Sundgren, Okidoki Arkitekter, Arkitekterna Krook & Tjäder.

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 that Peab strives to meet the demands and expectations from our surroundings and at the same time 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. In other words we make a difference in daily life in both small and large places.

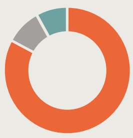
Long-term relationships with customers and suppliers result in better social, environmental and economic conditions. Stable profitability generates the funds necessary to develop our business and returns for our shareholders.

Operative net sales

SEK 50.3 billion

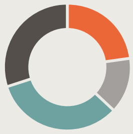
Per business area, 2017

Per geographic area, 2017



Per customer type, 2017

Operative operating profit per business area



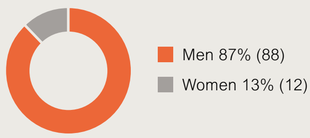
Employees

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**.

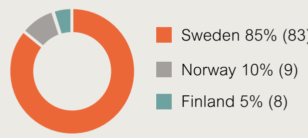
Number of employees, approximately

15,000

Gender distribution



Share per country



Business model

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. Our business model with four business areas creates opportunities throughout the value chain in a construction project.

Four collaborating business areas create added value

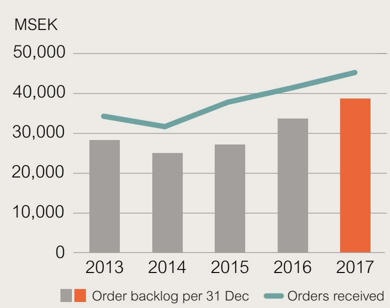
Business area Construction works with everything from new construction of homes, public and commercial premises to renovations and extensions as well as offering construction services.

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

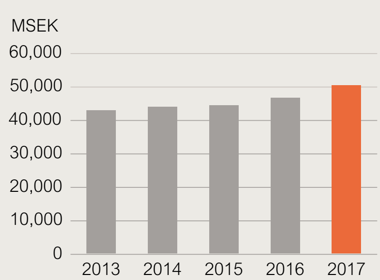
Business area Industry delivers, among other things, ballast, concrete, asphalt, temporary electricity and prefabricated concrete elements to external customers and the other business areas in Peab. The business area also provides cranes, equipment and transportation and takes care of production waste.

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.

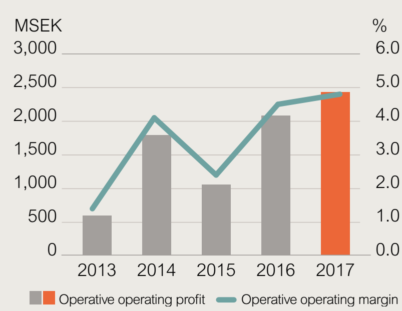
Orders received and order backlog



Operative net sales



Operative operating profit and operating margin



2017 in summary

- **The operative net sales increased by eight percent and amounted to SEK 50,267 million (46,489). A favorable construction and civil engineering market has positively affected all business areas.**
- **The operative operating profit increased by 17 percent to SEK 2,425 million (2,075) and the operative operating margin improved to 4.8 percent (4.5).**
- **Orders received increased by nine percent to SEK 45,247 million (41,445). The number of orders received has risen in all business areas.**
- **Order backlog per 31 December 2017 amounted to record high SEK 38,491 million (33,572) with a broad range of products and spread geographically.**
- **Cash flow before financing amounted to SEK 2,295 million (2,615), including significant investments in business area Industry.**
- **Strong financial position with net debt amounting to SEK 1,216 million (1,862).**
- **Equity/assets ratio amounted to 32.1 percent (29.7).**
- **Return on equity improved to 21.1 percent (20.1).**
- **The Board proposes an increased dividend to SEK 4.00 per share (3.60), which corresponds to 58 percent (61) of the profit for the year.**

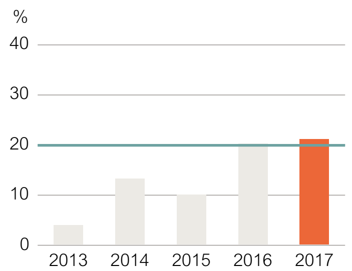
Financial summary

	2017	2016	2015	Financial goals
Operative net sales, MSEK [1)]	50,267	46,489	44,252	
Net sales, MSEK	50,090	46,337	44,376	
Operative operating profit, MSEK [1)]	2,425	2,075	1,052	
Operative operating margin, % [1)]	4.8	4.5	2.4	
Operating profit, MSEK	2,405	2,098	1,009	
Operating margin, %	4.8	4.5	2.3	
Pre-tax profit, MSEK	2,445	2,050	906	
Profit per share, SEK	6.97	5.85	2.71	
Dividend per share, SEK [2)]	4.00	3.60	2.60	> 50%
Return on equity, %	21.1	20.1	9.9	> 20%
Equity/assets ratio, %	32.1	29.7	28.8	> 25%
Cash flow before financing, MSEK	2,295	2,651	1,787	
Net debt, MSEK	1,216	1,862	3,118	
Orders received, MSEK	45,247	41,445	37,812	
Order backlog, MSEK	38,491	33,572	26,991	
Number of employees per 31 December	14,344	13,869	13,300	

[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 2017.

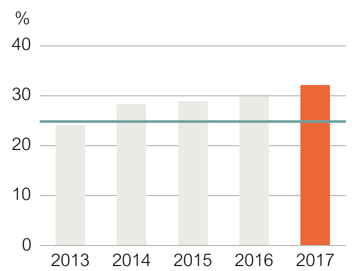
Financial goals

Return on equity



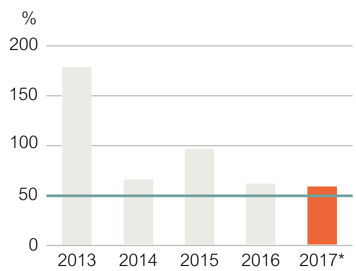
Goal >20%

Equity/assets ratio



Goal >25%

Dividends



Goal >50%

*Board of Directors' proposal for 2017

Strong position creates solid platform for the future

A well-filled order backlog, good project mix, well-dimensioned development rights portfolio and a strong financial position provide Peab with a good foundation for the future.

2017 was a really good year for Peab. All our financial goals were met and operating profit amounted to SEK 2.4 billion with an improved operating margin of 4.8 percent. The record high level of orders received totaled over SEK 45.2 billion, which gave us an order backlog of SEK 38.5 billion at the end of the year. Even better, the positive development was reflected in all the four business areas. The contract operations in Construction and Civil Engineering continued to deliver stable results and there were substantial margin improvements in the more capital intensive Industry and Project Development business areas. On top of that we had a strong cash flow and low net debt and can conclude that our financial position provides us with a solid platform for the future.

STABLE MARKET PROSPECTS

With a strong economy, low interest rates and a growing population market prospects appear stable for both other building construction and civil engineering in Peab's markets. Housing construction is expected to roll back from the current heights in Sweden and Norway while an increase is expected in Finland.

4.8%

The operative operating margin improved to 4.8 percent compared to 4.5 percent in 2016.

HOUSING MARKET
A surplus of houses in a higher price bracket has occurred in some sections of the market which, together with more stringent requirements for financing homes, has led to longer sales processes. Peab develops and builds housing all over Sweden and in large parts of Norway and Finland. Our homes are primarily in the mid-priced segment and we see that there is still a big need for new housing in this range.

A SOUND INDUSTRY
A major challenge and success factor in both the short and long run is handling the resource and competence shortage the industry struggles with. Our stance is that both Swedish and foreign labor is needed to handle the situation. At the same time there should be no doubt as to what rules apply. Healthy competition on equal terms is crucial to creating a construction industry in Sweden that has the long-term capacity to sustainably deliver whatever products are in demand.

RECRUITING COMPETENCE
It is important to create the conditions needed to broaden our recruitment base and make the industry more attractive. In November 2017 we, together with trade colleagues, signed a statement of intent and thereby took a shared stand for zero tolerance regarding harassment and abuse in the industry. This was an important signal that we are serious about creating a sound, safe and attractive industry. Peab has been working actively for a long time with these matters in order to both attract new employees and keep the ones we have. Among other things, we have a comprehensive internal education program on equal treatment and good and fair workplaces to reinforce an inclusive culture that welcomes everyone. This has led to broad support for these vital issues and also contributed to the fact that we continue to attract more women to our company. A good example of a concrete investment that also increases the recruitment pool in Sweden is Peab School's three year upper secondary construction and civil engineering program. The so-called 100 club is another important initiative that makes use of the new expertise arriving in Sweden. Our ambition is, by the end of 2018, to offer internships to 100 newly arrived immigrants in Sweden as a path to integration.

RESPONSIBLE ENTREPRENEURSHIP
Peab runs the business responsibly based on the UN Global Compact, our core values, business concept, vision, strategic goals and Code of Conduct, which was updated in 2017 under the concept Fair and good construction. We have adopted our focus areas and business plan goals for the period 2018-2020 taking into consideration the sustainability aspects Social, Environment and Economic. This is the foundation for further work on integrating sustainability aspects into our business. At Peab we work sustainably and care about both big issues and little details!

FOUR BUSINESS AREAS
We have a unique position through our four complementary business areas and all our employees welded together by a strong company culture. Our business model creates opportunities throughout the entire value chain in our projects and provides us with a good platform to deliver comprehensive solutions to our customers. Our four business areas are also a good source of diversity where we are not dependent on demand for a single product or in a particular place. Our business model provides us with a good basis for creating stable and profitable operations.

From this foundation we continue to strive towards our strategic goals of having the most satisfied customers, being the best workplace and the most profitable company in the industry.

In conclusion I want to heartily thank all our employees. You, through your great engagement, make our success possible.

"Our business model with four cooperating business areas creates opportunities throughout the entire value chain in our projects."

Förslöv in March 2018

Jesper Göransson
President and CEO

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, three in Norway and two in Finland. Regions specialized in housing production in Stockholm, Gothenburg and the Öresund region.

Read more on page 32–33

Trends and driving forces

Strong, underlying need for housing, 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 34–35

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.

BUSINESS AREA INDUSTRY

Strong position in the Nordic construction and civil engineering market

Comprehensive supplier of 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 six product segments complemented by a number of strong, local brands.

Read more on page 36–37

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 2017 due to increased demand for concrete, gravel and rock as well as asphalt and rentals.

BUSINESS AREA PROJECT DEVELOPMENT

Develops sustainable urban environments, homes and commercial 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, manages and divests commercial properties.

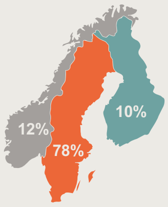
Read more on page 38–41

Trends and driving forces

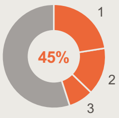
Market conditions are considered good due to a strong underlying need for housing, even if there are some parts of the market where there is a surplus of more expensive housing. There is still a strong demand for modern offices in the right locations as well.

Net sales

SEK
26.7 billion



Share of Group net sales



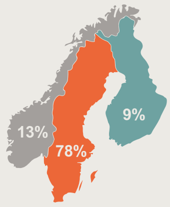
Customer type:
1. Private
2. Public
3. Internal/other

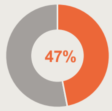
Peab's position

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

Employees

6,685

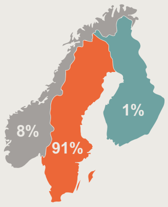




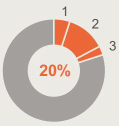
Share of total number of employees in the Group

Net sales

SEK
11.8 billion



Share of Group net sales



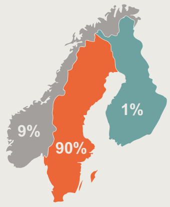
Customer type:
1. Private
2. Public
3. Internal/other

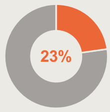
Peab's position

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

Employees

3,344

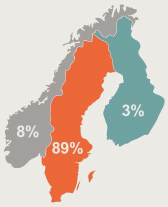




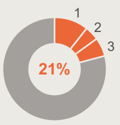
Share of total number of employees in the Group

Net sales

SEK
12.8 billion



Share of Group net sales



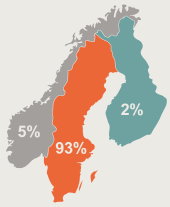
Customer type:
1. Private
2. Public
3. Internal/other

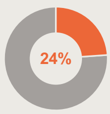
Peab's position

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

Employees

3,452

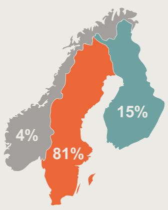




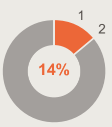
Share of total number of employees in the Group

Net sales

SEK
8.6 billion



Share of Group net sales



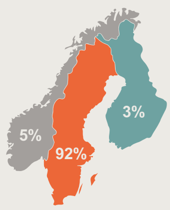
Customer type:
1. Private
2. Internal/other

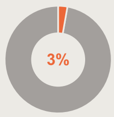
Peab's position

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

361





Share of total number of employees in the Group

Nordic construction and civil engineering market

E22
Linderöd

Global financial growth

The global economy continued to strengthen in 2017. The political unrest that characterized the start of 2017 subsided after the French election in May as populist and protectionist currents did not win a stronghold in European politics, as previously feared. There were also positive financial statistics for the Euro zone that showed a clear increase in GNP growth and a continued decrease in unemployment. In Europe growth is expected to continue in 2018 and 2019 as the global economy grows. Growth is strong in the US and is expected to increase further in 2018 since the Republicans' tax bill made it through Congress. Inflation tendencies continue to be weak in the Euro zone, while they have been apparent in the US. The Federal Reserve is expected to continue increasing interest rates and European Central Bank politics are also geared towards a normalization through lower buybacks of bonds. Despite an overall positive trend there is growing concern regarding the development of both stock markets and inflation.

The economy in Peab's markets

Sweden

Swedish growth continued in 2017, albeit at a slower rate than in 2016. International growth has made the Swedish export industry an increasingly important engine in the economy and it has also benefited from the weak Swedish krona. Production development in businesses continued to be positive, in both industry and services. Capacity utilization in industry is back on 2008 levels, which has led to greater investment needs. Low interest rates, growing asset values on the stock market and rising employment have been beneficial for household consumption. The current risk is for greater instability in stock markets and Swedish housing prices. All in all, GNP growth in 2018 is expected to remain on the same level as 2017 with a somewhat receding increase in household consumption and net investments. On the other hand it looks as if industry production will gain further momentum.

Norway

Financial growth increased in 2017 mainly due to an increase in private consumption and rising net investments. Unemployment decreased and exports took off, stimulated by growing international demand. Inflation decreased which was beneficial for household consumption and despite falling housing prices households showed greater confidence in the economy. Exports and industrial investments are expected to continue to rise due to global financial growth. The previously hard hit oil sector began to bounce back in 2017 through improved profitability and swelling cash flows and this should mean that investments in the sector will pick up.

Finland

The Finnish economy showed strength in 2017 with GNP growth that is expected to have superseded three percent. The factors behind the financial recovery are the productivity improvements that have been made, including frozen wages, longer annual working hours and less public spending, as well as an increase in global and national demand. More activity in Finnish industry led to considerably higher investments and exports took a leap forward. Private consumption accelerated as well, although just marginally because small raises in wages hold consumption back even if consumer confidence is high. Many indications point to continued positive development in 2018 and the year after, but since household consumption will continue to be limited global development needs to continue to favor Finnish exports for this to happen.

Source for text and graphics: Industrifakta

LEVELING OFF FROM HEIGHTS IN SWEDEN

After years of dramatically rising housing prices some uncertainty crept into the housing market in 2017. This is partly due to worries about increasing interest levels and partly because the newly implemented higher amortization requirements will thwart the purchasing power of part of the market. The past two years of new production in apartment buildings has also led to a surplus in some market sections and longer sales times. The autumn of 2017 ended with a decline in housing prices and housing construction. As expected, housing construction in general slowed from very high levels and only increased by a few percent. Although housing construction is loosing speed there is still a lot of construction in private and public premises, and particularly in industrial construction which experienced a renaissance after the weak development of the past few years. There are strong indications that collective building construction will have a horizontal development in 2018. Civil engineering construction had a much better development compared to other building construction due to private investments. Growth is expected to continue this year but at a somewhat lower rate.

HORIZONTAL DEVELOPMENT OF BUILDING CONSTRUCTION IN NORWAY

In Norway the total volume for building construction in 2017 remained roughly on the same level as the previous year. Public investments and new construction of apartment buildings were the only sectors that showed growth while single homes decreased and industrial investments pulled back from the strong growth of last year. All in all, building construction volumes are expected to remain on 2017 levels in 2018 and 2019. On the other hand development in civil engineering construction was positive in 2017 and this trend is expected to continue in 2018.

TIGHT FINANCES IN FINLAND DAMPEN PUBLIC INVESTMENTS

In spite of the positive situation in the economy building construction investments in 2017 were somewhat lower than in 2016. Both private and public investments in premises lost speed last year which meant a roll back from the dramatic rise in 2016. This development was, however, expected and resulted in construction volumes returning to 2016 levels. On the other hand housing construction grew in 2017 and new production of apartment buildings was particularly strong. An increase in both housing and premises is expected in 2018. Civil engineering construction showed a weak positive trend in 2017 and the forecast is close to zero growth in 2018. Finland's tight financial politics are what is holding back public investments.

MORE SUSTAINABLE CONSTRUCTION

Just as we are becoming increasingly aware of the challenges we face regarding our environment and the effects of climate changes, our society is going through a revolutionary technological transformation that will have an impact on how we live. These are two strong forces that will have an impact on the way we work, shop, transport ourselves and, not least, how we build and use premises and homes. There are a number of consequences worth pointing out. Cities are becoming greener, environmentally friendly transportation is prioritized in city planning, our homes can have their own life cycles and be built as zero or plus energy houses where increasingly larger areas are used for greenery, agriculture or solar energy generation. A circular economy is becoming more and more rooted in the younger generation. The framework for how we build our infrastructure and plan our cities will change due to laws, values or technical development in industries not part of traditional construction and real estate.

OTHER MAJOR PLAYERS

Although the Nordic construction market consists mainly of a large number of small companies operating under intense competition and on local markets there are a few very large, national 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 and Veidekke. There are also the Norwegian companies AF, BetonmastHaere and Obos as well as the Finnish Kesko and YIT.

When it comes to civil engineering, railroad and road construction the largest players are Peab, Skanska, Veidekke, Norwegian AF, NCC, Svevia and NRC. There is also strong competition in large projects from companies outside the Nordic area such as Implenia, Zublin/Strabag and OHL as well as a number of Italian and Spanish players.

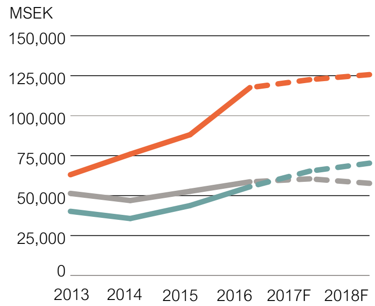
Source for text and graphics: Industrifakta

Investments 2013-2018

Sweden Norway Finland F=Forecast

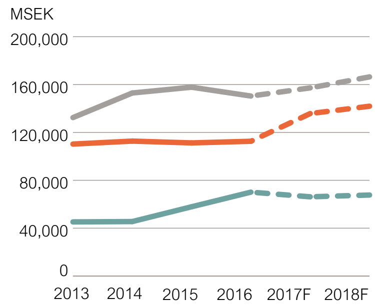
Housing investments

Initiated construction projects



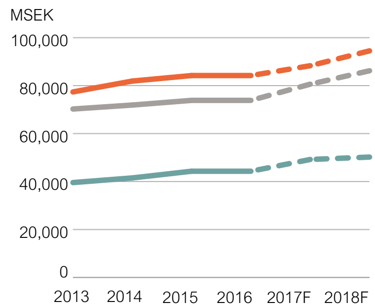
Other building construction investments

Initiated construction projects



Civil engineering investments

Ongoing investments



Goals and strategies

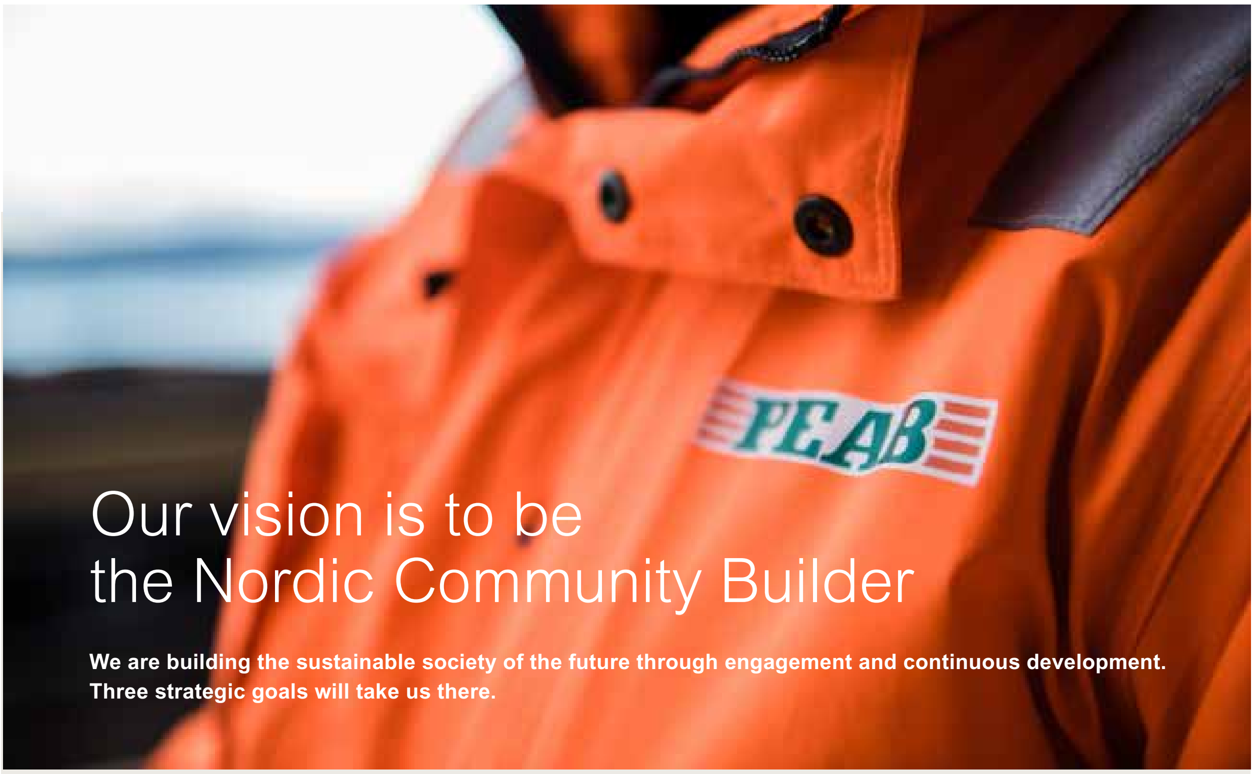
Our vision is to be the Nordic Community Builder. Already today our daily operations contribute to developing society because everything we build and construct is characterized by responsible entrepreneurship. We create value for our customers, employees, shareholders and other stakeholders based on our core values, business concept, vision and strategic goals. As a large employer with local connections it is crucial for us to have good insight into local community needs and through an active commitment to society be truly useful. This is the foundation of our company culture and our way of working.

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.

Core values

Down-to-earth, Developing, Personal and **Reliable** are Peab's fundamental values that our brand is built on.



Our vision is to be the Nordic Community Builder

We are building the sustainable society of the future through engagement and continuous development. Three strategic goals will take us there.

Most satisfied customers in the industry

We are a complete community builder that offers comprehensive solutions and develops projects together with customers. We are the local player with the big Group resources.

Best workplace

People are what is most important to Peab. At Peab everyone should find safe, including workplaces with good work conditions and development opportunities. When our employees grow Peab grows.

Most profitable company

We will be profitable by working together with our customers with continuous improvements, quality and cost-efficiency. We know that the best workplace and the most satisfied customers generate profitability.

Value-adding operations

	Business areas' operations and internal cooperation between units	How value is generated	Steering and measuring
	Project Development Acquires, develops and divests residential and commercial property and city blocks. Orders work from the other business areas.	Through investing in development rights and profits from development and sales of residential and commercial property.	Return on operating capital and investment parameters.
	Construction Contract work in everything from new production of homes, public and commercial premises to renovations, rebuilding and extensions as well as construction services. Internal supplier of contract work, primarily to Project Development.	Through profit from contract projects and unrestricted operating capital.	Contribution margins and payment balances.
	Civil Engineering Contract work 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 of contract work, primarily to Construction.	Through profit from contract projects and unrestricted operating capital.	Contribution margins and payment balances.
	Industry Complete supplier of the products and services needed in a construction or civil engineering project. Internal supplier of contract work, primarily to Civil Engineering and Construction.	Through profit from the business and investments in machines, quarries, operations and more.	Return on operating capital and investment parameters.

DOUBLE TRACK HEMFOSA – TUNGELSTA
Västerhaninge

2017 ended the business plan period 2015–2017

The goal for business plan period 2015–2017 was to become the best company in the industry through three identified goal areas. Focus was on increasing customer satisfaction, becoming a more attractive employer and improving profitability. As we leave 2017 behind we can conclude that we have met our goals well but there is still more to do, which is why these three goals will follow with us as strategic goals in our continued work.

	Three goal areas	Result 2017
	**Most satisfied customers in the industry** Through lasting 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.	The goal for 2017 was a SCI of 75 (73) and this was met.
	**Best workplace in the industry** By attracting, including, developing and keeping competent and motivated employees. Peab's personnel survey focuses on Engagement, Leadership and Work Climate.	Our latest personnel survey showed improvements in almost all areas. We have employees who are happy to recommend Peab, leadership is constantly improving and most people like the place where they work. In the latest survey Peab had a NPS of 22, which is high above the benchmark (8).
	**Most profitable company in the industry** Value-adding that develops a long-term profitable business and generates value for shareholders. Being the most profitable company in the industry is measured through margin and return goals for the Group in total.	In 2017 Peab continued to move in the right direction and all key ratios have improved.

Business plan 2018–2020

Just as we took the last steps laid out in the business plan 2015–2017 the right conditions were created in 2017 for entering a new business plan period. Among other things, we altered Group functions in order to highlight key competencies and improve our ability to collaborate between business areas and functions.

The three goals in the business plan period 2015–2017; Most satisfied customer, Best workplace and Most profitable company went from being connected to a business plan to being strategical goals since they will always be essential to the company's profitability and competitiveness.

During the business plan period 2018–2020 five Group strategic focus areas that are not linked to the business cycle will be in force:

Right business – Strive to increase the number of profitable projects, greater internal collaboration and sustainable work methods.

Safe business – Every business deal should be a safe business deal. Safe, good and fair and sustainable every time means; safe, good and fair workplaces, quality-ensured suppliers as well as social, environmental and economic sustainability.

Production strategies – Take the advantage of our four business areas to the next level so that greater value is created both for Peab and our customers.

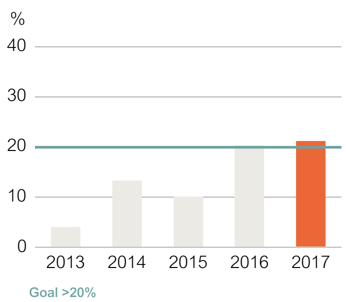
Skills recruitment – Based on what production needs we will recruit, train and develop for current and future roles.

Right costs – Means that support functions and digital systems should support productivity in our main processes and focus areas now and in the future.

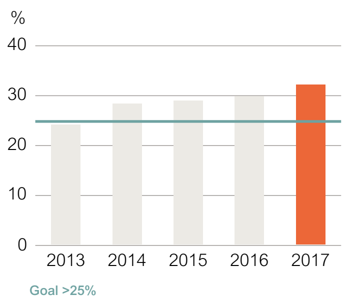
Financial goals

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.

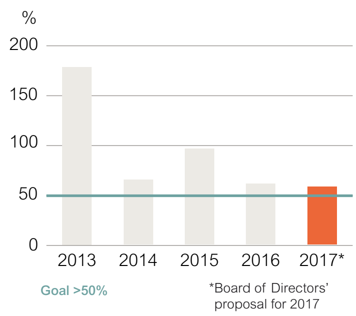
Return on equity



Equity/assets ratio



Dividends



RETURN ON EQUITY SHOULD BE AT LEAST 20 PERCENT

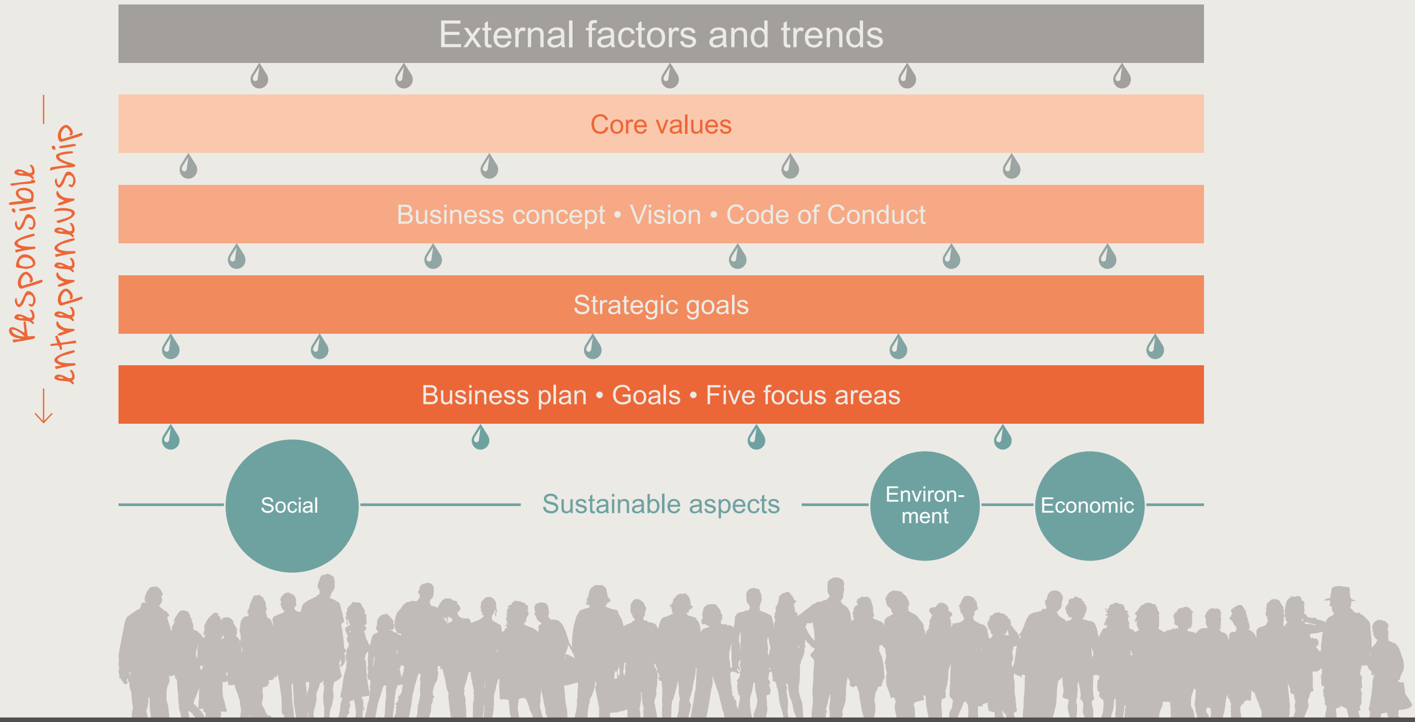
The return on equity improved to 21.1 percent (20.1) in 2017. The contract business in Construction and Civil Engineering has generated stable operating profit while Industry and Project Development reported improved operating profit and margin. Earlier years were characterized by lower profitability and write-downs in the business, which had a negative effect on return on equity

EQUITY/ASSETS RATIO SHOULD BE AT LEAST 25 PERCENT

In recent years the equity/assets ratio has been better than the goal and in 2017 it improved to 32.1 percent (29.7). The improvement is due to higher earnings and more efficient capital utilization.

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

A dividend of SEK 4.00 (3.60) per share is proposed for 2017. Calculated as a share of the Group's reported profit for the year the proposed dividend is 58 percent (61). The proposed dividend is equivalent to a direct return of 5.7 percent (5.0) calculated on the closing price on 31 December 2017.



At Peab we work sustainably

Peab is all about responsible entrepreneurship based on the UN Global Compact, our core values, business concept, vision, strategic goals and our Code of Conduct, which was updated in 2017 under the title Good and Fair Construction. We have adopted the focus areas and business plan goals for the period 2018-2020 taking into consideration the sustainable aspects Social, Environment and Economic. This is the springboard for our continued integration of sustainable aspects into our operations. At Peab we work sustainably and care about both big issues and little details!

Peab's vision is to be the Nordic Community Builder. Our daily operations already contribute to developing communities by planning, constructing and building everything from housing, offices and schools to hospitals, roads and bridges. We also contribute to a sound, safe and attractive industry through external cooperation with politicians, industry organizations and other players. We create added value for our stakeholders by running our business with a sustainable, responsible and long-term perspective. In our role as a large employer with local connections it is crucial for us to have good insight into local community needs. Our ambition is to convert this knowledge into an active commitment to society characterized by cooperation and our desire to be truly useful. We are particularly interested in working to give young people a good future.

DIALOGUE WITH STAKEHOLDERS HELPS US PRIORITIZE CORRECTLY

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 necessary in order to move in a direction that will create added value for our stakeholders and therefore also for Peab. Most 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. The accumulated result from these dialogues is an important contribution to the materiality analysis and the content of Peab's sustainability report and Annual Report. The next major stakeholder dialogue is planned for 2018 when we will initiate a new business plan period.

Peab's definition of sustainability

For Peab sustainability means responsible entrepreneurship. We must act ethically and in a **socially**, **environmentally** and **economically** sustainable manner in the long-term.

Stakeholder	Expectations of Peab	Dialogue examples
Shareholders	Responsible, ethical entrepreneurship, long-term financial value development that creates annual dividends, active risk management, responsibility throughout the value chain, local community responsibility, programs for youths.	AGM, meetings with analysts, surveys from ethical and environmental funds, annual and sustainability reports, quarterly reports, investor meetings.
Employees	Responsible, ethical entrepreneurship, good work environment and high safety, skills development, good leadership, equal treatment, equality and diversity, equal work and employment conditions, engagement in society through, for example, integration programs, internships and contributions to work life experience for youths.	Daily dialogue, employee survey, workplace meetings, union cooperation, internal training, incident follow-ups, management meetings, goal and developmental discussions, external surveys concerning employer brand.
Customers	Responsible, ethical entrepreneurship, professional businessmanship, competent, resource capacity, availability, good work conditions, certifications, strategies for reducing air and water emissions and lowering noise levels, good waste management, phasing out environmental and health hazardous substances, contributions to employment and integration, responsibility throughout the value chain.	Meetings in person, daily contacts, networks, partnerships, customer meetings, fairs, surveys to customers, surveys from customers, procurements and audits.
Local community	Contributions to local community development, contributions to integration and diversity, engagement in conservancy issues, jobs, internships, strategies for reducing air and water emissions and lowering noise levels, good waste management, phasing out environmental and health hazardous substances, sponsoring local youth and sports activities.	Visits, partnerships, information meetings, networks, contacts with county boards/ municipalities, environmental reports, vision work, mentoring, sponsor projects.
Suppliers	Responsible, ethical entrepreneurship, responsibility throughout the entire value chain, professional businessmanship.	Procurements, supplier evaluations, meetings in person, daily contacts, supplier meetings and partnerships.

Three areas that gather together Peab's most important sustainability matters

We have chosen to gather our sustainability work in the three areas Social, Environment and Economy. We consider the sustainability aspects that were previously identified as the most prioritized in the business still relevant to the reporting of our sustainability work in 2017. In our 2017 report we have merged the sections Employees and Society under one shared title; Social. Hopefully this will better reflect our desire to the see the big picture. To ensure that going forward the priorities in our sustainability work are on target, we will hold new stakeholder dialogues in 2018 in connection with the launch of a new business plan period. The dialogues will provide vital information for updating the materiality analysis, and for evaluating which aspects are the most relevant when it comes to the impact of our operations socially, environmentally and economically. The dialogues will also give Peab important insight into the aspects that influence stakeholders' decisions and their expectations of Peab. In 2017 Peab initiated a project to determine how our sustainability work can be linked to the UN's 17 sustainable development goals. As a first step we are analyzing which goals Peab has the best prerequisites to contribute to.

Steering Peab's sustainability work

Sustainability is a central component of Peab's core business and working sustainably is fundamental to our responsible entrepreneurship. Peab's strategic sustainability work is focused on preventing risks, systematic quality work and in an inventive, responsible manner making sustainable development, internally and through external cooperation, possible.

Peab's Board prioritizes sustainability matters and has given Peab's executive management the overriding responsibility for steering the Group's sustainability work and for following up the integration of sustainability in every aspect of our business. For Peab working sustainably is an essential, strategic issue which should always be put into practice in our daily, local operations.

Peab's Head of Sustainability, who reports to executive management, is responsible for strategically running and coordinating our sustainability work. The Head of Sustainability, together with the business areas and function specialists, is responsible for integrating sustainability. It is self-evident for Peab to include employees through transparency and spreading knowledge about basic sustainable factors. A main hub of this work is continually raising competence in our organization in matters such as the work environment, equal treatment, leadership, ethics and anti-corruption.

CENTRAL REGULATIONS AND A MANAGEMENT SYSTEM FOR STEERING

Peab requires all employees to comply with international conventions and national laws. Our Code of Conduct is fundamental to this and based on the UN Global Compact principles that include the precautionary principle. Peab signed Global Compact 2012 and the Annual Report and sustainability report make up the Group's annual report to Global Compact, the Communication on Progress.

An updated version of the Code of Conduct was implemented in 2017 and a copy is available at www.peab.com/siteassets/policies/code_of_conduct.pdf.

The CEO has ultimate responsibility for ensuring that the Code of Conduct is followed and communicated. Every employee is in turn responsible for taking the information to heart and following the Code of Conduct. Anyone who wishes to draw Peab's attention to deviations from the Code of Conduct or other irregularities in the business can do so through the whistle-blower function. The function is handled by Peab's Ethical Council. Whistle-blowers can be anonymous. Peab's Code of Conduct is complemented by three policies; the Environmental Policy, Quality Policy and Work Environment Policy. These are then supplemented by a number of other supportive documents such as the Group's equal treatment plan.

STEERING IN THE SOCIAL AREA

Peab's Code of Conduct with associated policy documents meets the demands in the Swedish Work Environment Authority Ordinance AFS 2001:1. In Norway Peab follows the Work Environment Act and valid regulations for the constructions and civil engineering industries. Finnish operations are certified according to OHSAS 18001.

The strategic work on the work environment is run on Group and business area levels, together with the relevant expertise on all levels of the organization responsible for turning strategy into reality.

Peab's support function Production, led by the COO, has the overriding responsibility for ensuring that support systems for HR processes are in place close to daily operations. The CFO is responsible for systems connected to Finance and Treasury (including salaries and remuneration matters). Line managers, with the support of specialist functions, have the operative responsibility for ensuring safety, training, diversity and proper working conditions are maintained in the business, for instance that the Code of Conduct is followed.

There are 173 (141) employees in Peab that work with work environment matters within the Group. In addition, there are a number of safety representatives; 665 (712) in Sweden, 62 (85) in Norway and 57 (40) in Finland, all of them selected by, and representatives of, the employees. There are also 63 (79) work environment administrators, which is a union assignment. Together the employees handling work environment matters amount to 7.1 percent (7.8) of all employees in Peab.

Peab's crisis organization is activated in the event of a serious accident. It consists of around 100 employees in Sweden, Norway and Finland.

Peab's sponsoring is steered by a sponsoring policy. Peab's sponsoring is rooted in the local community with the requirement that all sponsored activities must generate some kind of return to society. A central Group sponsoring council meets once a month to decide on sponsorship requests and the return expected from the applicant.

STEERING IN THE ENVIRONMENT AREA

Peab works actively with the environment throughout our organization. Since many issues are shared and affect all the business areas, companies and regions they are coordinated on Group level. Executive management has decided on three overriding environmental goals for the Group. These Group goals are then broken down and turned into practical measures suited to the various operations with their unique conditions and challenges. Every business area has an environmental manager who is responsible for performing a risk analysis specific to their operations, formulating detailed targets and identifying relevant measuring methods. Peab's operations are certified according to ISO 14001 and the environmental management system is an integral part of the business management system. It is supplemented by Peab's Environmental Policy, which meets all the requirements for ISO 14001:2004.

The business areas are responsible for creating processes and action plans to implement management systems and policies and ensure compliance in daily operations. The business areas must also continually work on improvements that lead to lower environmental impact.

STEERING IN THE ECONOMIC AREA

Peab's executive management is responsible for steering purchases and the work with ethics and anti-corruption. The central steering document for these areas is the Code of Conduct. The Group's whistle-blower function is part of the steering regarding the work with ethics and anti-corruption as is the Ethical Council.

The Group Head of Purchasing holds the highest responsibility for purchasing. Established processes and work methods are the foundation of responsible purchasing, an important part of which are the basic requirements in Peab's written contracts. The Code of Conduct is a good example of this. There are two central support functions in purchasing; Purchasing Steering and Purchasing and Logistics Development, which measure, control and support development in prioritized areas connected to our suppliers, the work environment and sustainability. For instance, there are daily controls of our supplier base founded primarily on financial parameters, and follow-ups in the area of work environment and labor laws performed every half-year.

Peab has a special program with specific targets for the risk categories that have been identified based on human rights and work conditions, the environment and business ethics.

PEAB'S SUSTAINABILITY REPORT

Peab reports its sustainability work according to the reporting standard Global Reporting Initiative (GRI) and it is our belief that to all extents and purposes it follows version 4.0, CORE. The extent of the sustainability report can be seen in the related GRI appendix found at **peab.inpublix.com/2017** where the GRI index and sustainability data is compiled.

The Nordic Community Builder cares about people

For Peab caring about people is fundamental to working sustainably. The area Social includes everything from external issues like local community projects for empowering young people to an internal perspective that spotlights our own employees' wellbeing and development. The contribution to sustainable conditions for people starts with our own business.

EMPLOYEES ARE PEAB'S GREATEST RESOURCE

An attractive employer brand is based in ensuring good internal conditions for all employees. We want to build an including company together, one characterized by good development opportunities, diversity, equality, good leadership and a safe work environment – and at the same time achieve our ambition to be the best workplace.

SAFE AND SECURE WORK ENVIRONMENT IS OUR HIGHEST PRIORITY

The construction and civil engineering industries are complex and filled with risks. Our employees are our most important assets and their wellbeing at work is our responsibility as employers. This is why Peab's work in the area of the work environment has top priority.

The industry's best workplace must be safe and secure. Through working systematically with the work environment, which includes risk management and preventive measures paired with an exchange of knowledge and experience, we continue to strive to reach our zero vision for accidents on Peab's work sites. Two important factors for success are good cooperation with the unions and regular follow-up. In 2017 we continued to develop this work through, for example, educational workplace revisions and quarterly follow-ups.

Peab has an annual focus week when everyone in Peab's management visits workplaces to talk to employees and gain an understanding of the challenges and good ideas for solutions found there. This year 791 (615) managers and members of

Sustainability aspects

- Health and work environment
- Skills recruitment
- Equality, diversity and equal treatment
- Educating youths
- Local community building projects
- Mentorship
- Sustainable sponsoring

For the GRI index and sustainability data see **peab.inpublix.com/2017**

Group functions visited workplaces and 798 (662) discussion meetings were held about the work environment. The dialogues generated a number of improvement suggestions and the common denominator was the need for simplification and support. In other words, it should be easy to do the right thing at Peab's workplaces.

In 2018 we will continue to work on our zero vision for workplace accidents. We focus on early risk observations combined with preventive work, increased clarity and a more advanced follow-up of systematic work environment work. This includes initiating more in-depth work on developing a safety culture and continued work on connecting good leadership to cooperation. It is also important to underline the responsibility of the individual for their own and their colleagues' work environment.

CONTINUED WORK WITH ORGANIZATIONAL AND SOCIAL WORK ENVIRONMENT (OSWE)

The aim of the comprehensive training of Peab's managers in OSWE, initiated in 2016, is to provide them with better tools for delegating work environment tasks as well as for informing about factors that lead to unhealthy workloads. Safety representatives and supporting resources such as the HR department and people working with quality, the environment and the work environment also took part in the training. So far 459 people have been trained in OSWE. During the autumn of 2017 OSWE work was integrated into Group equal treatment work in order to underline the connection between the work environment and the work climate. This will continue in 2018 with a focus on raising competence and follow-up.

RECRUITMENT CHALLENGES FOR BOTH THE INDUSTRY AND PEAB

Recruiting the right skills continues to be a critical matter for the construction and civil engineering industry. This is why Peab took a number of initiatives in 2017 to further develop work on attracting, recruiting, developing and retaining expertise. Our long tradition of accepting interns from industry-related programs as well as practicing professionals is an important part in ensuring that the employees of tomorrow choose Peab as their employer. Peab also offers students at university level to do their master thesis at Peab. It is equally important to retain existing competence and ensure that employees choose to stay and develop in the Group.

CAREER MAP AND COMPETENCE DEVELOPMENT

In 2017 an extra effort was made to open lots of doors to personal development in the Group and make it more accessible for all our employees. We developed a career map in order to illustrate more clearly the different career paths in Peab. We will continue to develop the career map in 2018 by providing a good overview of the many career options available at Peab: from introduction and existing role to taking steps toward a new position. In order to provide the right foundation, customized and operations-related skills development is connected to the various career paths charted on the map.

In 2017 we continued to develop the work environment work through educational workplace revisions and quarterly follow-ups.

798

During the annual focus week on the work environment 798 dialogue meetings were held in order to learn about challenges and hear good ideas for solutions.

Statement of intent against harassment and abuse

"We will take our responsibility to act in such a way that no one is subjected to harassment or abuse in the construction industry."

This is an excerpt from the statement of intent against harassment and abuse that almost the entire construction industry signed on site at the office of the Minister for Housing and Digital Development, Peter Eriksson, on 30 November 2017. The construction industry, just like other industries, faces problems with sexism and macho attitudes. This became particularly apparent through all the testimonies in the #metoo campaign. Our common initiative is clear: enough is enough and we are all responsible for putting an end to this!

Goal and developmental discussions are an important tool for employees so that, in dialogue with their supervisor, they can take responsibility for their own development. Our goal is that 100 percent of Peab's employees have a goal and developmental discussion annually, and the latest survey (2016) showed that this was true for 75 percent of employees. This means that the area remains a priority in 2018 as well.

One of the most important projects of the past few years is the new leader development program within the concept Leading Peab. A total of 1,300 of Peab's employees in leading functions have been trained in leadership development, 498 in 2017 alone. Besides developing individual leadership, the program has also led to good effects such as business development throughout the Group and more internal cooperation.

Experience and evaluations show the importance for a new employee of a good introduction to the business and their role in it. In 2017 1,119 (1,046) people participated in an introduction day for new employees aimed at broadening their knowledge about Peab's operations and core values. A good introduction needs to continue out into the workplace. We are now working hard to create an ongoing introduction based on the needs of each role and we also plan to increase accessibility by digitalizing parts of it.

INTENSIVE WORK WITH EQUALITY, DIVERSITY AND EQUAL TREATMENT

In the past few years we have built the foundation for a more down-to-earth and systematic way of working with equality, diversity and equal treatment in Peab. Our starting point is UN's Global Compact, Peab's Code of Conduct and our core values.

One important part of this work is an active, often local, commitment to integrating immigrants into the labor force. Another is the decision to train all of Peab's employees in equal treatment. At the end of 2017 we can conclude that this concrete, down-to-earth way of tackling a great challenge in the industry has resulted in major and material steps forward:

- The equal treatment plan with its associated action plan against discrimination and victimization that we developed in 2017 has now been implemented. Goals and actions taken regarding equal treatment will be followed up as an integrated part of systematic work environment work from the start of 2018.
- In 2017 3,380 employees were trained in equality, diversity and equal treatment, of which 2,796 within the Peab School. In addition there were courses focusing on ethics, cooperation, the work environment and safety culture. These will continue in 2018.
- The percentage of women in the company continues to grow and it reached 13 percent (12) at the end of 2017, which corresponds to an increase of around 200 women.

When Ylva Johansson, Swedish 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.

3,380

In 2017 a third of Group employees received training in ethics and anti-corruption through courses suited to their positions consisting of both legal and practical cases.

- Within the framework of the 100 club Peab offered internship to 61 (31) immigrants in 2017, of which 27 were later employed.

ANNUAL SALARY SURVEY TO ENSURE 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 salary survey is conducted every year containing an analysis of wages paid to women and men. Peab's analysis of salaries paid in 2017 detected 49 cases of incorrect wages. Correcting this is underway. There are corresponding processes in Norway and Finland that follow the laws of each country.

THE PEAB SCHOOL CONTINUES TO CONTRIBUTE TO THE COMPETENCE OF TOMORROW

Peab's independent upper secondary school, the Peab School, continues to develop. In 2017 we consolidated our five units to three schools in Solna, Gothenburg and Malmö. At present we have 300 students in the upper secondary construction program and 100 students in the program Language introduction for immigrants. Statistics show that about 70 percent of the 800 students who have graduated from the Peab School have found employment, most of them in Peab. The founding idea of the school has been to create a high quality, modern upper secondary construction program with just as much focus on creating a secure, aware citizen as on creating a skilled and employable worker. Establishing fundamental values and sustainability issues play a special role in classes.

The Peab School's cooperation with Utøya, Norway, continued in 2017 and will continue in 2018. It gives our students the chance to be useful to other youths in a Nordic cooperation and at the same time practice their construction skills as well as work with values and freedom of speech matters.

Broadening Peab School's curriculum continued with customized education for adults, which can also be seen as another investment in recruiting competence and integration. In 2017 Peab School teachers taught 4,286 Peab employees about the Code of Conduct, our core values, the work environment, ethics and equal treatment – areas that are all a part of Peab's workplace culture.

INTERNAL COMMITMENT TO MENTORSHIP

Peab's long collaboration with the Mentor Foundation is based on the belief that role models and good guidance strengthen youths. In 2017 50 (26) of Peab's employees were some kind of mentors. Besides the individual mentorship the cooperation also includes professional guidance for high school students through the concept Job Mentor, as well as seminars about parenthood for our employees. New for 2017 was that the immigrants in the Language introduction at the Peab School were given the opportunity to take part in the individual mentor program.

SPONSORING WHERE IT MATTERS THE MOST

Peab is deeply involved in sponsoring. It is particularly geared towards youth, innovation, diversity and our engagement usually has a strong local connection. In 2017 we greatly increased sponsoring of young people and social projects and in 2018 we will continue to develop sponsoring focused on contributing to the community where it is needed the most.

CONTINUED HUMANISTIC COMMITMENT IN THE SOCIAL DEBATE

As a part of our responsibility as a community builder Peab continued to participate in the social debate in 2017 in order to ensure a safe, sound and attractive construction industry. Fundamental to creating the prerequisites for a sound industry where order reigns is establishing clear rules for all players on the Swedish construction market. The dialogue with politicians, labor market parties and other decision-makers also includes the industry's competence recruitment challenges and job and education opportunities for young people.

When the Gothenburg Award for Sustainable Development was awarded in November 2017 students from the Peab School participated with their vision for future sustainable cities.

Just arrived? Welcome!

Peab's commitment to the 100 Club and the Shortcut gave a growing number of immigrants a chance at a job in 2017. One of them is the environmental engineer Chirli TarziBachi who made the long journey from war-plagued Aleppo in Syria to internship and employment in Peab. A workplace introduction gave a six month internship in quality, environment and work environment (KMA) in Peab. After the internship she was offered employment and is currently working as a KMA coordinator.

"My colleagues support me in every way," says Chirli TarziBachi.

We take responsibility for our environmental impact

At Peab we take responsibility for our environmental impact throughout the entire value chain and the entire life cycle. Our ambition is to work sustainably in every way to reduce our climate impact, ensure highly material effective operations and phase out environmental and health hazardous materials.

INTENSIVE CHANGES FOR REDUCED CARBON DIOXIDE EMISSIONS
Peab is part of the construction and civil engineering sector which represents a large part of society's energy use and carbon dioxide emissions. This is why our responsibility for reducing environmental impact is particularly important and our primary way of achieving this is by reducing energy use and driving the shift to renewable energy sources and fuels. Carbon dioxide emissions from operations are mainly generated by fossil fuel in vehicles used for transportation and construction machinery, heating workplaces and manufacturing products. Parallel with our work on reducing, and in the long-run completely replacing, fossil fuels with renewable fuels we have also prioritized making our operations more energy efficient.

RENEWABLES FUEL THE WAY FORWARD TO MORE CLIMATE SMART VEHICLES
Peab's ambition is to shift to fossil free diesel at the rate dictated by availability. In 2017 our use of diesel, that included less than 50 percent non-fossil fuel, amounted to about 38 percent of total use. We have been using a completely fossil free diesel, HVO 100 since 2015, but accessibility is still limited. In order to meet tougher environmental demands in large cities we will continue to prioritize investments in more hybrid vehicles in 2018. Another factor for success in order to reduce emissions, and also wear and tear on roads, is good planning. This is why we work closely with suppliers to make logistics more efficient. Another initiative for advancing developments is the active position Peab's subsidiary Swerock took in 2017 for a sound transportation industry by joining Fair Transport initiated by The Swedish Association of Road Transport Companies.

Sustainability aspects

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

For the GRI index and sustainability data see **peab.inpublix.com/2017**

Peab's comprehensive environmental goals

- Climate neutral by 2045
- 100 percent material-efficient operations by 2040
- Environmental and health hazardous substances phased out by 2030

ECO-ASFALT® CONTINUES TO CONTRIBUTE TO LOWER CARBON DIOXIDE EMISSIONS
Bio-oil is used for drying and heating the gravel material in the manufacture of Peab's ECO-Asfalt®, which is the process that requires the most energy. The bio-oil is made from vegetable surplus products from food production and is classified as climate neutral by the Swedish Energy Agency. Because it completely replaces fossil fuel oil this greatly reduces climate impact. At the end of 2017 ECO-Asfalt® represented 95 percent of Peab's total production at stationary plants in Sweden. This represents a reduction of around 39,000 (19,200) ton carbon dioxide emissions annually. Since January 2015 the collective environmental measures in these plants, that also include recycling, reduced climate impact by 61 percent. In 2017 a life cycle analysis was made for the total environmental impact of ECO-Asfalt® production, from the extraction of the raw materials to the delivery of the finished aggregate. This was reviewed by a third party and resulted in an Environmental Product Declaration (EPD). This broad revision gives us knowledge we can use to prioritize the right actions when we continue our environmental work.

WE OFFER GREEN MACHINES FOR RENT
Peab's subsidiary Lambertsson now offers construction equipment driven by electricity: compaction equipment, excavators and wheel loaders. Electrical excavators are high in demand and they also have a positive impact on the work environment because they are quiet. Other machines follow demands for bio-hydraulics oil and have the highest possible environment classing. We plan to expand our offer of green machines in 2018.

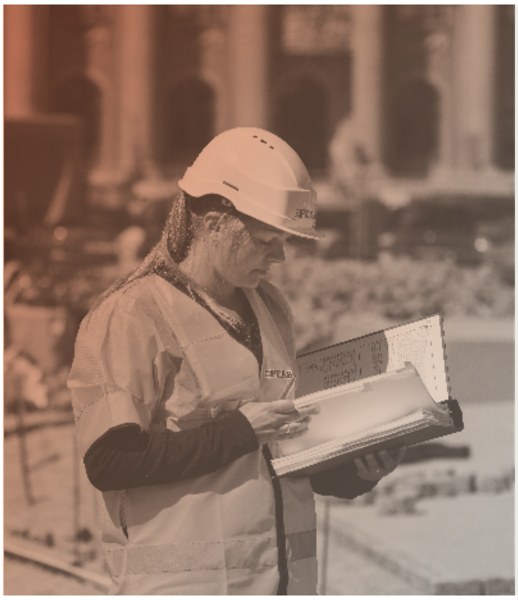
ENERGY MAPPING CONTINUES IN OTHER BUSINESS AREAS
In 2016 and 2017 we commenced work with energy mapping in two business areas, Industry and Construction. In 2018 we will continue mapping a third business area, Civil Engineering. Our main ambition is to gain knowledge about energy consumption, in part by implementing a system for energy follow-up that will also facilitate the analysis of energy streamlining measures.

ECO-LABELS AND CERTIFICATION THAT SHOWS CONSIDERATION
More and more of Peab's newly produced apartment buildings receive the eco label the Swan. This means that the buildings are evaluated from a live cycle perspective and that they comply with demands for low energy use, sustainable construction products, material and chemical products as well as a quality-ensured construction process. The Swan label is also combined with electricity labeled Good Environmental Choice (Bra Miljöval), which, simply put, means that the electricity comes from renewable sources.

FAIR TRANSPORT

In 2017 Peab's subsidiary Swerock actively chose to support a healthy transportation industry by joining the initiative Fair Transport.

In 2017 ECO-Asfalt® represented 95 percent of Peab's total production at stationary works in Sweden. This is estimated to reduce carbon dioxide emissions by about 39,000 tons, which is equal to 30,000 cars driving 1,300 Swedish miles each.



Miljölyftet

Lifting the Environment – a project that raises awareness

In the autumn of 2017 business area Construction actualized environmental issues by starting project Miljölyftet (Lifting the Environment), aimed at raising environmental awareness in employees and creating greater engagement in reducing the environmental impact of the business area. The project included a number of environmental rounds and workplace meetings in different parts of construction operations. Both white and blue collar workers were involved and many suggestions for improvements were compiled. In order to expand environmental knowledge in general, eleven E-education courses were developed based on various positions in the company. Hopefully this will increase awareness on how we can work to reduce our environmental impact in every project.

In Norway Peab's office operations have been environmentally certified according to Miljöfyrtårn, which includes the work environment, purchasing profile, energy use, transport, waste and emissions. In Finland Peab's Property Development has become a specialist in office properties with sustainable LEED certification.

COOPERATION IN EFFICIENT MATERIAL USE

Just as the construction and civil engineering operations in general, Peab's operations generate large amounts of waste. 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 have an impact on the climate in the long run and this makes the work even more prioritized. It is crucial to develop new and better solutions together with our suppliers in order to manage materials as efficiently as possible, both when it comes to logistics and mounting methods.

RESPONSIBLE MANAGEMENT OF WASTE PRODUCTS

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 primary aim is to prevent the occurrence of waste in all of the operations. This is why Peab is working on a more precise calculation of the amount of material and masses needed in production. In business area Construction, where waste products mainly consist of waste, packaging and temporary constructions, there are ambitious goals for recycling. Clean material flows are also needed in order to create circular flows. One example is drywall where the recycled material can be used directly when manufacturing new drywall.

In business area Civil Engineering most waste products consist of landfill material. In 2016-2017 development work was initiated in order to get most of these waste products classified as resources and not as waste. This work will continue in 2018.

The two concrete hybrid trucks are equipped with electrical rotators that are fueled by the fossil free diesel HVO100. The rotator is charged by a generator when the engine is running and one charge drives the rotator for four hours. Besides less emissions it also contributes to a better work environment with less exhaust and noise.

Innovation competition for future infrastructure

The vision of zero emissions is the idea behind the Swedish Environmental Protection Agency's innovation competition which challenges players in the industry to find common solutions. A total of 28 players are participating and they are entrepreneurs, material manufacturers, consultants, academics and authorities. The object of the competition is the Öresund Bridge in Sweden and the challenge is: How do we build the bridge with zero emissions in 2045?

The competition runs 2017-2018 and among the participants are four employees from Swerock and Peab Asfalt.

CONTINUED RECYCLING OF MASSES IN SWEROCK

The recycling operation that is part of Peab's subsidiary Swerock is all over Sweden and equipped to handle all kinds of projects. The main focus is on handling excess masses from construction and civil engineering operations, from managing polluted masses to using masses in constructions aimed for civil engineering. Recycling also manages other construction and demolition waste, provides equipment for water purification and operates a construction logistics center in cooperation with other players in the Peab Group.

JOINT WORK BEHIND THE PHASING-OUT OF ENVIRONMENTAL AND HEALTH HAZARDOUS MATERIALS

Peab's ambition is to phase out as much as possible of the environmental and health hazardous materials from production by choosing the right material and increasing traceability in the materials used. This demands internal cooperation between operations, purchasing and the environmental organization, as well as externally with manufacturers, suppliers, industry colleagues and customers.

It all begins by choosing the right material from the start as well as by choosing materials that are traceable. The latter is important as there might be materials that are not considered hazardous today, or that have not been sufficiently researched, that in the future might be found to have an impact on humans and nature. As a rule in the cases where there are no alternatives and that therefore products with less suitable materials need to be used these must at least be traceable. In Peab's Swedish construction and civil engineering operations the choice of material and construction goods must be made within the frames of mainly two systems: BASTA and the Byggvarubedömningen. In the Norwegian operations we use CoBuilder-ProductXChange for environmental assessments on products that are purchased for projects.

MORE SUSTAINABLE ROAD MARKINGS WITH NEW SPRAY

Since 2017 there is a new marker spray on the market that has been developed jointly by Peab and industry colleagues. The marker spray does not contain any organic solvents and since it is based on green DME there are no net emissions of greenhouse gasses.


ULSTEIN ARENA
Ulsteinvik, Norge

Safe, sustainable, good and fair every time

Working sustainably and responsible entrepreneurship means that every business dealing must be sustainable, safe, good and fair for everyone involved. This requires proactive, risk-conscious, preventive and development oriented work. A sustainable supplier chain is essential and so is ensuring good conditions at Peab's workplaces. Each business deal must be safe business through the application of good business ethics, transparency and sustainability in everything we do.

CODE OF CONDUCT IS OUR GUIDING STAR

Peab's Code of Conduct was updated in 2017 under the title Good and fair construction. Together with the Group's core values it is the most important guidance we have. The Code of Conduct contains guidelines for how we should behave in our profession; towards each other, customers, suppliers and society at large. The Code is based on Peab's core values, business ethics, business principals, human rights, work conditions and the environment. The Code of Conduct is applicable to everyone in the Peab Group, from the Board of Directors and executive management to each and every employee. We also require that the Code of Conduct be respected and complied with by our business partners. The Board of Directors establishes Peab's Code of Conduct annually. In the autumn of 2017 Peab began launching the updated Code of Conduct to employees and this will continue to in 2018. The Code of Conduct is supplemented by three new policies which have replaced Peab's previous Company Policy: the Environmental Policy, Quality Policy and Work Environment Policy.

Sustainability aspects

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

For the GRI index and sustainability data see **peab.inpublix.com/2017**

PEAB WANTS TO HAVE THE MOST SATISFIED CUSTOMERS IN THE INDUSTRY
The purpose of Peab's annual SCI (Satisfied Customer Index) surveys with external and internal company customers and private housing customers is to provide us with a good understanding of our customers' differing needs and requirements along with fostering long-term customer relations. In 2017 the total SCI result for the Peab Group was 75 (73) on a scale 1–100 which is above the average of 70 for all industries. This means that the Group met its goal for 2017.

ON THE ROAD TOGETHER WITH PARTNERING
Partnering as a collaboration form is gaining speed in the construction and civil engineering industry and makes up an increasing part of Peab's total project portfolio. 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. This way of taking shared responsibility for value creation in a project is beneficial for all parties and is particularly suitable for complex projects. The key factors in partnering is openness, transparency and cooperation, all of which are completely in line with Peab's core values and working method.

COMMUNITY RESPONSIBILITY INCREASINGLY IMPORTANT TO BUSINESS
At Peab we welcome the increasing importance in companies' responsibility for the community in connection with procurements. Demands such as asking companies to create employment locally for youths, immigrants or people who are physically impaired in connection to commissions are completely compatible with how we work to facilitate integration and contribute to the education and employment of youths.

DECISIVE FACTORS FOR SAFE BUSINESS
Peab's business concept is based on quality every step of the way. The Group's four business areas are in their turn dependent on a large number of suppliers and subcontractors. Peab's purchases make up more than 70 percent of net sales and involve more than 40,000 suppliers annually. Quality-ensured suppliers and responsible purchasing characterized by a comprehensive view are all crucial to safe business.

PURCHASING DEVELOPS AND BECOMES MORE SPECIALIZED
During 2016 and 2017 our purchasing organization developed intensely. A large part of this work has been focused on implementing category-based purchasing that complements project purchases. The method focuses on building up competence and collecting volumes in a particular supplier market in order to use as much leverage as possible from Peab's size and potential. Category steering has in part focused on specialization and reinforcing resources from a purchasing perspective and in part on raising cooperation between business units and functions. The cross-function category team that was created in 2017 now continues its structured improvement work to ensure we are making the right deals and doing safe business.

QUALITY-ENSURED SUPPLIERS
A cornerstone of the concept safe business is making sure we work with quality-ensured suppliers in the right way in order to be able to handle risks and prevent irregularities. A clear set of demands and written contracts are part of the process of quality ensuring our suppliers. All contracts that Peab signs with suppliers clearly state the rules and requirements that apply to the particular project and to doing business with Peab in general. The Code of Conduct is always included in contracts and there is always an ethics paragraph. The ethics paragraph states the demands on the suppliers and applicable consequences if they do not live up to the Code of Conduct, proper working conditions as well as safety regulations on the work site. We are continuously improving the competency of the purchasing organization to ensure that they are well acquainted with the demands that we have on suppliers. In Sweden we learn from the work we have done in Finland with identification and tax controls. Please find more information about our Risk prevention work in Finland on page 27.

The sustainable supplier chain is fundamental together with ensuring good working conditions at Peab's workplaces.

75

In 2017 the total SCI result for the Group was 75, which means that the Group's goal for 2017 was achieved.

The Code of Conduct is applicable to everyone in the Peab Group, from the Board of Directors and executive management to each and every employee. We also demand that our business partners follow the Code of Conduct.

THE IMPORTANCE OF CONTROL AND FOLLOW-UP

It is of the utmost importance for a safe business to, from a sustainability perspective, regularly follow-up on how purchasing is handled throughout the organization and check suppliers. Among other things, we make quarterly supplier base controls resulting in approval or rejection. There are semi-annual checks at Peab's workplaces concerning the work environment, work climate as well as working conditions and purchase-related issues. In 2018 we will focus on follow up our subcontractors in the so-called risk categories. This includes conducting revisions, targeted measures and following up supplier markets and subcontractors based on risk assessments.

EDUCATION AND STRICT CONSEQUENCES DEVELOP OUR WORK WITH ETHICS

Peab does not tolerate corruption. Peab is one of the partners in the Joint Initiative Against Bribes and Corruption (JIABC) that works to jointly counteract bribes and corruption in the publicly funded construction and real estate sector. Peab's work with ethical issues and against corruption is long-range and systematic. An important factor in our success is that we work with strict consequences in cases of infringement. Another is education. In 2017 we held a number of workshops at production workplaces where groups supervised by teachers from the Peab School went through ethical, production-related cases. This training will continue in 2018. Employees responsible for business deals are required to take a course in competition law which can be taken through E-education. In 2017 Peab also developed an E-education in ethics and anti-corruption which will be launched in 2018. This course is also obligatory for employees responsible for business deals.

Peab's work with ethical issues and against corruption is long-range and systematic. Strict consequences and education and training are important factors for success.

HÅLL NOLLAN
INGEN SKA SKADAS PÅ VÅRA BYGGEN

Healthy competition and Maintain Zero

Peab is highly engaged in the construction industry's complex challenges that we as community builders face. Through problem-solving cooperation with trade colleagues we work to create the most sustainable social, environmental and economic solutions. One example of such cooperation within the industry in Sweden is the organization Håll Nollan (Maintain Zero) that works to eliminate accidents in the Swedish construction industry. Maintain Zero focuses on four prioritized areas: leadership and culture, knowledge and competence, common work methods and standards as well as demands and follow-up.

Risk prevention work in the supplier chain

Finland works proactively with preventing risks in every aspect of a project. Suppliers are quality-ensured through structured purchasing, characterized by openness and dialogue. The existence of a public supplier registry ensures that statutory requirements are met and that identity controls, including checks on the taxability of every individual on the work site, are being made. They have developed a support system in the form of a mobile application to facilitate registration of risk observations in daily work.

Peab's Ethical Council ensures that incidents in the Group such as infringement of laws and the Code of Conduct receive the same consequences, regardless of context or position. The mission and working methods of the Ethical Council will be further developed in 2018.

NEW CHANNELS FOR WHISTLE-BLOWING

Transparency and openness are the watchwords for Peab's development of the business and work climate. Employees have an important role in reporting any law infringements or serious irregularities. We prefer open reporting but this is complemented by an external web-based whistle-blower system that guarantees the anonymity of the reporter. As of the first part of 2018 the whistle-blower system will also be accessible to external reporters.

EVENTS DURING THE YEAR

During 2017, no incidents of anticompetitive activities, breaches of the competition law or monopolistic behavior leading to legal action have occurred.

In 2017 Peab discovered one case of suspected corruption and nine internal incidents of suspected financial irregularities. The responsible manager handled the incidents with support from members of the Ethical Council. All of these incidents led to labor law measures and five of them, including the corruption incident, were reported to the police.

4,958

In 2017 4,958 people were trained in ethics and anti-corruption, corresponding to a third of Peab's employees.

In 2017 a large number of workshops were held at production workplaces where teams were trained in ethical and production-related examples of cases.

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 2017 financial year.

NET SALES [1)]

Group operative net sales for 2017 amounted to SEK 50,267 million (46,489), which was an increase of eight percent. After adjustments for acquired and divested units net sales increased by seven percent. Adjustments in housing reporting affected net sales by SEK -177 million (-152). Group net sales for 2017 increased to SEK 50,090 million (46,337).

Net sales have increased in every business area largely due to the favorable construction and civil engineering market. Net sales grew by eleven percent in business area Construction and have increased in all the business area's regions. Net sales increased by ten percent in business area Civil Engineering generated by greater activity in Local market and Infrastructure. Business area Industry showed an increase in net sales of five percent, with increases in all product areas except Transportation and Machines, which had unchanged sales. Net sales in business area Project Development increased by 13 percent, with an increase in Housing Development by 22 percent while Property Development had lower net sales. During the first quarter 2017 Property Development divested a number of assets in Arenastaden and Ulriksdal in Solna to Fabege, which affected net sales by SEK 577 million. During 2016 partial sales of property in Hyllie, Malmö were carried out, worth SEK 777 million.

Of the year's net sales SEK 9,089 million (7,729) were attributable to sales and production outside Sweden.

PROFIT/LOSS [1)]

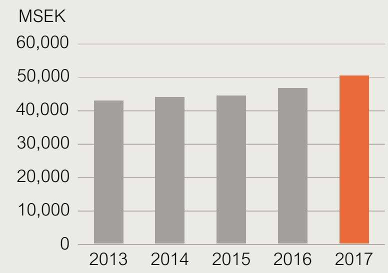
Operative operating profit for 2017 amounted to SEK 2,425 million (2,075) and the operative operating margin improved to 4.8 percent (4.5).

The operating margin in business area Construction was 2.3 percent compared to 2.2 percent for the last year. The operating margin in business area Civil Engineering was 3.2 percent (3.3). Business area Industry showed a higher operating margin of 6.8 percent (6.2). Operating profit in business area Project Development improved during the year, both in Housing Development and Property Development. The operating margin in Housing Development improved to 9.4 percent (8.5). Profit in Property Development included capital gains of SEK 75 million from the divestiture of joint venture companies with development properties in Skåne. The transactions regarding Arenastaden and Ulriksdal, which were carried out during the first quarter 2017, had no net effect on profit since the divestitures in Ulriksdal had a positive effect on operating profit by SEK 180 million and the sales of assets in Arenastaden had a negative effect of SEK 180 million. 2016 included an effect on operating profit of SEK 104 million from the partial sales of property in Hyllie.

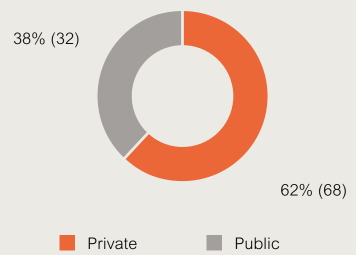
Eliminations and reversal of internal profit in our own projects has affected operating profit net by SEK -1 million (-75). Elimination is reversed in connection with the external divestment of a project. Adjustments in housing reporting affected operating profit by SEK -20 million (23). Operating profit for 2017 was SEK 2,405 million (2,098) and the operating margin improved to 4.8 percent (4.5).

Depreciation and write-downs for the year were SEK -957 million (-862).

Operative net sales



Operative net sales per customer type, 2017



Peab has in 2017 been commissioned by developer Västfastigheter to rebuild and extend sections of Södra Älvsborg Hospital. In total the contract is worth SEK 1,025 million and the entire project is expected to be completed in 2021.

[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.

Net financial items amounted to SEK 40 million (-48) of which net interest improved to SEK -44 million (-71). Net financial items include dividends from Lemminkäinen Oyj of SEK 16 million (-) and capital gains of SEK 93 million from the divestiture of 2,458,447 shares in Lemminkäinen Oyj.

Pre-tax profit was SEK 2,445 million (2,050). Tax for the year amounted to SEK -388 million (-323), which corresponds to 16 percent (16) in tax. The lower tax amount is mainly due to non-taxable profit from the sale of shares.

Profit for the year improved to SEK 2,057 million (1,727).

RECLASSIFICATION OF PROPERTY

After a revision of Peab´s property portfolio it was decided that some property previously reported as project and development property, i.e. inventory properties, will instead be classified as operations property or investment property, in the case where there is no plan to divest the property and it is expected to remain in the Group for the foreseeable future. For this reason, as of 1 January 2017 properties for a total recorded value of SEK 619 million have been reclassified as operations property and properties for a total value of SEK 629 million have been reclassified as investment property. The reclassification of these properties is forward-looking and therefore no comparable figures have been recalculated.

FINANCIAL POSITION

The equity/assets ratio on 31 December 2017 was 32.1 percent compared to 29.7 percent at the previous year-end. Interest-bearing net debt amounted to SEK 1,216 million compared to SEK 1,862 million at the end of 2016. The average interest rate in the loan portfolio, including interest derivatives, was 2.6 percent (2.6) on 31 December 2017.

Group liquid funds, including unutilized credit facilities, were SEK 5,145 million at the end of the year compared to SEK 6,062 million on 31 December 2016.

At the end of the year Group contingent liabilities, including joint and several liabilities in trading and limited partnerships, amounted to SEK 10,502 million (6,975). SEK 7,750 million (4,498) of contingent liabilities was surety given for credit lines for tenant-owned apartments under production.

INVESTMENTS AND DIVESTMENTS

During 2017 SEK 1,912 million (1,449) was net invested in tangible and intangible fixed assets and investment property. Included in this amount was SEK 154 million (310) in net investments from acquisitions in business areas Industry and Civil Engineering. Like last year most investments refer to investments in machines. Major investments have been made in business area Industry during the year, both to increase capacity and for replacements.

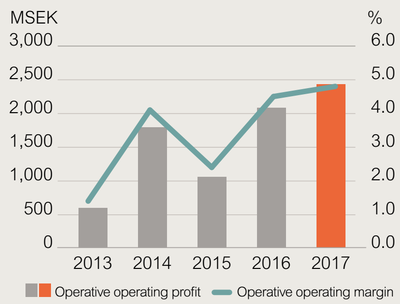
Net investments in project and development properties totaled SEK 702 million (324) during 2017, of which the acquisition of development rights at Kvarnholmen in Nacka amounted to around SEK 600 million. During 2017 property in Ulriksdal, Solna was divested. The partial sales of property in Hyllie was carried out in 2016.

CASH FLOW

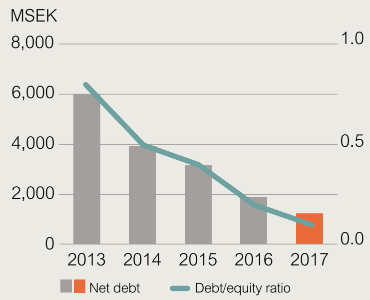
Cash flow from current operations amounted to SEK 2,839 million (3,455), of which paid tax was SEK -651 million (-19). Cash flow from changes in working capital was SEK 57 million (552). Working capital included the acquisition of development rights at Kvarnholmen in Nacka for around SEK -600 million.

Cash flow from investment activities was SEK -544 million (-804). Cash flow from investment activities included the sales of fixed assets of SEK 1,577 million (865) which consisted of amortization of loan receivables from partially owned companies, the sales of shares in Lemminkäinen Oyj and the sales of shares in partially owned companies. The cash flow was primarily used for investments in machines.

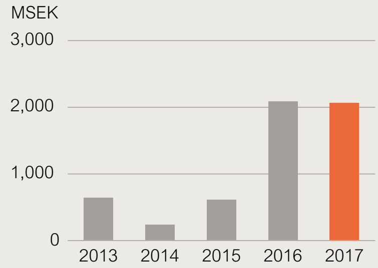
Operative operating profit and margin



Net debt and debt/equity ratio

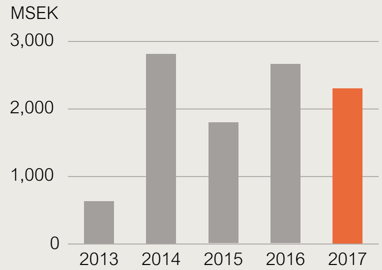


Net investments [1)]



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

Cash flow before financing



Cash flow before financing amounted to SEK 2,295 million compared to SEK 2,651 million for the last year. During the first quarter the transactions carried out regarding Arenastaden, Solna had a positive effect of around SEK 835 million. In 2016 partial sales of property in Hyllie of SEK 508 million was included.

Cash flow from financing operations amounted to SEK -2,750 million (-2,613) of which SEK -1,062 million (-767) was paid dividends and SEK -1,688 million (-1,846) was amortization of loans.

ORDERS RECEIVED AND ORDER BACKLOG

Orders received for 2017 amounted to SEK 45,247 million compared to SEK 41,445 million for the last year. The level of orders received has risen in all business areas. No orders received or order backlog is given for the business area Industry.

There is still a large portion of housing projects spread well geographically in orders received in 2017. Two major road projects, worth around SEK 1 billion each, were included in the comparable year in business area Civil Engineering.

Order backlog yet to be produced at the end of the year increased to SEK 38,491 million compared to SEK 33,572 million at the end of the last year. Of the total order backlog, 34 percent (34) is expected to be produced after 2018 (2017). There is a good balance between small, middle-sized and large projects in the order backlog. Swedish operations accounted for 86 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 profit/loss referring to the contract construction in our own housing projects, in rental projects and other property projects to 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 reported profit/loss consists of the profit/loss in the developer part recognized 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, reported as project and development property, that are sold in the form of a company via shares is recognized as net sales and the reported value on the balance sheet is recognized as an expense. When property projects reported as operations property or investment property are divested the net effect on profit/loss is recognized as other operating income or other operating cost.

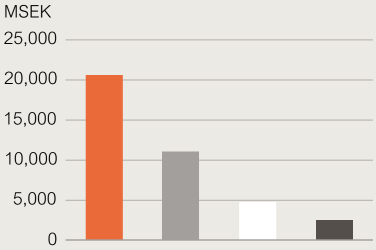
GROUP FUNCTIONS

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

Operating profit for the year for Group functions was SEK -228 million (-122).

Read more about Peab's business areas on pages 32–41.

Project allocation of order backlog, 31 December 2017



	Below 200 MSEK	54% (51)
	201 MSEK – 500 MSEK	28% (31)
	501 MSEK – 1,000 MSEK	12% (10)
	> 1,001 MSEK	6% (8)

Order backlog allocated over time

Orders received

MSEK	2017	2016	2015
Construction	29,280	27,883	25,999
Civil Engineering	14,191	12,089	10,433
Project Development	8,496	8,245	6,498
Eliminations	-6,720	-6,772	-5,118
Group	**45,247**	**41,445**	**37,812**

Order backlog

MSEK	31 Dec 2017	31 Dec 2016	31 Dec 2015
Construction	26,805	24,160	19,529
Civil Engineering	10,832	8,679	7,292
Project Development	8,198	6,853	4,357
Eliminations	-7,344	-6,120	-4,187
Group	**38,491**	**33,572**	**26,991**

Net sales and operating profit per business area

	Net sales			Operating profit			Operating margin		
MSEK	2017	2016	2015	2017	2016	2015	2017	2016	2015
Construction	26,726	24,121	24,645	602	542	575	2.3%	2.2%	2.3%
Civil Engineering	11,825	10,740	10,448	374	355	381	3.2%	3.3%	3.6%
Industry	12,761	12,161	10,800	867	753	648	6.8%	6.2%	6.0%
Project Development	8,629	7,639	7,605	811	622	398	9.4%	8.1%	5.2%
of which Property Development	*1,013*	*1,385*	*1,634*	*98*	*89*	*10*	*9.7%*	*6.4%*	*0.6%*
of which Housing Development	*7,616*	*6,254*	*5,971*	*713*	*533*	*388*	*9.4%*	*8.5%*	*6.5%*
Group functions	993	897	836	-228	-122	-100			
Eliminations	-10,667	-9,069	-9,282	-1	-75	-50			
Operative excluding write-down [1]	**50,267**	**46,489**	**45,052**	**2,425**	**2,075**	**1,852**	**4.8%**	**4.5%**	**4.1%**
Construction – write-down of project Mall of Scandinavia			-800			-800			
Operative [1]	**50,267**	**46,489**	**44,252**	**2,425**	**2,075**	**1,052**	**4.8%**	**4.5%**	**2.4%**
Adjustment for housing reporting [2]	-177	-152	124	-20	23	-43			
Legal	**50,090**	**46,337**	**44,376**	**2,405**	**2,098**	**1,009**	**4.8%**	**4.5%**	**2.3%**

[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

	31 Dec 2017		31 Dec 2016		31 Dec 2015	
Construction	6,685	47%	6,600	48%	6,320	48%
Civil Engineering	3,344	23%	3,080	22%	3,019	23%
Industry	3,452	24%	3,385	24%	3,204	24%
Project Development	361	3%	321	2%	285	2%
Group functions	502	3%	483	4%	472	3%
Group	**14,344**	**100%**	**13,869**	**100%**	**13,300**	**100%**

BUSINESS AREA CONSTRUCTION

Stable development in a strong construction market

Key ratios

	2017	2016	2015
Net sales, MSEK	26,726	24,121	23,845
Operating profit, MSEK	602	542	-225
Operating margin, %	2.3	2.2	-0.9
Orders received, MSEK	29,280	27,883	25,999
Order backlog on 31 December, MSEK	26,805	24,160	19,529
Number of employees on 31 December	6,685	6,600	6,320

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 eleven regions in Sweden, three 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 2017

The construction market in 2017 was strong and has continued to be on a high level in Sweden. It has been driven by a robust domestic demand and favorable conditions for Swedish exports. Housing production was intense throughout 2017 although it slowed in some areas towards the end of the year.

Housing production represented a considerable part of the business area's production during 2017. One example among the great many housing projects Peab carried out in Sweden is Nya Munkebäck in Gothenburg. Comissioned by Tornet, Riksbyggen and Bonum Peab is building 346 apartments for rent, tenant-owned apartments, senior housing and various premises. Together these will create a completely new city district and the project in its entirety will be ready in 2021.

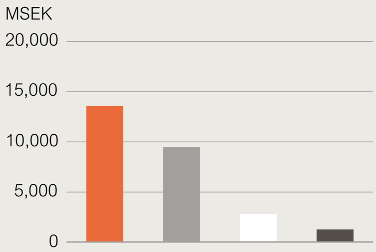
New housing generates the need to build different forms of community functions like schools and healthcare centers as well as commercial space. Demand for this type of project is therefore expected to be high in 2018. Construction of the renovation and extension of Södra Älvsborg Hospital for Västfastigheter, a contract worth around SEK 1 billion, began at the end of 2017.

Peab has a strong presence in Kiruna, which is undergoing a huge transformation. It began with the construction of Kiruna City Hall that has a strong sustainability profile. The project was commissioned by LKAB and will be ready in 2018. Peab is also building the completely new culture center in Kiruna for Kiruna municipality.

In Stockholm Peab continued production on the major renovation and extension project in city block Björnen. Peab is building around 1,000 workplaces in government offices in the largest construction project The National Property Board of Sweden has ever taken on.

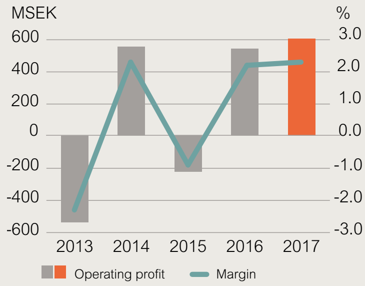
In one of Karlstad's most expansive areas and just a few minutes from the center of the city, the Inner Harbor, Peab is putting up the office project Skeppet for Klövern.

Project allocation of order backlog, 31 Dec 2017



■	Below 200 MSEK	50% (52)
■	201 MSEK – 500 MSEK	35% (35)
□	501 MSEK – 1,000 MSEK	10% (10)
■	> 1,000 MSEK	5% (3)

Operating profit and margin



The planning and construction of Skeppet has been aimed at gaining certification according to GreenBuilding.

The division between housing projects and other construction projects on the market in Norway is quite similar to the Swedish market and the market is expected to remain on a high level in 2018. In Norway one of the projects Peab is building is housing in Fløtningen Park, located idyllically next to Hjellevannet in central Skien. The project is divided into five stages and when completed will comprise 150 apartments. Stage 2 with 27 apartments was erected during 2017 and completed in January 2018.

Growth has continued to be good in Finland in 2017 and this is expected to continue in 2018. Up to this point there has been a big need for renovations but now growth is expected in all kinds of projects, housing and commercial premises alike. Peab is increasing its presence in the areas around Tammerfors and Helsinki. Construction of the project Hämeenlinnan Henrietta with 52 apartments, which is being built on a cultural site in the middle of the historic city Tavastehus, is an example of this.

Key functions in the community
In Växjö Peab completed Pär Lagerkvist School, the municipality's largest elementary school, which with its 13,500 m² has room for a thousand students. The school is certified according to Miljöbyggnad Gold and is made of sustainable material like a solid wood frame in parts of the building, solid wood floors and solar panels. Student housing is being produced in Linköping for Akademiska Hus and in Sollentuna Peab has taken on the considerable job of renovating the hospital there for the Stockholm County Council's property company Locum.

In Tromsø, Norway Peab is building the Prostneset Harbor Terminal, a 12,000 m² terminal with service functions for travelers comprising district and regional buses, fast boats and Hurtigruten. It also contains a goods terminal and offices. Peab is also building new medical research facilities for Norwegian Statsbygg at the University of Tromsø.

In Finland Hyvinge Hospital is being extended with several different wards for specialist care and Hyvinge City's primary care center. The extension is 22,800 m². The project began in 2016 and will be completed in the summer of 2018.

Nationwide construction resources
One of Peab's most prominent strengths, in addition to having its own skilled workers, is its local roots and capacity to handle not only large projects but also offer construction services to all kinds of customers no matter where they are or their size.

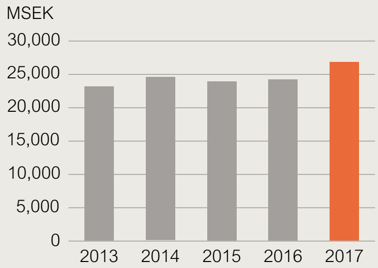
Peab Construction Service covers most of Sweden. The extensive expertise in Peab Construction Service also makes it possible to take on projects that require special measures, like preserving historic, culturally valuable environments. One of these is the Österbergska Estate in Kristianstad originally from the beginning of the 1800's, which was restored in 2017.

Development of purchasing function and digitalization
Peab continues to work on its purchasing strategy following the Group's direction towards a more secure and efficient steering of purchasing. The intention is to increase digitalization in operations to create more channels for transferring knowledge, improve productivity and ensure the quality of production methods.

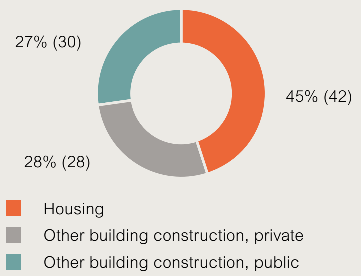
NET SALES AND PROFIT
Net sales for 2017 increased by eleven percent and amounted to SEK 26,726 million (24,121). The increase is spread over all regions. The portion represented by housing production continued to grow. Operating profit for the year amounted to SEK 602 million (542) and the operating margin was 2.3 percent (2.2).

ORDERS RECEIVED AND ORDER BACKLOG
Orders received increased during the year compared to last year and amounted to SEK 29,280 million (27,883). Orders received were well diversified in terms of products and geography although housing is still a large portion. Order backlog 31 December 2017 increased to SEK 26,805 million compared to SEK 24,160 million at the end of 2016.

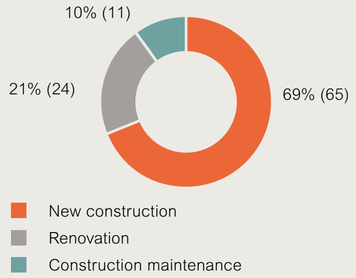
Net sales



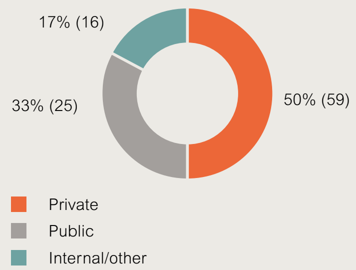
Per product area, 2017



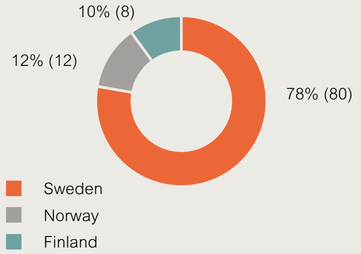
Per type of operation, 2017



Per customer type, 2017



Per geographic market, 2017



BUSINESS AREA CIVIL ENGINEERING

Greater need for infrastructure is driving a strong market

Key ratios

	2017	2016	2015
Net sales, MSEK	11,825	10,740	10,448
Operating profit, MSEK	374	355	381
Operating margin, %	3.2	3.3	3.6
Orders received, MSEK	14,191	12,089	10,433
Order backlog on 31 December, MSEK	10,832	8,679	7,292
Number of employees on 31 December	3,344	3,080	3,019

Business area Civil Engineering is a leading supplier in Sweden with operations in Norway and Finland as well. The business area works with landscaping and pipelines, builds and maintains roads, railroads, bridges and other infrastructure as well as foundation work. Civil Engineering operations are organized in geographic regions and the specialized product areas: Local market, Infrastructure and Operation and maintenance.

Business area Civil Engineering is active on the local civil engineering market working with landscaping and pipelines, foundation work and builds different kinds of facilities. In the area of infrastructure and heavy construction it builds roads, railroads, bridges, tunnels and ports. Civil Engineering also provides operation and maintenance 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 experience exchanges, project management as well as for creating scale advantages in larger and more complex projects.

THE BUSINESS 2017

The market in most places in both Sweden and Norway was characterized by good opportunities in infrastructure and the local market, concentrated to areas where population growth is intense.

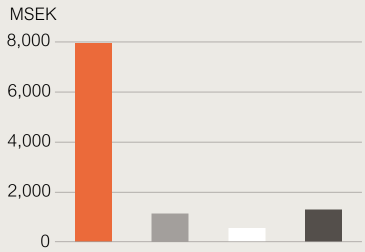
Within certain segments the competition is stiff, partly due to companies from outside the Nordic area. During the year a certain decline was noted in some geographic areas, primarily where housing construction began to slow down.

The Finnish civil engineering market continues to be weak. Projects in the southern part of the country, in the Helsinki and Tammerfors areas, are a sign of some demand. Peab's civil engineering operations are limited in Finland.

Infrastructure won several new projects in 2017, among them a section of E20 between Alingsås and Vårgårda of 15 kilometers and a bridge over Indal River at Lit. The new section of E22 past Linderöd was completed in December 2017, which was six months earlier than planned. In Norway Peab is building a section of highway on E6 between Trondheim and Melhus. It is expected to open for motorists in the spring of 2019.

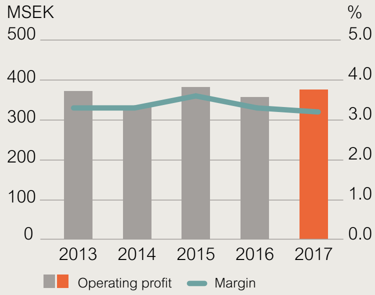
The total market volume is relatively constant over time in operation and maintenance and contracts are normally renewed in cycles of 4-6 years. During 2017 Civil Engineering received ten contracts for road operation areas, nine of which were in Sweden and one was in Norway. Four of the contracts were for areas where Civil Engineering was already the entrepreneur. The total order value amounts to around SEK 1,100 million and stretches over 2017-2021 with extension options. The contracts

Project allocation of order backlog, 31 Dec 2017



Below 200 MSEK	73% (66)
201 MSEK – 500 MSEK	10% (13)
501 MSEK – 1,000 MSEK	5% (0)
> 1,000 MSEK	12% (21)

Operating profit and margin



are in Tingsryd, Gothenburg, Gävle, Gällivare, Strömsund, Sollefteå, Sundsvall, Karlstad and Södra Gotland as well as Romerike Øst in Norway. Civil Engineering's contract with Helsingborg municipality for operation and maintenance of the city center and beaches was also renewed. It comprises the care and repair of parks, streets, sidewalks and bicycle paths, beaches as well as winter and year round preparedness. The contract is spread over 2018-2024 with an option to extend it for another three years.

During 2017 the first stage of construction of a new airport in Sälen commissioned by Scandinavian Mountains Airport AB was initiated. The completion of the project is planned for 2019.

New operations

As of 1 January 2017 the Swedish section of the product area Foundation Work is a part of business area Civil Engineering. The measure is expected to generate synergies and more efficient use of resources, in particular in projects with a substantial chunk of foundation work. The civil engineering company Tranab Markbyggnad AB was acquired in 2017, which strengthens Civil Engineering's presence in the Örebro region. Tranab had net sales of SEK 264 million and 58 employees in 2016.

Continued strong trend for ECI and Partnering projects

Both ECI (early contractor involvement) and Partnering entail working in close collaboration with our customers to develop projects together. In 2017 business area Civil Engineering developed a refined work method and concept better suited to meeting customers' expectations in these kinds of projects.

Internal measures lead to results

The long-term work Civil Engineering is doing on improving work methods and risk management in large projects has led to positive results. In order to further ensure a common and systematic work method based on continuous improvement Civil Engineering has developed our business management system with the goal of certifying it according to ISO 9001:2015 and ISO 14001:2015 during the first half-year 2018.

NET SALES AND PROFIT

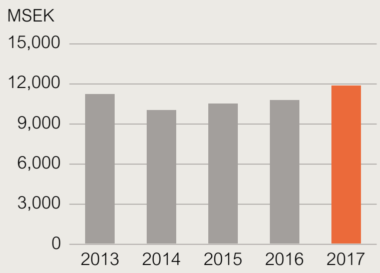
Net sales for 2017 amounted to SEK 11,825 million (10,740) which was an increase of ten percent. After adjustments for acquired units net sales increased by eight percent. The increase during the year stems primarily from product areas Local market and Infrastructure.

Operating profit for 2017 amounted to SEK 374 million (355) and the operating margin was 3.2 percent (3.3).

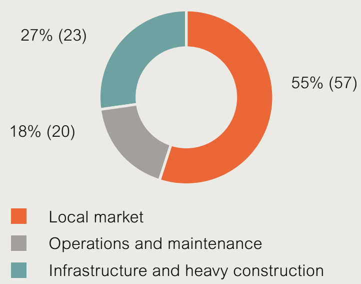
ORDERS RECEIVED AND ORDER BACKLOG

Orders received during 2017 amounted to SEK 14,191 million (12,089). Two major road projects worth SEK 1 billion each were included last year. Order backlog on 31 December 2017 amounted to SEK 10,832 million (8,679).

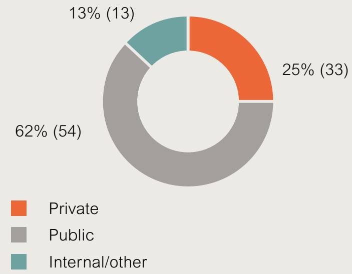
Net sales



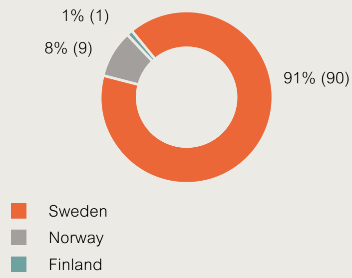
Per product area, 2017



Per customer type, 2017



Per geographic market, 2017



BUSINESS AREA INDUSTRY

Profitable complete supplier with strong local roots

Key ratios

	2017	2016	2015
Net sales, MSEK	12,761	12,161	10,800
Operating profit, MSEK	867	753	648
Operating margin, %	6.8	6.2	6.0
Capital employed on 31 December, MSEK	5,781	5,416	4,885
Number of employees on 31 December	3,452	3,385	3,204
Concrete, thousands of m³ [1]	1,221	1,101	990
Asphalt, thousands of tons [1]	2,619	2,589	2,353
Gravel and Rock, thousands of tons [1]	14,799	13,109	11,005

[1] Refers to sold volume

Business area Industry is a complete supplier of all the products and services needed to carry out a sustainable and cost-effective construction and civil engineering project. Industry offers everything from gravel, sand, concrete, asphalting and temporary electricity to prefabricated concrete elements. Business area Industry also rents out cranes, machines and transportation as well as handles production waste.

Business area Industry consists of a number of companies with operations on the Nordic construction and civil engineering market. With local roots the companies take on large and small jobs. The business area is run in six product areas: Asphalt, Concrete, Gravel and Rock, Transportation and Machines, Rentals and Construction System.

BUSINESS AREA WITH STRONG BRANDS

Through good organic growth supplemented by strategic acquisitions business area Industry has built up strong brands that complement the Peab brand. Among these are Lambertsson, Swerock, Cliffton, Skandinaviska Byggelement, Glacell, ATS Kraftservice, Lättklinkerbetong, Virtanen, Kranor and Ferdigbetong.

THE BUSINESS 2017

Business area Industry has operations in Sweden, Norway and Finland. Market conditions in 2017 were very good in all three countries. The Swedish market was particularly strong despite a slowdown in housing production towards the end of the year. The favorable market situation was also reflected in the positive development in most of Industry's product areas.

Industry works intensively on sustainability, focusing in 2017 primarily on work to reduce its environmental impact.

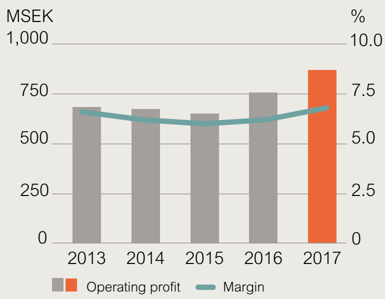
Strategic changes in business area

A number of structural deals were carried out in 2017. Acquisition of 60 percent of the shares in AB Smidmek Eslöv in 2017 complemented product area Construction System's existing offer with steel and concrete frames. The business had net sales of SEK 249 million during the financial year 2016/2017 and 29 employees. The Swedish part of the product area Foundation Work was transferred to business area Civil Engineering and foundation operations in Norway, Nordisk Fundamentering AS, was sold to NCC. The business had net sales of NOK 252 million in 2016 and 102 employees.

Higher net sales and good volumes in general

Swerock's markets in Finland, Norway and Sweden continued to be good and volumes rose. There was a brand name change to Swerock in Finland for prefabricated

Operating profit and margin



Capital employed per product area, 31 December 2017

	2017	2016
Asphalt	9%	9%
Concrete	13%	10%
Gravel and Rock	12%	12%
Transportation and Machines	13%	12%
Rentals	25%	22%
Construction System	10%	9%
Group goodwill and other	18%	26%

concrete and ballast operations. Concrete delivered large volumes in all the Nordic countries as did Gravel and Rock, which in Norway is developed under the brand Norrock. New quarries in strategic places continued to be a priority. Opening Arendal in Gothenburg is an example. Transportation and Machines displayed positive development with a substantial demand for vehicles and machines. The exception was mining transportation where a project in Svappavaara was concluded in 2017. Transportation and Machines also include Recycling, which handles masses, waste management and recycling. These operations grew all over Sweden.

Record volumes for asphalt
Product area Asphalt developed positively in 2017. Asphalt manufacturing rose and a number of asphalt plants produced record volumes. Some of the largest contracts were written with Swedavia and several municipalities in southern and western Sweden.

Running operations sustainably is essential and the new sustainable strategy informs which issues are prioritized. In the past year ECO-Asfalt® was further developed and twelve of the thirteen stationary asphalt plants in Sweden were converted from operating on fossil fuel to bio-oil. The asphalt plant in Trondheim, Norway was converted from fuel oil to liquefied gas. Working to reduce carbon dioxide emissions continued and next in line is the mobile asphalt plant in Biri, Norway.

Greater demand for rentals
Lambertsson Sverige presented profitable growth and Traffic Equipment is the unit that grew the most. The number of depots rose with the new establishments in Varberg and Partille. During the first quarter 2018 two more depots opened in Borås and Solna. Investments in so-called green machines continued. In addition, supplementary services for better working environments, for example, in the form of traffic closures and barriers were developed. The Lambertsson Installation unit was consolidated under the brand Glacell, which offers complete solar energy and electricity installation solutions. Even ATS Kraftservice, which delivers services in power and electricity distribution, had many ongoing projects in 2017.

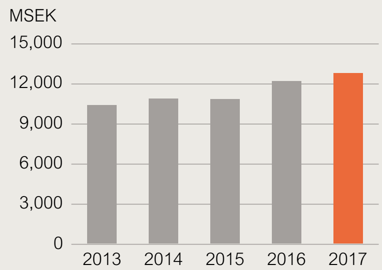
Activity was high at Lambertsson's crane operations in Sweden and Norway (Kranor) in 2017. In order to increase our presence in northern and eastern Stockholm a depot for mobile cranes was opened in Bro. Our presence was further strengthened in southern Sweden through the takeover of construction cranes from Thage AB. The favorable market situation was also reflected in the good development of the Norwegian crane operations. Both the Swedish and Norwegian agency for crane sales developed positively in 2017. Finnish Virtanen was busy throughout 2017. A successful installation of one of Europe's largest construction cranes at Helsinki Airport together with a new depot and trailer operations for transportation in the capital city region contributed to this.

A lot going on in construction system
A number of measures were taken in Construction System to coordinate units and thereby streamline production. Construction System's newly built factory for the manufacture of prefabricated concrete elements in Ucklum began running at full capacity. In 2017 the decision to invest in higher capacity in the hollow core slab factory in Hallstahammar was made. An important project for Construction System going forward is delivering framework material to The Point – the 110 meter high office building that is the fourth stage of Malmö's new city district Hyllie.

NET SALES AND PROFIT
Net sales for 2017 increased by five percent and amounted to SEK 12,761 million (12,161). After adjustments for acquired and divested units net sales increased by four percent. The increase comes from all the product areas except Transportation and Machines, where net sales were the same as last year.

Operating profit for 2017 amounted to SEK 867 million (753). Profit in all the product areas has improved except in Transportation and Machines where it remains unchanged. The operating margin rose to 6.8 percent (6.2). Capital employed in Industry at the end of the year amounted to SEK 5,781 million (5,416).

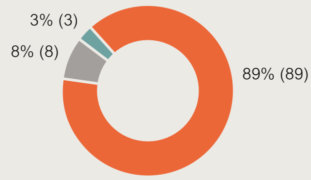
Net sales



Per product area, 2017

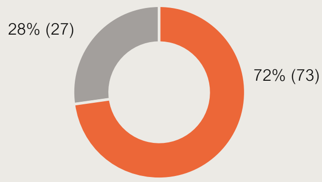
	2017	2016
Asphalt	27%	26%
Concrete	14%	13%
Gravel and Rock	11%	10%
Transportation and Machines	20%	21%
Construction System	10%	8%
Rentals	18%	16%
Other	0%	6%

Per geographic market, 2017



Sweden
Norway
Finland

Share of net sales, 2017



External sales
Internal sales

BUSINESS AREA PROJECT DEVELOPMENT

Sustainable urban development is the cornerstone of lasting profitability

Key ratios

	2017	2016	2015
Operative net sales, MSEK [1]	8,629	7,639	7,605
of which Property Development	1,013	1,385	1,634
of which Housing Development [1]	7,616	6,254	5,971
Operative operating profit, MSEK [1]	811	622	398
of which Property Development	98	89	10
of which Housing Development [1]	713	533	388
Operative operating margin, % [1]	9.4	8.1	5.2
of which Property Development	9.7	6.4	0.6
of which Housing Development [1]	9.4	8.5	6.5
Capital employed on 31 December, MSEK	10,024	10,281	10,838
Orders received, MSEK	8,496	8,245	6,498
Order backlog on 31 December, MSEK	8,198	6,853	4,357
Number of employees on 31 December	361	321	285

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

Project Development, which comprises Housing Development and Property Development, creates sustainable and vibrant urban environments with both residential and commercial property. The business area is responsible for the Group's property acquisitions and divestitures as well as project development which generates contract work for the other business areas. Project Development works through wholly owned projects or in cooperation with other partners in joint ventures.

Peab is one of the largest housing developers today in Sweden. The business has a strong position on the Swedish market spread broadly in seven regions and 19 offices all over the country. In Finland Peab is represented in Helsinki and seven other large regional cities. In Norway operations are located in the Oslo area and Tromsø.

Property Development develops new offices, premises and sometimes whole city districts in cooperation with municipalities and other partners. The business is represented in Malmö, Gothenburg, Stockholm and Helsinki.

Capital employed

MSEK	31 Dec 2017	31 Dec 2016
Operations property	1,036	–
Investment property	871	–
Project and development property	6,439	7,007
of which housing development rights	5,116	4,125
of which commercial development rights	627	675
of which projects under construction	383	736
of which completed projects	170	1,246
of which other	143	225
Participation in joint ventures	912	682
Loans to joint ventures	1,383	1,694
Working capital and other	-617	898
Total	**10,024**	**10,281**

NET SALES AND PROFIT

In business area Project Development operative net sales for 2017 were SEK 8,629 million (7,639) and operative operating profit increased to SEK 811 million (622). At the end of the year capital employed amounted to SEK 10,024 million (10,281).

RECLASSIFICATION OF PROPERTY

After a revision of Peab's property portfolio it was decided that some property previously reported as project and development property, i.e. inventory properties, will instead be classified as operations property or investment property, in the case where there is no plan to divest the property and it is expected to remain in the Group for the foreseeable future. The properties are owned for the purpose of income from rent or appreciation or a combination of both. For this reason, as of 1 January 2017 properties for a total recorded value of SEK 619 million have been reclassified as operations property and properties for a total value of SEK 629 million have been reclassified as investment property.

HOUSING DEVELOPMENT

Peab's position on the Swedish market is good. Being spread all over the country creates a local organization that builds up close customer relationships and effectively meets the demand for new production of homes in varying price classes. Our range of housing forms is broad; tenant-owned apartments, condominiums and apartments for rent as well as homeowner or tenant-owned single homes.

The strong development of housing construction in Sweden slowed down towards the end of the year and sales took longer than before. This is believed to be due to a surplus of homes in some areas, the more stringent amortization requirements put in place by the government and higher requirements from banks for loans. Peab's housing is primarily in the mid-priced segment and we see that there is still a big need for new housing in this range.

The development rights portfolio for Swedish operations is spread across the country. A number of development rights were acquired in 2017. Among them were some 600 development rights in Kvarnholmen in Nacka, some 700 development rights in Upplands-Bro, some 700 development rights in Norrköping, some 500 development rights in Södra Änggården, Gothenburg and several land allocations in the areas Peab is established.

Peab's strives to be a forerunner in sustainable urban development and build attractive and sustainable projects that meet economic, environmental and social goals. Peab considers social sustainability essential, which means creating vibrant and safe neighborhoods with meeting places. As of September 2017 all new, own developed apartment buildings will be certified according to the Swan with Bra Miljöval (Good Environmental Choice) labelled electricity.

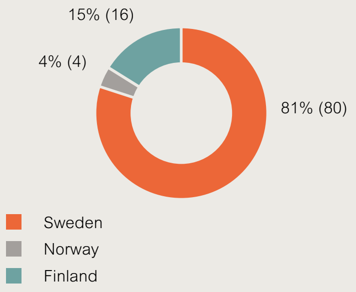
Hyllie is Malmö's largest expansion area and will be a global model for sustainable urban development. Peab is building 179 apartments in the city block Tor in a mixture of housing forms with both rentals and tenant-owned apartments, along with a preschool, and all of them share a courtyard. To promote bicycling instead of driving all the tenant-owned apartments come with an electrical bicycle. The roof of the construction is covered in solar panels that provide electricity for the building and charging the bikes.

Partille Port in Gothenburg is Peab's single largest housing project with around 900 apartments, commercial space, senior housing, a garage and parking. Recycling permeates project thinking and, for example, rainwater is collected to water the included green areas. The first stage is expected to be ready to move into in the beginning of 2019.

The Norwegian housing market developed positively in the beginning of 2017. However, more stringent loan requirements from banks led to falling housing prices which became apparent in the spring of 2017. The negative development in prices mostly affected the market in Oslo but even other large cities felt the effect.

Operative net sales

Per geographic market, 2017



Peab has had a central role in the development of Vallastaden in Linköping, which was the location for Sweden's largest Living Urban Expo 2017. Peab built 136 apartments in the new city district in a mixture of rentals, tenant-owned apartments and condominiums, which reflected Peab's offer of different housing forms.

The project Hämeenlinnan Henrietta with 52 apartments is being built on cultural land in the middle of the historic city Tavastehus. The area is close to the beach, foot paths and cultural experiences. The project will be ready after the summer of 2018.

Housing development rights

Number, approx.	31 Dec 2017	31 Dec 2016	31 Dec 2015
Development rights on our own balance sheet	20,700	17,300	17,400
Development rights via joint ventures	4,800	3,900	4,400
Development rights via options etc.	7,100	7,200	6,800
Total	**32,600**	**28,400**	**28,600**

Own housing development construction

	2017	2016	2015
Number of housing starts during the year	3,048	2,651	2,363
Number of sold homes during the year	2,734	2,044	2,295
Total number of homes under construction, at year-end	6,333	4,381	4,043
Share of sold homes under construction, at year-end	72%	69%	82%
Number of repurchased homes on the balance sheet, at year-end	33	50	61

Peab is a relatively small player on the Norwegian housing market. In 2017 development rights were acquired for a number of housing projects. In, for instance, Vestfold over 1,000 development rights were acquired. Peab also acquired 140 development rights in Moss and 400 in Lørensskog on the outskirts of Oslo.

Himmel & Hav (Sea & Sky) in Tromsø is the largest own developed project so far in Northern Norway with 17,800 m² residential space and 2,000 m² commercial space. The project consists of some 180 apartments in total and is expected to be ready in the spring of 2021.

As the Finnish economy grew stronger in 2017 housing sales accelerated. Peab's growth areas are Helsinki, Tammerfors and Åbo, which combined represent around 50 percent of new housing production in Finland. In 2017 Peab's sales on the Finnish market grew by 40 percent, primarily in Helsinki, Tammerfors and Jyväskylä. Land for exploitation was acquired in, among other places, Tammerfors and Helsinki. In Tammerfors Peab is building Ranta-Tampella, which consists of 39 apartments that make up the second stage of five housing projects on Näsijärvi shore. The entire block is expected to be finished in 2022.

Net sales and operating profit
Continued strong demand on the housing market has had a positive effect on both net sales and operating profit in 2017. Operative net sales amounted to SEK 7,616 million (6,254), an increase of 22 percent. Operative operating profit increased to SEK 713 million (533) and the operative operating margin improved to 9.4 percent (8.5).

The number of start-ups of our own developed homes has increased during the year and amounted to 3,048 units (2,651) with a good geographic spread. The number of sold homes during the year was 2,734 (2,044). The number of own developed homes in production at the end of the year was 6,333 (4,381). The level of sold homes in production was 72 percent compared to 69 percent at year-end 2016. The number of repurchased homes per 31 December 2017 was 33 (50).

PROPERTY DEVELOPMENT
Property Development has broad, extensive expertise in refining and developing areas and land for purposes such as offices, malls, hotels, industries and sports facilities. It is primarily geared to run development projects based on development rights on our own balance sheet. Cooperation with other partners via joint ventures may occur at different times during a project.

In 2017 the market for office buildings in Swedish big city regions was robust and there were a great number of market transactions. The market for office rentals is expected to continue to develop positively and real estate prices are expected to have a stable development.

Growth in the Finnish economy contributed to a more and more active real estate market and the total value of transactions was EUR 10.2 billion at year-end (Source: KTI Property Information Ltd).

In Jessheim/Gardermoen Peab began building Yesheim III, which comprises 103 apartments, in September 2017. The apartments are expected to be ready to move into in the second quarter 2019.

Peab is developing a completely new city district in Ulriksdal with comprehensive solutions within sustainable urban development. Peab is creating attractive and vibrant urban environments with homes and commercial space. Peab's new office is being built in the area, a BREEAM certified building of around 12,000 m², which will be ready to move into for some 500 Peab employees in 2019.

In Hyllie, Malmö, Peab is together with Volito developing the 110 meter high office building The Point. The building will contain around 20,000 m² office space and there will be shops, a lobby and shared lounge. The customer is Point Hyllie Holding which is owned equally by Peab and Volito. Construction began in April 2017 and occupation will take place at the end of 2019.

The commercial real estate market has been good in the Norwegian areas where Peab primarily operates, Oslo and Tromsø. The market is expected to continue to be strong during 2018.

Net sales and operating profit
Net sales and operating profit from operations are derived from acquisitions and development of, maintaining and managing, wholly owned property, shares in the result from partly owned companies as well as capital gains/losses from the divesture of completed projects and shares in partly owned companies. During the year net sales were SEK 1,013 million (1,385) and operating profit was SEK 98 million (89).

Operating profit included capital gains of SEK 75 million from the divestment of Peab's participation in joint venture companies to Catena. Peab and Catena have for a long time collaborated on four development properties in Skåne owned as 50/50 companies, which were divested during the first quarter. In December 2016 Peab and Fabege agreed that Peab would in January 2017 sell a number of assets in Arenastaden and Ulriksdal in Solna. The transactions took place on January 2017 and the divestments in Ulriksdal affected net sales during the first quarter by SEK 577 million. The transactions had no net effect on profit since the divestitures in Ulriksdal had a positive effect of SEK 180 million on profits while the divestitures of the assets in Arenastaden had a negative effect of SEK 180 million. 2016 included the partial sales of properties in Hyllie, Malmö with an underlying property value of SEK 777 million which affected operating profit by SEK 104 million. The total effect on profit of divestitures from property and joint venture companies in 2017 amounted to SEK 94 million compared to SEK 136 million in 2016.

Profit from partially owned companies has improved compared to the corresponding period last year.

The capital employed in Property Development includes operations property for a reported value of SEK 1,036 million and an office building in Helsinki, Finland, office buildings in a business park in Ängelholm as an office building in Solna under construction. Investment property amounts to SEK 871 million and consists primarily of a hotel in Västerås, commercial space in Sigtuna and Märsta as well as a business park in Ljungbyhed.

Construction of the second office building, Ultimes Business Garden II, in Sockenbacka business park in Helsinki began in August. It is seven floors high with around 7,900 m^2 office space for rent and 150 parking places. The building is expected to be ready to move into at the beginning of 2019. A total of six office buildings are planned for the area and together they will hold about 50,000 m^2 office space.

Significant joint ventures

Peab's significant joint venture companies Fastighets AB Centur, Tornet Bostadsproduktion AB, Fastighets AB ML4 and Point Hyllie Holding AB are developing well and via them Peab has built up considerable indirect holdings in investment property and development property for both commercial and residential purposes. Ongoing returns are in the form of shares in the profit from joint ventures recognized in operating profit and interest income on lending. Changes in market values of property that effect reported values in joint venture companies are not recognized in Peab's profit.

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

POINT HYLLIE HOLDING AB

Develop the office property The Point and own and manage the hotel property Värdshuset 5.
Peab's share: 50 procent
Partner: Volito
Geography: Hyllie, Malmö

Key ratios 2017 significant joint ventures[1)]

MSEK	Fastighets AB Centur	Tornet Bostadsproduktion AB	Fastighets AB ML4	Point Hyllie Holding AB
Net sales	275	101	85	28
Profit for the year	157	96	12	1
Total assets	5,055	2,896	1,980	872
– of which recognized value of properties	4,978	2,830	1,854	818

1) Refers to the recognized value of joint venture companies for January – December 2017 and per 31 December 2017. Since Fastighets AB Centur and Tornet Bostadsproduktion AB 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 18.

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 global economy was surprisingly positive in 2017 with accelerating growth that was noticeable in our home Nordic market. In 2018 the spotlight in Sweden will be focused on how prices develop on the housing market, the normalization of the monetary policy and the general Swedish election in September.

RISKS AND UNCERTAINTY FACTORS

Peab's business is exposed both to operational and financial risks. How much risks affect Peab's profits and position depend on how well the company handles daily operations. 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 6–7 External circumstances and the market for a description of economic developments on Peab's markets. The parent company is indirectly affected by the risks described in this section.

Peab's business is largely project-related. There are a number of different contract forms where risk levels vary depending on the type of contract. However, with any type of contract ambiguities can arise concerning the terms, which can lead to delimitation issues that create a dispute with the customer.

Regarding the dispute related to the construction contract of Mall of Scandinavia see note 2.

RISK MANAGEMENT

Managing operative risks is a continuous process considering the large number of projects the Group is starting up, carrying out and completing. 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.

Operative risks	Description	Action
Contract risks	Peab’s business is largely project related and each project is unique in its configuration and other circumstances. Erroneous calculations can lead to incorrect tenders, which can then lead to losses in projects regardless of how well they have been carried out. However, with any type of contract ambiguities can arise concerning the terms, which can lead to delimitation issues that create a dispute with the customer. There are a number of contract types and the risk level varies accordingly. 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.	Structured risk assessment is crucial to ensure that risks are identified and priced in bids that are tendered and the underlying calculations. The right resources in projects ensures that 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, largely procured 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, human rights and the work environment. Choosing the wrong supplier/SC can lead to quality defects, delivery delays or no delivery at all 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 the contracts Peab signs with suppliers/SC stipulate the rules and regulations for the specific project and for doing business with Peab. The Code of Conduct and the ethics clause for suppliers are attached to all contracts. These clarify, among other things, what is expected of suppliers, and consequences in case of non-compliance with the Code of Conduct, working condition demands, human rights and workplace safety regulations. During 2017 Peab further developed procedures and methods within the framework of “reliable business”, with particular focus on the work environment, working conditions, trustworthy supplier chains and sustainability. Please read more on page 24.
Skills recruitment risks	Peab is dependent on attracting and keeping competent employees in order to fulfill customers’ expectations. Competition for the skills Peab needs is intense, which makes the recruitment process a high priority.	Peab works strategically with short and long term skills recruitment as well as concrete measures like establishing alternative supply channels in cooperation with every aspect of the education system, active integration work, extensive internal training and running our own upper secondary school, the Peab School. The company has launched a career map aimed at clarifying and enabling roads for development for every employee, regardless of their role or background. Peab’s goal-oriented work with equality, diversity and equal treatment is a part of our effort to handle risks connected to supplying needed skills, which also contributes to greater diversity in the industry.
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 zoning for the exploitation land, since decisions taken by the authorities can have a great impact on land values and thereby future projects’ profitability.	The sales risk is reduced through set requirements for advance sales before production starts in housing projects. Corresponding risk management for commercial property development is the requirement for a certain level of rented space 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 suppliers/SCs getting hurt or, in the worst case, killed. This can lead to fines, legal sanctions and brand damage.	To prevent incidents and accidents at work sites Peab develops quality-ensured work methods and trains personnel in this area. Focus is on planning and risk assessment early on, and learning from reported risk observations, incidents and accidents.
Ethical risks	Ethical risks can entail Peab employees not following our Code of Conduct and involving themselves in irregularities, bribes or corruption. Ethical risks can also be connected to transgressions of human rights by suppliers. This can lead to fines, legal sanctions and brand damage.	Systematic ethic work focused on preventive education, a well-defined Code of Conduct and strict consequences for transgressions are the foundation of a strong brand and healthy competition. Monitoring suppliers prevents risks in the supplier chain and a whistle-blower system ensures the right to anonymously point out ethical risks.

Operative risks	Description	Action
Environmental risks	Peab is also exposed to environmentally related risks. Serious environmental accidents at Peab's work sites can have a considerable effect on the local environment, lead to fines and brand damage. Extreme weather can cause problems and delays on work sites and in the supply chain. Higher costs for energy and the emission of greenhouse gases can have a negative effect on Peab's profitability and brand.	Peab works with prevention focused on climate impact, streamlining resource use and phasing out environmentally and health hazardous substances. Education and training are also an important part of handling environmental risks.
IT risks	Peab is raising the level of digitalization in our business, which in turn requires greater access to our IT system. Identifiable risks are IT attacks and a lack of continuity planning, which can lead to shutdowns in operations. Because of the current level of dependence on IT, these shutdowns can be extensive and have a major effect on our business for a long time. This can have far-reaching consequences on both our financial results and brand.	Peab IT works systematically with IT security which includes mapping IT risks, routine follow-ups according to a review plan, monitoring external circumstances, continuity planning and license management. Focus is on preventative actions to ensure access to information and IT tools. New legal requirements and threats are continually analyzed and prioritized.

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. Contract construction 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 36.
Risks connected to financial reporting	Since Peab uses the percentage of completion method in most of our ongoing projects erroneous project forecasts mean that reporting and follow-ups will be misleading. A number of balance items are valued based on estimations and assessments and this value can be affected by, for example, the current market and customers' preferences.	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

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.

MSEK	Calculation basis	Change	Pre-tax profit effect
Operative			
Volume (operating margin constant)	50,000	+/- 10%	+/- 240
Operating margin (volume constant)	4.8%	+/- 1 percentage	+/- 500
Material and subcontractors	24,000	+/- 1%	+/- 240
Financial			
Net debt (interest rate constant)	1,216	+/- 10%	+/- 3
Average effective interest rate [1] (net debt constant)	2.6%	+/- 1 percentage	+/- 22

[1] The calculation is based on the assumption that SEK 2,230 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

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 into ensuring that what we plan and carry out is ethical and sustainable throughout an entire life cycle. Our aim is to run our company sustainably and responsibly encompassing social (employees and society), environmental and economic aspects. Peab's strategic sustainability work is primarily focused on preventing risks, systematic quality work and, in an inventive and responsible manner, enabling sustainable development. In accordance with the Annual Reports Act chapter 6 paragraph 11 Peab has chosen to present the statutory sustainable report outside of the Board of Directors' Report. The required parts of a sustainable report can be found under sections Goals and strategies, Our take on sustainable business, Risks and risk management and Corporate governance report on the pages 8–27, 40–44 and 110–113.

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 2017. 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 (eight) percent of Group net sales in 2017.

RESEARCH AND DEVELOPMENT

Research and development is necessary in order to meet the changing demands that society, customers and we ourselves put on our business. Peab does not have a central unit for research and development. Instead this is a cross-functional process between support functions and business areas steered by current needs. The new knowledge is used to improve or develop new products, services and production processes. Peab cooperates with universities, colleges and trade organizations and is an active participant in many trade organization projects.

Some trade organization projects in business area Construction in 2017 were "New moisture sensors for concreting", "Dewatering concrete through electroosmosis " and "Possibilities for greater circular flows of building materials". Some projects in business area Civil Engineering were "Successful partnering projects", "Extending the life of old steel bridges" and "Non-destructive tests of thick concrete constructions". Examples of trade organization projects in business area Industry in 2017 were "Sustainable community building with resistant concrete", "Safer functional pavement for pedestrian and bicycle lanes" and "Proportioning slag asphalt".

IMPORTANT EVENTS DURING THE YEAR

In October 2017 Peab divested all its 2,458,447 shares in Lemminkäinen Oyj. The divestment generated a positive cash effect of around SEK 575 million. The divestment has affected the Group's net financial items positively by SEK 93 million.

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 the disposal of votes at the AGM. On 31 December 2017 there were approximately 37,000 shareholders in Peab. At the beginning of 2017 Mats Paulsson with companies held 28.6 percent of the votes, Fredrik Paulsson with family and companies held 14.5 percent of the votes and Anita Paulsson with family and companies held 14.5 percent of the votes. As part of the generation shift, in the spring of 2017 the Paulsson families merged the majority of their indirect holdings into a holding company, Ekhaga Utveckling AB, which is controlled by Mats Paulsson's son Fredrik Paulsson. Ekhaga Utveckling AB has 48.2 percent of the votes. At the end of 2017 the collective ownership connected to the Paulsson families amounted to a total of 25.5 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.

Peab's AGM decided on 10 May 2017 to authorize the Board to decide, during the period up to the next AGM, on new issues of B shares with rights for current shareholders to participate in the issue or without preferential rights for current shareholders to participate in the issue in connection with acquisitions.

The authorization may be used on one or more occasions and correspond to, at the most, a total of 10 percent of the registered share capital at the time of the authorization. During the year the Board has not decided to issue any new 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 2017 the foundation owned 9,439,000 B shares in Peab, corresponding to 3.2 percent of the total number of shares.

HOLDINGS OF OWN SHARES

At the beginning of 2017 Peab's own B shareholding was 1,086,984 which corresponds to 0.4 percent of the total number of shares. Peab's AGM on 10 May 2017 resolved to authorize the Board to, during the period until the next AGM, 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 2017 which means that Peab's own shareholding was 1,086,984 B shares at the end of 2017. For more information see note 29.

CORPORATE GOVERNANCE

For a detailed description of the work of the Board of Directors, corporate governance and systems for internal control, see pages 110–113, Corporate governance.

RENUMERATION FOR SENIOR OFFICERS

The Board will submit the following remuneration principles to the AGM on 7 May 2018:

This remuneration policy covers salaries and other conditions for executive management in Peab AB ("Peab") comprising the CEO and the other members of executive management, named below as "Senior officers". This remuneration policy shall be applied to new contracts, or changes in existing contracts, with Senior officers, after the AGM in Peab has adopted the policy.

1. Basic principle

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

2. Fixed salary

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

3. Variable remuneration

From time to time Senior officers may be offered variable remuneration. Such variable remuneration may not exceed 60 percent of the fixed salary and shall be based primarily on goals connected to Peab Group's profitability as well as, at certain times, other significant Group goals. Variable remuneration is determined for each fiscal year. Variable remuneration is settled the year after being earned and may either be paid out as salary or be invested as a pension savings in a financial instrument connected to the Peab share. The Board shall annually evaluate whether or not to propose a share-related incentive program to the AMG.

4 Long-term Incentive program (LTI program)

From time to time Senior officers may be offered participation in a LTI program (Long-term Incentive program). The maximum annual amount in a LTI program (including social costs) may not exceed 40 percent of fixed annual salary. The amount in a LTI program is invested as a pension savings in a financial instrument connected to the Peab share.

5. Pension

Senior officers are entitled to pension according to collective bargaining agreements and contracts with Peab. All pension obligations shall be defined contribution pensions. Wage waives may be used to increase pension contributions through one-off pension contributions.

6. Non-monetary benefits

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

7. Period of notice and severance pay

The period of notice from Peab is, at the most, 24 months and the period of notice from Senior officers is, at the most, 6 months. If severance pay is paid the total remuneration for salary during the period of notice and severance pay may not exceed 24 months wages.

8. Board preparations and decisions

The Board of Directors decides on the salary and other terms for the CEO based on a proposal from the Board's Remuneration Committee. The Board's Remuneration Committee decides on salaries and other terms for the other Senior officers based on proposals from the CEO.

9. Exceptions

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

For more information about adopted guidelines regarding salaries and other remuneration to the CEO and other members of executive management, see note 9.

ANTICIPATED FUTURE DEVELOPMENT

Growth in building construction investments in Sweden has continued during 2017. The rate of growth has, however, slowed since housing construction, and in particular single homes, is leveling out. Unease on the housing market increased during the autumn, partially because of the new regulation requiring higher amortization. Reports about over production and problems finding renters in newly built housing along with more objects for sale have no doubt contributed to the drop in prices during the year. At the same time there are still a number of factors in favor of housing construction such as low interest rates, strong external growth, an expanding population and lower unemployment. Although housing construction may be losing speed, activity is running high in private and public premise construction. Industrial construction has especially accelerated after the past few years of weak growth.

Zero growth is expected in building construction investments in 2018 in total. Civil engineering investments rose in 2017 and are predicted to grow in 2018 as well.

The Norwegian construction market has developed positively in 2017, primarily driven by greater activity in private and public premise construction. Housing construction is expected to have developed sideways since weaker prospects in single home construction are expected to be balanced by stronger development in apartment buidings. A turndown is expected in 2018 as price developments settle down before housing construction lands in zero growth again in 2019. Zero growth is also anticipated in other building construction during the forecast period 2018-2019. Civil engineering construction, however, is expected to develop strongly, stimulated by good financial development and stronger government finances.

Finland is favored by a general rise in the world's economy. Consumer confidence is high and industry reports higher levels of orders received and in production. Housing construction has accelerated and is expected to grow for another couple of years. Private premise construction is growing due to a need for more offices and retail space. At the same time both industrial construction and public building construction are declining, which has slowed growth in total building construction in 2017. All in all, building construction volumes are expected to grow weakly during 2018 and 2019. The forecast for civil engineering investments indicates a leveling out in 2018, following the weak growth in 2017.

PARENT COMPANY

The parent company's business consists of executive management and Group functions. Net sales in 2017 were SEK 262 million (242) and consisted primarily of internal Group services. Operating profit for the year was SEK -150 million (-162). Net financial items included a capital gain of SEK 163 million from sale of shares in Lemminkäinen Oyj. For more information regarding the effect on the Group, see Important events during the year. Profit after net financial items was SEK -100 million (-300). During the year the parent company received net Group contributions of SEK 3,419 million (2,377). Profit for the year amounted to SEK 2,017 million (1,221).

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
Profit brought forward	1,123,233,744
Profit for the year	2,016,785,296
Total	**5,503,227,988**

The Board of Directors propose the following appropriation of disposable profit and non-restricted reserves;	
Dividend, 296,049,730 shares at SEK 4.00 per share	1,184,198,920
Carried forward [1]	4,319,029,068
Total	**5,503,227,988**
[1] of which to share premium reserve	2,308,208,948

Income statement – the Group

MSEK	Note	2017	2016
Net sales	3,4	50,090	46,337
Production costs	11	-45,345	-41,948
Gross profit		**4,745**	**4,389**
Sales and administrative expenses	11	-2,620	-2,428
Other operating income	6	305	149
Other operating costs	7	-25	-12
Operating profit	4,8,9,10,37	**2,405**	**2,098**
Financial income		191	195
Financial expenses		-151	-243
Net financial income	12	**40**	**-48**
Pre-tax profit		**2,445**	**2,050**
Tax	14	-388	-323
Profit for the year		**2,057**	**1,727**
Profit for the year attributable to:			
Shareholders in parent company		2,057	1,727
Non-controlling interests		0	0
Profit for the year		**2,057**	**1,727**
Profit per share before and after dilution, SEK		6.97	5.85

Statement of comprehensive income – the Group

MSEK	Note	2017	2016
Profit for the year		**2,057**	**1,727**
Other comprehensive income			
Items that have been reclassified or can be reclassified as profit for the year			
Translation differences when translating foreign operations for the year		-53	166
Translation differences transferred to profit for the year		-2	-1
Change in fair value of financial assets available-for-sale for the year		103	157
Change in fair value of financial assets available-for-sale transferred to profit for the year		-158	-4
Change in fair value of cash flow hedges for the year		53	31
Change in fair value of cash flow hedges carried over to profit for the year		59	–
Shares in joint ventures' other comprehensive income		0	1
Tax referring to items that have been reclassified or can be reclassified as profit for the year	14	-16	1
		-14	**351**
Items that cannot be reclassified to profit for the year			
Revaluation of defined benefit pension plans		–	0
Tax referring to items that cannot be reclassified as profit for the year	14	–	0
		–	**0**
Other comprehensive income for the year		**-14**	**351**
Total comprehensive income for the year		**2,043**	**2,078**
Total comprehensive income for the year attributable to:			
Shareholders in parent company		2,043	2,078
Non-controlling interests		0	0
Total comprehensive income for the year		**2,043**	**2,078**

Balance sheet – the Group

MSEK	Note	2017	2016
Assets			
Intangible assets	15	2,167	2,036
Tangible assets	16	5,508	4,277
Investment property	17	871	–
Participation in joint ventures	18	936	715
Other securities held as fixed assets	21,35,36	80	864
Interest-bearing long-term receivables	20,31,35,36	1,520	1,762
Deferred tax recoverables	14	15	69
Other long-term receivables	22	131	178
Total fixed assets		**11,228**	**9,901**
Project and development properties	23	6,439	7,007
Inventories	24	399	364
Work-in-progress	25	1,349	1,203
Accounts receivable	26,35,36	8,709	8,221
Interest-bearing current receivables	20,35,36	411	336
Tax assets		33	37
Worked-up but not invoiced income	27	2,381	2,656
Prepaid expenses and accrued income		455	435
Other current receivables	22	277	387
Liquid funds	35,36	595	1,062
Total current assets		**21,048**	**21,708**
Total assets		**32,276**	**31,609**
Equity	29		
Share capital		1,584	1,584
Other contributed capital		2,576	2,576
Reserves		-167	-153
Profit brought forward including profit for the year		6,368	5,373
Equity attributable to shareholders in parent company		**10,361**	**9,380**
Non-controlling interests		**1**	**0**
Total equity		**10,362**	**9,380**
Liabilities			
Interest-bearing long-term liabilities	30,35,36	2,573	2,728
Other long-term liabilities	33,35	203	182
Deferred tax liabilities	14	211	372
Provisions	32	637	594
Total long-term liabilities		**3,624**	**3,876**
Interest-bearing current liabilities	30,35,36	1,169	2,294
Accounts payable	35,36	4,882	4,474
Tax liabilities		311	407
Invoiced income not yet worked-up	27	6,257	5,909
Accrued expenses and deferred income		3,778	3,433
Other current liabilities	33,35	1,574	1,631
Provisions	32	319	205
Total current liabilities		**18,290**	**18,353**
Total liabilities		**21,914**	**22,229**
Total equity and liabilities		**32,276**	**31,609**

Report on changes in Group equity

MSEK	Share capital	Other contributed capital	Translation reserve	Fair value reserve	Hedging reserve	Profit brought forward including profit for the year	Total	Non-controlling interests	Total equity
	Equity attributable to owners in parent company								
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									
Cash 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**

Opening balance equity 2017-01-01	**1,584**	**2,576**	**-79**	**59**	**-133**	**5,373**	**9,380**	**0**	**9,380**
Total comprehensive income for the year									
Profit for the year						2,057	2,057		2,057
Other comprehensive income for the year			-59	-55	100		-14		-14
Total comprehensive income for the year	**–**	**–**	**-59**	**-55**	**100**	**2,057**	**2,043**	**0**	**2,043**
Contribution from, and value transferred to, owners									
Cash dividends						-1,062	-1,062		-1,062
Acquisition of non-controlling interests, previous controlling interests						0	0		0
Acquisition of partially owned subsidiaries, non-controlling interests already								1	1
Total contribution from, and value, transfers to, owners	–	–	–	–	–	-1,062	-1,062	1	-1,061
Closing balance equity 2017-12-31	**1,584**	**2,576**	**-138**	**4**	**-33**	**6,368**	**10,361**	**1**	**10,362**

Cash flow statement – the Group

MSEK	Note	2017	2016
Current operations	44		
Pre-tax profit		2,445	2,050
Adjustments for non-cash items		988	872
Income tax paid		-651	-19
Cash flow from current operations before working capital changes		**2,782**	**2,903**
Cash flow from changes in working capital			
Increase (-) /Decrease (+) project and development properties		-425	-146
Increase (-) /Decrease (+) inventories		-174	-158
Increase (-) /Decrease (+) current receivables		-386	-2,133
Increase (+) /Decrease (-) current liabilities		1,042	2,989
Cash flow from changes in working capital		**57**	**552**
Cash flow from current operations		**2,839**	**3,455**
Investment operations			
Acquisition of subsidiaries/businesses, net effect on liquid funds		-160	-137
Sale of subsidiaries/businesses, net effect on liquid funds		4	5
Acquisition of intangible fixed assets		-56	-2
Acquisition of tangible fixed assets		-1,256	-847
Sale of tangible fixed assets		109	107
Acquisition of investment property		-265	–
Acquisition of financial assets		-388	-688
Sale of financial assets		1,468	758
Cash flow from investment operations		**-544**	**-804**
Cash flow before financing		**2,295**	**2,651**
Financing operations			
Change in used loan facility		–	-1,500
Raised loans		952	1,027
Loan amortization		-933	-634
Raised bonds		–	349
Bond amortization		-349	-999
Leasing liabilities amortization		-229	-212
Change in issued commercial papers		-1,129	123
Dividend distributed to shareholders in parent company		-1,062	-767
Cash flow from financing operations		**-2,750**	**-2,613**
Cash flow for the year		**-455**	**38**
Cash at the beginning of the year		1,062	873
Exchange rate differences in cash		-12	151
Cash at year-end		**595**	**1,062**

Income statement – the parent company

MSEK	Note	2017	2016
Net sales	3	262	242
Administrative expenses	9,10	-412	-404
Operating profit		**-150**	**-162**
Profit/loss from financial investments	12		
Profit/loss from participation in Group companies		0	0
Profit/loss from securities and receivables held as fixed assets		180	4
Interest expenses and similar profit/loss items		-130	-142
Profit/loss after financial items		**-100**	**-300**
Appropriations	13	2,626	1,855
Pre-tax profit		**2,526**	**1,555**
Tax	14	-509	-334
Profit for the year		**2,017**	**1,221**

Statement of comprehensive income – the parent company

MSEK	2017	2016
Profit for the year	**2,017**	**1,221**
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	94	170
Changes in fair value of financial assets available-for-sale transferred to profit for the year	-169	–
Other comprehensive income for the year	**-75**	**170**
Total comprehensive income for the year	**1,942**	**1,391**

Balance sheet – the parent company

MSEK	Note	2017	2016
Assets			
Fixed assets			
Intangible assets	15	**38**	**–**
Tangible assets	16	**1**	**1**
Financial assets			
Participation in Group companies	42	12,116	11,811
Other securities held as fixed assets	21,35,36	0	480
Deferred tax recoverables	14	110	99
Total financial assets		**12,226**	**12,390**
Total fixed assets		**12,265**	**12,391**
Current assets			
Current receivables			
Accounts receivable	26,35,36	1	1
Receivables from Group companies	35	3,472	2,444
Other current receivables	22	4	4
Prepaid expenses and accrued income	28	15	10
Total current receivables		**3,492**	**2,459**
Liquid funds	35	0	0
Total current assets		**3,492**	**2,459**
Total assets		**15,757**	**14,850**
Equity and liabilities			
Equity	29		
Restricted equity			
Share capital		1,584	1,584
Statutory reserve		300	300
Fund for development costs		17	–
Non-restricted equity			
Share premium reserve		2,308	2,308
Special reserve		55	55
Fair value reserve		–	75
Profit brought forward		1,123	981
Profit for the year		2,017	1,221
Total equity		**7,404**	**6,524**
Untaxed reserves	43	**1,315**	**522**
Provisions			
Other provisions	32	32	28
Total provisions		**32**	**28**
Long-term liabilities			
Liabilities to Group companies	30,35	6,326	7,281
Total long-term liabilities		**6,326**	**7,281**
Current liabilities			
Accounts payable	35	25	28
Liabilities to Group companies	35	347	58
Current tax liabilities		225	339
Other current liabilities	33	7	7
Accrued expenses and deferred income	34	76	63
Total current liabilities		**680**	**495**
Total liabilities		**7,006**	**7,776**
Total equity and liabilities		**15,757**	**14,850**

Report on changes in equity – the parent company

MSEK	Restricted equity: Share capital	Restricted equity: Statutory reserve	Restricted equity: Fund for development costs	Non-restricted equity: Share premium reserve	Non-restricted equity: Special reserve	Non-restricted equity: Fair value reserve	Non-restricted equity: Profit brought forward	Non-restricted equity: Profit for the year	Total equity
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**
Opening balance equity, 2017-01-01	**1,584**	**300**	**–**	**2,308**	**55**	**75**	**981**	**1,221**	**6,524**
Profit for the year								2,017	2,017
Other comprehensive income for the year						-75			-75
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**-75**	**–**	**2,017**	**1,942**
Allocation of profit							1,221	-1,221	–
Change in fund for development costs			17				-17		–
Cash dividends							-1,062		-1,062
Closing balance equity, 2017-12-31	**1,584**	**300**	**17**	**2,308**	**55**	**–**	**1,123**	**2,017**	**7,404**

Cash flow statement – the parent company

MSEK	Note	2017	2016
Current operations	44		
Pre-tax profit		-100	-300
Adjustments for non-cash items		-158	4
Income tax paid		-634	-3
Cash flow from current operations before working capital changes		**-892**	**-299**
Cash flow from changes in working capital			
Increase (-) /Decrease (+) current receivables		-7	0
Increase (+) /Decrease (-) current liabilities		30	20
Cash flow from changes in working capital		**23**	**20**
Cash flow from current operations		**-869**	**-279**
Investment operations			
Shareholder contributions		-35	-82
Acquisition of intangible assets		-39	–
Settlement of previous purchase price for shares		6	–
Sale of financial assets		568	–
Cash flow from investment operations		**500**	**-82**
Cash flow before financing		**-369**	**-361**
Financing operations			
Received Group contribution		2,393	1,123
Paid Group contribution		-16	-903
Raised loans		–	900
Loan amortization		-946	–
Dividend distributed		-1,062	-767
Cash flow from financing operations		**369**	**353**
Cash flow for the year		**0**	**-8**
Cash at the beginning of the year		0	8
Cash at year-end		**0**	**0**

Notes

Note 1 Accounting principles

COMPLIANCE WITH STANDARDS AND LEGISLATION

The consolidated accounts have been draw up in accordance with those 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 in the section below on Parent company accounting principles.

The Annual Report and the consolidated accounts have been approved of by the Board and CEO for publication on 27 March 2018. The consolidated income statement and balance sheet and parent company income statement and balance sheet will be presented for adoption by the AGM on 7 May 2018.

VALUATION BASIS

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 accounting principles 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.

AMENDED ACCOUNTING PRINCIPLES

In essence the accounting principles are the same as in the Annual Report 2016.

After a revision of Peab's property portfolio it was decided that some property previously reported as project and development property, i.e. inventory properties, will instead be classified as investment property or operations property, in the case where there is no plan to divest the property and it is expected to remain in the Group for the foreseeable future. The properties were reclassified as of 1 January 2017 and IAS 40 Investment property was therefore applied for the first time to the property reclassified as investment property. Reclassification of the properties is forward looking and therefore no comparable figures have been calculated. Peab has chosen to recognize investment property according to the cost method, the same way operations property is recognized. The reported value of the reclassified property did not change at the time of reclassification.

The effect of amended IFRSs applied as of 2017 on consolidated financial reports has been immaterial.

NEW IFRSs AND INTERPRETATIONS THAT HAVE NOT YET BEEN APPLIED

IFRS 15 Revenue from contracts with customers

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. No material effects have been identified. The changes wrought by IFRS 15 are described in note 46.

IFRS 9 Financial instruments

IFRS 9 Financial instruments, will replace IAS 39 Financial instruments: Recognition and measurement, as of 2018. Compared to IAS 39 IFRS 9 entails changes in the classification and valuation of financial assets and financial liabilities, write-downs of financial assets and hedging accounting. The effects of IFRS 9 are described in note 46.

IFRS 16 Leases

IFRS 16 Leases will replace IAS 17 Leases as of 1 January 2019. 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 twelve months or less. For Peab as a lessor there are no substantial changes except for additional disclosure requirements. Peab is running a special project to implement, and determine the effect of, IFRS 16 on the Group's profit 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 profit 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, a choice Peab has not yet made.

Other

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

OPERATING SEGMENTS

An operating segment is a section of the Group engaged in similar business activities that generates revenues and expenses and the result of which is regularly reviewed by executive management.

CLASSIFICATION

Fixed assets consist of amounts which are expected to be recovered or paid more than twelve months after the balance sheet date. Long-term liabilities consist of amounts which are due for payment more than twelve months after the balance sheet date as well as other amounts the company has an unconditional right to defer payment on until a point in time more than twelve months after the balance sheet date.Other assets and liabilities are recognized as current assets and current liabilities. Inventories in the form of project and development properties with a normal operating cycle that is longer than twelve months are also recognized as current assets.

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 an investment object, is exposed to or has the right to variable yields from its interest in an investment object and can use its influence over an investment object 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

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46

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 in step acquisitions together with the fair value of previously acquired shares less the fair value of the subsidiary's identifiable assets and overtaken liabilities. When 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 holdings 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.

Issued sales options referring to shares held by holdings of non-controlling interests are recognized according to the Anticipated Acquisition Method. According to the method no holdings of non-controlling interests are recognized in the Group's total equity. Instead a financial liability is recognized that corresponds to the current estimated exercise price. The consequent changes in the value of the liability are recognized in profit/loss for the year, attributable to parent company owners.

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 revalued to 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 the holding 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. Holdings of non-controlling interests in subsidiaries recognized as asset acquisitions are reported according to the same principles as for business combinations but without the inclusion of goodwill.

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 indirect right to net assets.

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, 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 governance 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 bases the company operates in. 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 their historical acquisition value are converted to 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.

Foreign company financial reports

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 krona, at the exchange rate applying on balance sheet day. Revenue and costs in a foreign entity are converted to Swedish krona at an average rate that approximates the rates on the respective transaction dates. Translation differences arising when converting the currency of foreign companies are recognized in other comprehensive income and are accumulated in a separate component in equity as a translation reserve.

Net investment in a foreign company

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

INCOME

Construction contracts

Ongoing construction contracts are reported in accordance with IAS 11, Construction contracts. Income and costs are recognized as the contract work proceeds. This principle is known as the percentage of completion method. Income and costs are recognized in profit/loss in proportion to the percentage completion of the contract. The percentage of completion of the contract is determined based on paid project costs compared to the project costs corresponding to the project income for the whole contract. A prerequisite for use of the percentage of completion method is being able to calculate the outcome reliably. In cases where the outcome cannot be reliably calculated, income is calculated in proportion to expenditures. Feared losses are charged to income as soon as they become known.

Construction contracts are entered on the balance sheet project by project either as Worked-up but not invoiced income under current assets or as Invoiced income not yet worked-up under current liabilities. Projects with higher accumulated income than invoiced are recognized as assets while 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 means applying the percentage of completion method based on the degree to which the project is completed based on expenditures in relationship to the project's calculated total cost. A contract is drawn up which regulates the sales of land and construction of the building with the tenant-owned association, which is an independent legal entity.

Own developed housing projects for sales

Peab does not have an external independent other party at the start of a project in our housing projects in Finland and Norway as well as our own home developments in Sweden, 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 on 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.

Property project divestitures

Income from property divestitures is normally reported on the takeover date unless the buyer has taken possession of the risks and benefits at an earlier date.

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

The net effect on profit from the divestiture of operations property or investment property is recognized as other operating income or other operating cost.

Rent from property

Rent from investment property is recognized linearly in profit for the year. Rent rebates are spread linearly as a reduction in rent over the contract period, except for rebates given because certain factors temporarily curtail a renter's ability to fully utilize an already rented premise (for example, delayed customization to a renter). These rebates are recognized during the period the curtailment exists.

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 rent is recognized linearly over the rental period.

LEASING COSTS

Operational leasing agreements

Costs 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 signing an agreement are recognized linearly in profit/loss for the year over the term of the leasing agreement. Variable costs are expenced in the periods 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 so that an amount corresponding to a fixed interest rate for the calculated debt in the respective period is recognized in each accounting period. Variable costs are expensed in the period they occur. See also Leased assets under heading Tangible fixed assets below.

FINANCIAL INCOME AND EXPENSES

Financial income and expenses consist of interest income on cash in 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 recognized 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 profit/loss 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 will be paid or received during the current year. This also includes current tax attributable to earlier periods.

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Current and deferred tax is calculated applying the tax rates and tax rules valid on or in practice valid on the balance sheet day.

Deferred tax is calculated according to the balance sheet method based on temporary differences between the reported and fiscal 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 for the difference generated by recognition of consolidated goodwill or the temporary difference from the acquisition of subsidiaries that are so-called asset acquisitions are not taken into account.

When shares in subsidiaries are acquired such acquisitions are either 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 at the nominally valid tax rate with no discount according to the principles presented above. When an asset is acquired deferred tax is not recognized at the time of acquisition. Instead the asset is recognized at a purchase value corresponding to the asset´s fair value after deductions for a discount received in the transaction for the current value of the fiscal value of future fiscal deductions regarding the difference between recognized and fiscal value that do not materialize. After the acquisition only deferred tax on temporary differences that occur after the acquisition is recognized.

Deferred tax assets in the form of deductible temporary differences and tax loss carry-forwards are recognized only when use of them is probable. The value of deferred tax assets is reduced when use of them is deemed no longer probable.

FINANCIAL INSTRUMENTS

Financial instruments recognized on the balance sheet include on the assets side 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 on and removal from the balance sheet

Financial assets and financial liabilities are recognized on the balance sheet when the company becomes involved according to the instrument's contractual terms. Receivables 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 reported on 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 in 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 have been met or otherwise extinguished. The same applies to parts of financial liability.

Financial assets and financial liabilities are offset and recognized at a net amount on the balance sheet only where there is a legal right to offset the amounts and the intention is to clear the items with a net amount or to at the same time capitalize the asset and settle 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 that are recognized at fair value in profit/loss for the year, which are recorded minus transaction costs. The first time they are recognized financial instruments are classified based on the purpose for which the instrument was acquired. Classification determines how financial instruments are valued after initial recognition as described below.

Liquid funds consist of cash, immediately available balances at banks and equivalent institutes and current liquid investments that mature less than three months from the acquisition date 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 continuously 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 Group 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 are effective hedge instruments. The other sub-group, "fair value option", is not currently in use.

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 Group has chosen to initially classify in this category. Shareholdings and participations which are not subsidiaries, associated companies or joint ventures, are reported in this category. Assets in this category are valued at fair value on a current basis 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, have fixed payments and are not listed in an active market. These assets are valued at accrued acquisition value. 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 on a current basis at fair value with 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 where 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 initial 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 cost 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.

Hedging future cash flows

The derivatives used to hedge future cash flows, 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. Regarding hedge accounting of interest swaps see also the section on "Financial income and expenses" above.

Fair value hedges

Holdings of shares in foreign currency that are classified as financial assets available-for-sale can from time to time be hedged through forward exchange contracts. The hedge is identified as a fair value hedge. The hedges are accounted for by corresponding the exchange rate effects that occur when the shares are translated into functional value with changes in the hedging instrument's fair value. Any ineffective parts are recognized in profit/loss for the year.

Hedge accounting of net investments

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

PROPERTY

Group property holdings are recognized as follows:

- Operations property among tangible fixed assets
- Investment property among tangible fixed assets
- Project and development properties as inventory among current assets

Operations property

Properties used in the Group's own operations consisting of office buildings, production buildings and other operations properties are recognized as buildings and land among tangible fixed assets. They are measured at cost minus accumulated depreciation and possible write-downs.

The accounting principles involved are described below under "Tangible assets".

Investment property

Investment properties are property classified as fixed assets held to earn rentals or for capital appreciation or a combination of both. Even properties under development and redevelopment which are intended to be used as investment property when completed are classified as investment property. Like operations property, investment property is recognized at cost less accumulated depreciation and possible write-downs. Other accounting principles are presented under "Tangible fixed assets".

Information is presented regarding the fair value of investment property. The valuation is based on an internal valuation model. As a complement to this valuation annual external market valuations are obtained for a number of objects. External valuation of properties is performed every third year.

Project and development property

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

TANGIBLE FIXED ASSETS

Owned assets

Tangible fixed assets are recognized in consolidated accounts at cost minus accumulated depreciation and any write-downs. The acquisition value consists of the purchase price and costs directly attributable to putting the asset in place in the condition required for utilization in accordance with the purpose of the acquisition.

The value of a tangible fixed asset is derecognized from the balance sheet upon scrapping or divestment or when no future financial benefits are expected. Any recognized values of exchanged components, or parts of components, that are not depreciated are scrapped and expensed in connection with the exchange.

Gains and losses arising from divestment or scrapping of an asset consist of the difference between the sale price and the asset's recognized value less direct sales costs.

Write-downs are described in separate sections below.

Leased assets

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

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

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

Additional costs

Additional costs are only added to the acquisition value if it is likely that the future financial benefits associated with the asset will benefit the Group and the acquisition value can be reliably estimated. Additional costs include the cost of exchanging entire, or parts of, identifiable components as well as the cost of creating new components. Costs that do not meet asset criteria are recognized as costs as they occur.

Borrowing costs

Borrowing costs which are directly attributable to the purchase, construction or production of an asset and which require considerable time to complete for the intended use or sale are included in the acquisition value of the asset. Borrowing costs are included in the purchase price of our own developed real estate.

Depreciation principles

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

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Buildings (operations property and investment property)	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.

INTANGIBLE ASSETS

Goodwill

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

Balanced development costs

Development costs are primarily derived from developing IT systems and are reported as an asset on the balance sheet, if the application is technically or commercially useful and the Group is believed to have adequate resources for completing development and then applying the intangible asset. The recognized value includes all directly attributable expenses, for example for software, purchased services, personnel and, in cases where projects run for more than twelve months, loan costs. Other development costs are reported in profit/loss for the year as costs as they arise. Balanced development costs are recognized on the balance sheet at cost less accumulated depreciation and possible write-downs.

Other intangible assets

Other intangible assets refer to acquired assets recognized at cost less accumulated depreciation and write-downs. These intangible assets consist of:

- Brands
- Customer relations
- Utilization rights, primarily quarries

Depreciation policies

Depreciation is linearly recognized in profit/loss for the year over the estimated useful life of the intangible asset provided the useful life can be determined. Goodwill and other intangible assets with an indeterminate useful life is not depreciated but is tested for impairment 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 that refer to business area Industry when repurchased by Peab 2008	20 years
Brands, other	5–10 years
Customer relations	3–5 years
Balanced development costs	5–10 years
Utilization rights	The term of the contract

The useful life of assets are assessed annually.

INVENTORIES

Inventories are comprised of raw materials and consumables, products in progress, finished products and goods for resale. Project and development properties are recognized according to the principles for inventories but are presented as a separate item on the balance sheet under current assets.

Inventories are valued at the lowest of acquisition value and net sale value. The acquisition value of stock is calculated using the first-in, first-out method and includes expenses connected to the acquisition of the stock assets and transportation 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 sales price in the current business minus estimated costs for completion and bringing about the sale.

IMPAIRMENT LOSSES

The recognized value of Group assets is checked every balance sheet day to assess whether there is a write-down requirement.

Impairment tests of tangible/intangible assets, investment property and participation in subsidiaries, joint ventures, associated companies etc.

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

Write-downs are recognized when the recognized value of an asset or a cash generating unit exceeds its 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 first allocated to goodwill, followed by a proportional write-down of the other assets in the unit (group of units).

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

Impairment tests for financial assets

With each report the Group assesses whether there are objective indications that a financial asset or a group of financial assets are impaired. Objective indications consist in part of occurred observable circumstances which negatively impact the possibility to recover the acquisition value and in part of significant or long, drawn out reductions in the fair value of an investment in a financial asset classified as a financial asset available-for-sale.

Impaired accounts receivable are reported as the current value of anticipated future cash flows. Current receivables are, however, not discounted. Write-downs charge profit/loss 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 impairments no longer exist and assumptions which the calculation of the recovery value were based on 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 applicable, if write-down had not been made.

Write-downs of loans and receivables recognized at accrued acquisition value are reversed if a subsequent rise in the recovery value may objectively be attributed to a circumstance occurring after the 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.

Impairment tests for other assets

The principles for write-downs of inventories and deferred tax recoverables are presented in the respective sections above.

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/loss for the year attributable to the shareholders of the parent company and on the weighted average number of outstanding shares during the year. There have been no effects from diluting potential shares since 2012.

EMPLOYEE BENEFITS

Defined contribution pension plans

Pension plans are only classified as defined contribution pension plans when the Group's obligations are limited to the contributions the Group has undertaken to pay to an insurance Group 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 Group'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 2 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. There are no other defined benefit pension plans.

Pension plans with endowment insurance

There are pension plans where the Group has acquired endowment insurance which is hedged in favor of employees through pledges. The employees in question only have the right to compensation equal to the value of the endowment insurance at redemption. The endowment insurance is valued at its current fair value while the pension liability is revalued to the corresponding value of the endowment insurance. Endowment insurance and pension liability have been reported net. Provisions for special payroll tax are reserved calculated on the fair value of the endowment insurance, except in cases where the contract stipulates that the endowment insurance covers special payroll tax.

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 a discount and reported as an expense when the related services are received.

The expected costs of participations in profits and bonus payments are recognized as an accrued cost when the Group has a valid legal or informal obligation to make such payments for services rendered from employees and the obligations can be reliably estimated.

PROVISIONS

Provisions are recognized on the balance sheet when the Group has a legal or informal obligation due to events that have occurred 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 an appraisal 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 as quarrying is terminated.

CONTINGENT LIABILITIES

A contingent liability is recognized in accounts when there is a possible obligation attributable to events that have 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 not changed compared to the annual report for 2016.

New IFRSs and interpretations that have not yet been applied are

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described above for the Group. IFRS 15 Revenue from contracts with customers will have no effect on parent company revenue accounting. IFRS 9 Financial instruments, entails new rules for writing down receivables based on anticipated credit losses. The parent company's current receivables from Group companies fall within the area of application for impairment rules in IFRS 9. The receivables are overwhelmingly Group contributions that are settled shortly after the balance sheet date. On material grounds no reserve is reported for anticipated credit losses regarding these receivables. Otherwise IFRS 9 will not have any effect on accounting the first time it is used on 1 January 2018. The new standard IFRS 16 Leasing, does not effect the parent company since the standard is exempt from application in corporations and leasing in the parent company is insignificant.

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

Classification and presentation

The parent company's income statement and balance sheet are presented according to the structure in the Swedish Company Accounts Act. The departure from IAS 1 Presentation of financial statements, which is used in structuring the consolidated financial reports is primarily regarding presenting financial income and expenses, fixed assets, equity and provisions reported under a separate heading on the balance sheet.

Subsidiaries and joint arrangements

Participations in subsidiaries and joint arrangements are recognized in the parent company according to 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/loss as they occur.

Financial guarantees

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

Taxes

Untaxed reserves including deferred tax liabilities are recognized in the parent company. In the Group accounting however, untaxed reserves are divided into deferred tax liabilities and equity.

Shareholder contributions

Paid shareholder's contributions are activated in shares and participations in the provider after taking into consideration any impairments.

Group contributions

Group contributions are recognized as appropriations whether or not the Group contribution has been given or received.

Fund for development costs

Amounts that are activated through internally generated development costs among intangible assets are transferred from non-restricted equity to the fund for development costs in restricted equity. The fund contracts as the activated costs are depreciated or written down. Provisions to the fund for development costs were first actualized in 2017 to develop the IT system.

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 those that entail a risk that the value of assets or liabilities may have to be significantly adjusted in the coming financial 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, please see the section Risks and risk management under the Sensitivity Analysis.

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 income 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 profit/loss recognition during the project. Project forecasts are evaluated on a regular basis as each project progresses and if necessary adjusted. There is a risk that the end profit/loss of a project deviates from that which has been reported successively.

IMPAIRMENT TESTS OF GOODWILL

Total Group goodwill amounts to SEK 1,820 million (1,759). When calculating cash generating units' recoverable amount in order to assess the need to write-down goodwill several estimations and assessments about the future are made. They are presented in note 15. As is apparent in the description in note 15, changes beyond what can reasonably be expected during 2018 in these estimations and assessments could have a significant effect on goodwill. This risk, however, is very low since the recoverable values are for the most part higher than the reported values in those cases where goodwill values are substantial.

PROJECT AND DEVELOPMENT PROPERTY

Project and development property amounts to SEK 6,439 million (7,007). The reported 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 complement to this valuation external market values are annually reviewed for some of the properties. For more information on project and development property, see note 23.

DISPUTES

Peab's business is largely project-related. There are a number of different contract forms where risk levels vary depending on the type of contract. However, with any type of contract ambiguities can arise concerning the terms, which can lead to delimitation issues that create a dispute with the customer.

The construction contract for the production of the Mall of Scandinavia in Solna was signed at the end of 2011. Major changes in the project during production together with insufficient dialogue with our customer led to significantly higher costs. The original contract was for SEK 3.5 billion. The project was reviewed after the mall was inaugurated in November 2015 and then written down by SEK -800 million in the fourth quarter 2015. Negotiations with the customer have not yet reached a final agreement. Peab's assessment of the financial situation is the same as what has previously been communicated.

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

TAXES

Changes in tax legislation and changing praxis in the interpretation of tax laws can have a considerable impact on the size of reported 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-owner homes 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 homes 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 homes are under contract with a home purchaser and, in our experience, generally do not represent high amounts. The few homes 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 estimated costs that may occur. Peab also provides guarantees for paid advances and down payments. For further information regarding guarantees for advances and down payments see note 39. 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 may entail handling certain transactions in the future differently from current practice. As of 1 January 2018 IFRS 15 replaces existing standards relating to income accounting. IFRS 9 Financial instruments replaces IAS 39, Financial instruments: Recognition and measurement as of 1 January 2018. The changes brought about by IFRS 15 and IFRS 9 are described in note 46.

Note 3 Income distributed by type

INCOME DISTRIBUTED BY MAIN INCOME TYPE

	Group		Parent company	
MSEK	**2017**	**2016**	**2017**	**2016**
Contracting	41,788	38,552		
Sales of goods	2,615	2,424		
Sales of property developments	2,807	2,664		
Crane, machine and vehicle rental	817	661		
Transportion services	1,460	1,481		
Administrative services	4	3	253	242
Other	599	552	9	–
Total	**50,090**	**46,337**	**262**	**242**

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 profit in the developer part reported according to the percentage of completion method. The underlying sales value of property projects on our own balance sheet, reported as project and development property, that are sold in the form of a company via shares is recognized as net sales and the reported value on the balance sheet is recognized as an expense. When property projects reported as operations property or investment property are divested the net effect on profit/loss is recognized as other operating income or other operating cost. 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

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46

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 have an interest 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 consists of the following business areas:

- **Construction:** Business area Construction comprises Group resources in construction related services. Construction works for both external and internal customers, primarily business area Project Development. Operations are run through eleven regions in Sweden, three in Norway and two in Finland. There are three specialized housing production regions located in Stockholm, Gothenburg and the Öresund region respectively. Construction maintenance operations are run in a nationwide organization focused on the big city areas. The other regions perform all kinds of construction projects within their geographic area.

- **Civil Engineering:** Business area Civil Engineering works with the construction of large infrastructure and civil engineering projects and smaller projects on the local market. Civil Engineering also operates and maintains roads and municipal facilities. As of 1 January 2017 product area Foundation was moved from business area Industry to Civil Engineering. 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 six product areas; Asphalt, Concrete, Gravel and Rock, Transportation and Machines, Rentals and Construction System. 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, management and divestiture of commercial properties. The business includes projects in wholly owned and partly owned companies. Included in partly owned companies are among others Peab's holdings in Fastighets AB Centur (ownership and development of commercial property and homes), Tornet Bostadsproduktion AB (ownership of rentals), Fastighets AB ML4 (ownership and management of the research facility Max IV in Lund) and Point Hyllie Holding AB (ownership and development of the office building The Point as well as ownership and management of the hotel property Värdshuset 5). Wholly owned subsidiaries and projects consist 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 2017, MSEK	Construction	Civil Engineering	Industry	Project Development	Group functions	Elimination	Total operative for the Group [1)]	Adjustment for housing reporting [2)]	Group
External sales	22,073	10,319	9,206	8,568	101	0	50,267	-177	50,090
Internal sales	4,653	1,506	3,555	61	892	-10,667	–		–
Total income	**26,726**	**11,825**	**12,761**	**8,629**	**993**	**-10,667**	**50,267**	**-177**	**50,090**
Operating costs	-26,138	-11,488	-11,943	-7,985	-1,230	10,662	-48,122	157	-47,965
Other operating income	15	42	68	167	9	4	305		305
Other operating costs	-1	-5	-19	0	0		-25		-25
Operating profit	**602**	**374**	**867**	**811**	**-228**	**-1**	**2,425**	**-20**	**2,405**
Operating margin, %	**2.3**	**3.2**	**6.8**	**9.4**			**4.8**		**4.8**
Financial income									191
Financial expenses									-151
Pre-tax profit									**2,445**
Tax									-388
Profit for the year									**2,057**
Depreciation	-19	-66	-754	-54	-13	2			-904
Write-downs in operating profit	-1		-8	-33	-11				-53
Capital gains/losses	11	15	43	145		4			218
Other significant non-cash items	104	-7	5	-98	8				12
Capital employed on 31 December	-856	200	5,781	10,024		-1,045 [3)]			14,104

Group 2016, MSEK	Construction	Civil Engineering	Industry	Project Development	Group functions	Elimination	Total operative for the Group [1]	Adjustment for housing reporting [2]	Group
External sales	20,459	9,461	8,876	7,589	104	0	46,489	-152	46,337
Internal sales	3,662	1,279	3,285	50	793	-9,069	–		–
Total income	**24,121**	**10,740**	**12,161**	**7,639**	**897**	**-9,069**	**46,489**	**-152**	**46,337**
Operating 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 in 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

[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 a favorable development for the business areas in both 2017 and 2016. Contract construction in business areas Construction and Civil Engineering reported increases in net sales with stable profit levels in 2017. Both net sales and profit grew in business area Industry compared to 2016 and the margin improved. Development has also been positive in business area Project Development during 2017. The strong demand on the housing market has, in particular, had a positive effect on both net sales and operating profit in Housing Development. Included in Property Development in 2017 were capital gains of SEK 75 million from the divestiture of Peab's holdings in joint venture companies to Catena. In December 2016 Peab and Fabege agreed that during January 2017 Peab would divest a number of assets in Arenastaden and Ulriksdal in Solna. The divestitures in Ulriksdal impacted net sales in 2017 by SEK 577 million. The transactions had no net effect on profit/loss since the sales in Ulriksdal affected operating profit positively by SEK 180 million while the sales of assets in Arenastaden had a negative effect on operating profit by SEK 180 million. In 2016 partial sales of property in Hyllie, Malmö was included for an underlying property value of SEK 777 million, affecting profit by SEK 104 million.

GEOGRAPHIC AREAS

Income from external customers is related to the countries customers are located in. The information concerning intangible and tangible fixed assets is divided into the countries the assets are located in.

	Sweden		Norway		Finland		Other markets		Total	
Group, MSEK	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
External sales	**41,001**	38,607	**5,743**	5,157	**3,331**	2,538	**15**	35	**50,090**	46,337
Intangible and tangible fixed assets and investment property	**7,334**	5,324	**586**	633	**626**	356	**–**	–	**8,546**	6,313

	Sweden		Norway		Finland		Total [1]	
Parent company, MSEK	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Net sales	**239**	224	**16**	13	**7**	5	**262**	242

[1] Included in Group functions.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46

Note 5 Business combinations

2017

During 2017 Peab acquired 60 percent of the shares in AB Smidmek Eslöv. The company was consolidated 100 percent through the anticipated acquisition method, since Peab has a put/call option for the acquisition of the rest of the shares. The company complements business area Industry's existing offer regarding the manufacture of steel and concrete framework. During the year Tranab Markbyggnad AB, which has civil engineering operations in Mälardalen and Närke, also has been acquired. Peab has also acquired rock and concrete sealing operations in Gothenburg as well as the rest of the 66.6 percent of the shares in Telemark Vestfold Utvikling AS.

The above acquisitions in 2017 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 275 million to Group income and SEK 14 million to profit in 2017. If the acquisitions had taken place on 1 January 2017, the combined effect of these acquisitions on Group income would have been SEK 648 million and on profit for the year by SEK 27 million.

EFFECTS OF ACQUISITIONS IN 2017

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

Goodwill primarily consists of 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 261 million.

In connection with the acquisition of the rest of the 66.6 percent of the shares in Telemark Vestfold Utvikling AS the existing holding was revalued to fair value. The effect of the revaluing amounted to SEK 26 million and was recognized as other operating income.

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 -121 million and primarily refer to project and development properties with development rights in Kungsängen, Oslo and Västerås.

ACQUISITIONS AFTER THE BALANCE SHEET DATE

No substantial acquisitions have been made during 2018 as of the presentation of these financial reports.

2016

During 2016 Peab acquired 90.3 percent of the shares in Solberg Maskin AS. The company was consolidated 100 percent through the anticipated acquisition method. In addition, the gravel and rock operations in Kållered and Torup as well as concrete production in the form of a concrete factory in Borås have been acquired. The acquisition effects of these acquisitions were immaterial from a Group perspective. The total transferred compensation was SEK 228 million. 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.

In 2016 the acquisition of assets through acquiring shares (substance acquisitions that do not comprise any business) led to a cash flow of SEK -277 million and primarily refer to project and development property with development rights in Gothenburg, Jönköping and Oslo.

In 2016 the remaining 9.9 percent of shares in K. Nordang AS were acquired. The company had already been 100 percent consolidated through the application of the Anticipated acquisition method since there was a put/call option for the acquisition of the rest of the shares.

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

MSEK	2017	2016
Intangible fixed assets	60	25
Tangible fixed assets	27	262
Financial assets	40	–
Deferred tax recoverables	2	4
Project and development properties and inventories	211	14
Accounts receivable and other receivables	84	53
Liquid funds	53	14
Interest-bearing liabilities	-25	-82
Deferred tax liabilities	-42	-14
Provisions	-3	-30
Accounts payable and other current liabilities	-152	-34
Net identifiable assets and liabilities	**255**	**212**
Non-controlling interest	-1	–
Previous value of share in joint venture	-60	-7
Group goodwill	67	23
Consideration transferred	**261**	**228**

CONSIDERATION TRANSFERRED

MSEK	2017	2016
Liquid funds	213	151
Contingent consideration	11	24
Promissory note	–	53
Option liabilities	37	–
Total consideration transferred	**261**	**228**

Note 6 Other operating income

Group, MSEK	2017	2016
Capital gains from shares sold in businesses/ joint ventures	139	1
Insurance compensation	28	21
Profit from sales of fixed assets	67	67
Exchange gains from receivables/liabilities relating to operations	3	3
Revaluation effect in successive acquisitions	26	–
Profit from participation in joint ventures	6	7
Other	36	50
Total	**305**	**149**

Note 7 Other operating costs

Group, MSEK	2017	2016
Capital loss from shares sold in businesses	-6	–
Loss from sales of fixed assets	-3	-5
Exchange loss from receivables/liabilities relating to operations	-5	-5
Other	-11	-2
Total	**-25**	**-12**

Note 8 Government grants

GROUP

Government grants related to assets amounted to SEK 3 million (4) in 2017. The grant has reduced the recognized value of the assets on the balance sheet.

Government grants received as compensation for operating costs amounted to SEK 3 million (2) in 2017, and have reduced costs in the income statement.

Note 9 Employees, personnel costs and remuneration to senior officers

COSTS FOR REMUNERATION TO EMPLOYEES

Group, MSEK	2017	2016
Salaries and remuneration etc.	6,792	6,211
Pension costs, defined contribution plans	702	614
Social security	2,034	1,909
Total	**9,528**	**8,734**

AVERAGE NUMBER OF EMPLOYEES

	No. of employees 2017	Of which were men 2017 percent	No. of employees 2016	Of which were men 2016 percent
Parent company				
Sweden	136	46	128	49
Subsidaries				
Sweden	12,022	88	11,403	89
Norway	1,692	92	1,508	92
Finland	724	84	670	86
Poland	4	50	3	67
Total in subsidaries	**14,442**	**89**	**13,584**	**89**
Group	**14,578**	**88**	**13,712**	**89**

GENDER DISTRIBUTION IN BOARDS AND OTHER SENIOR OFFICERS

	2017 Percentage of women	2016 Percentage of women
Parent company		
The Board of Directors	27	27
Other senior officers	0	33
Group		
Boards [1]	11	9
Other senior officers [2]	15	11

[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 2017, MSEK	Board of Directors and senior officers (14 persons) [1]
Salaries and other remuneration	25
– of which variable remuneration etc.	–
Pension costs	25
– of which pension costs for variable remuneration	16

[1] The group leading senior officers refers to executive management. During 2017 the group consisted of six persons, three of which were in the parent company.

Group 2016, MSEK	Board of Directors and senior officers (14 persons) [1]
Salaries and other 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.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46

SALARIES AND OTHER REMUNERATION DIVIDED AMONG LEADING SENIOR OFFICERS AND OTHER EMPLOYEES AS WELL AS SOCIAL SECURITY COSTS

Parent company 2017, MSEK	Board of Directors and senior officers (11 persons) [1]	Other employees	Total
Salaries and other remuneration	17	93	110
– of which variable remuneration etc.	–	2	2
Social security costs	26	63	89
– of which pension costs	6	19	25
– of which pension costs for variable remuneration	10	3	13

[1] The group leading senior officers refers to executive management. During 2017 the group consisted of six persons, three of which were in the parent company.

Parent company 2016, MSEK	Board of Directors and senior officers (11 persons) [1]	Other employees	Total
Salaries and other remuneration	22	92	114
– of which variable remuneration etc.	–	1	1
Social security costs	20	57	77
– of which pension costs	5	20	25
– of which pension costs for variable remuneration	6	2	8

[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.

SALARIES AND OTHER REMUNERATION FOR LEADING SENIOR OFFICERS IN 2017

Thousands, SEK	Basic salary/Board remuneration	Variable remuneration	LTI-program [1]	Other benefits	Pension costs	Total
Chairman of the Board, Göran Grosskopf	720					720
Vice Chairman of the Board, Mats Paulsson	330					330
Other members of the Board						
Karl-Axel Granlund	360					360
Lars Sköld	420					420
Fredrik Paulsson	330					330
Kerstin Lindell	360					360
Nina Udnes Tronstad	300					300
Malin Persson	300					300
Board of Directors fees, remuneration from the parent company	**3,120**					**3,120**
CEO, Jesper Göransson	7,029	3,270	1,806	87	3,250	15,442
Other senior officers, remuneration from the parent company	7,087	3,270	1,754	164	3,153	15,428
Other senior officers, remuneration from subsidiaries	8,156	3,835	2,008	171	3,135	17,305
Total	**25,392**	**10,375**	**5,568**	**422**	**9,538**	**51,295**
Remuneration from the parent company	17,236	6,540	3,560	251	6,403	33,990
Remuneration from subsidiaries	8,156	3,835	2,008	171	3,135	17,305

[1] Refers to reserved costs for the year and the amount depends on the AGM's decision on 7 May 2018 regarding the size of dividends. For more information see Long-term incentive program (LTI program) on page 72.

SALARIES AND OTHER REMUNERATION FOR LEADING SENIOR OFFICERS IN 2016

Thousands, SEK	Basic salary/Board remuneration	Variable remuneration	LTI-program	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
Board of Directors fees, remuneration 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 [1)]	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) Includes provisions for termination salaries.

COMMENTS ON THE TABLES

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

Pension costs refer to costs charged to the year. See note 31 for additional information about pensions. In 2017 the group senior officers consisted of six persons (six), of which three officers (three) were in the parent company.

THE BOARD OF DIRECTORS

The 2017 AGM decided on a total remuneration to members of the Board of SEK 3,120 thousand (5,240), of which SEK 2,700 thousand (4,970) refers to Board work and SEK 420 thousand (270) refers to committee work. Compensation to the Chairman of the Board was SEK 600 thousand (560) and SEK 2,100 thousand (4,410) was divided among the other Board members. Compensation for work on the Remuneration Committee was SEK 90 thousand (90), SEK 90 thousand (90) for work on the Finance Committee and SEK 240 thousand (90) for work on the Audit Committee. During the year the total amount of fees paid was SEK 3,120 thousand (5,240). In 2016 a special compensation of SEK 2,765 thousand was paid to the Vice Chairman of the Board for his availability to the Group in matters concerning customers and the market. No special compensation was paid out in 2017.

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

PRINCIPLES FOR REMUNERATION TO SENIOR OFFICERS

The group senior officers is comprised of six senior officers who are members of executive management. The principles for remuneration to senior officers were adopted by the 2017 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 their regular salary and is primarily based on Peab Group's pre-tax profit. Variable remuneration is decided for each financial year. Variable remuneration for the financial year 2017 was maximized at SEK 3,960 thousand (3,240) for the CEO and a total of SEK 8,604 thousand (8,114) for the other senior officers.

Variable remuneration is settled the year after being earned and may either be paid out as salary or placed as pension in financial instruments connected to the Peab share. If it is paid out as a one-off defined pension contribution 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 (including social security) 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 2017 were maximized at SEK 2,640 thousand (including social security) for the CEO and a total of SEK 5,736 thousand for the other senior officers.

The period of notice from Peab is, at the most, 24 months and the period of notice from Senior officers is, at the most, 6 months. If severance pay is paid the total remuneration for salary during the period of notice and severance pay may not exceed 24 months wages.

THE CEO

The CEO of Peab AB, Jesper Göransson, has in 2017 received wages and other remuneration, including benefits, totaling SEK 7,116 thousand (5,815). In addition, he has received variable remuneration for 2017 of SEK 3,270 thousand (1,936) and a provision for the LTI program of SEK 1,806 thousand (1,045) has been made, which was placed in a pension savings in a financial instrument connected to the Peab share. Pension contributions for the year were SEK 3,250 thousand (2,486).

The CEO has the right to retire from the age of 62. Annual pension contributions of 47 percent of basic salary are paid to meet this pledge. These are defined contribution pensions.

Notice on the part of Peab is twelve months with a reduction for any salary from a new employer combined with a severance pay of twelve months salary. Notice on the part of the CEO is six months

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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 15,578 thousand (19,905). The comparison year included provisions for termination salaries as well. In addition, variable remuneration for 2017 amounted to SEK 7,105 thousand (4,848) and provisions for the LTI program amounted to SEK 3,762 thousand (2,897) including social security, which will be placed in pension savings in a financial instrument connected to the Peab share. Pension contributions paid for other senior officers amounted to SEK 6,288 thousand (6,424) during the year.

A new pension policy was established in 2017 for senior officers. This means that there are two parallel principles for senior officers in executive management. The older principle gives senior officers the right to retire from the age of 62 and annual pension contributions of 47 percent of basic salary are paid for this obligation. In the newer principle employment ends the month an officer turns 65 and annual pension contributions of 35 percent of basic salary are paid for this obligation. All pensions are defined contribution plans.

Notice on the part of Peab is twelve months with a reduction for any salary from a new employer combined with severance pay consisting of twelve months salary. 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 LTI program was 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 was open to approximately 500 of the Group's key employees. In order for an employee to receive their share of the result of the LTI program the employee had to have been working consistently for Peab from 2015 to 31 December 2017. For senior officers and the CEO the upper limit (including social security) was 40 percent of their fixed annual salary. For other positions the upper limit (including social security) was 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 2017 the cost of the LTI program amounted to SEK 83,5 million (66) including social security.

A new LTI program was launched for 2018 – 2020 and will be annually reconciled with operating margin goals for the Group. The program is open to approximately 500 of the Group's key employees. In order for an employee to receive their share of the result of the LTI program the employee has to still be working for Peab on 31 December 2020. For senior officers and the CEO the upper limit (including social security) is 40 percent of their fixed annual salary. For other positions the upper limit (including social security) is 15-35 percent of their fixed annual salary, depending on their position. The result of the LTI program will be placed in a pension savings connected to the Peab share.

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 2017 Peab allocated SEK 73 million. This amount less payroll tax will be paid into the foundation in 2018. In 2016 Peab allocated SEK 52 million including payroll tax. Senior officers are not entitled to benefits from the profit-sharing foundation.

Note 10 Fees and cost remuneration to accountants

	Group		Parent company	
MSEK	**2017**	**2016**	**2017**	**2016**
KPMG AB				
Auditing assignments	14	16	4	4
Other additional audit-related work	1	1	1	1
Other services	2	–	1	–
Total	**17**	**17**	**6**	**5**

Audit assignments refer to the statutory examination of the annual report and accounting, the management by the Board of Directors and the CEO as well as reviews and other examinations executed by agreement or according to contracts. This includes other work normally performed by a company accountant, and advice and other assistance stemming from observations made in connection with the above examinations or the performance of other similar work.

Note 11 Operating costs divided by type

Group, MSEK	2017	2016
Production costs [1]	35,290	32,754
Personnel expenses	10,673	9,643
Depreciation	904	784
Write-downs	53	78
Other operating costs	1,045	1,117
Total	**47,965**	**44,376**

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

Note 12 Net financial income/expenses

Group, MSEK	2017	2016
Interest income [1]	75	96
Gains from available-for-sale financial assets	93	–
Dividend received related to available-for-sale financial assets	16	54
Gains from sales of joint ventures	–	16
Change in value currency swaps (trading)	7	11
Other items	0	18
Financial income	**191**	**195**
Interest expenses [2]	-118	-167
Net exchange rate fluctuation	-22	-7
Change in value currency swaps (trading)	-8	0
Write-downs [3]	-3	-58
Profit/loss from participation in joint ventures [4]	–	-1
Other items	0	-10
Financial expenses	**-151**	**-243**
Net financial income/expenses	**40**	**-48**

[1] Refers to items valued at accrued acquisition value.

[2] Refers to items valued at accrued acquisition value except current net interest from the interest coupon portion of interest swaps totaling SEK -55 million (-74).

[3] Includes write-down with SEK -3 million (-29) regarding unlisted funds, which are 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	2017	2016
Write-downs [1)]	0	0
Total	**0**	**0**

1) For more information about write-downs, see note 42.

PROFIT FROM OTHER SECURITIES AND RECEIVABLES HELD AS FIXED ASSETS

Parent company, MSEK	2017	2016
Dividend received related to available-for-sale financial assets	16	2
Interest income, external	1	2
Gains from available-for-sale financial assets	163	–
Total	**180**	**4**

INTEREST EXPENSES AND SIMILAR PROFIT/LOSS ITEMS

Parent company, MSEK	2017	2016
Interest expenses, Group [1)]	-130	-142
Total	**-130**	**-142**

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

Note 13 Appropriations

Parent company, MSEK	2017	2016
Change in additional depreciation, intangible assets	-5	–
Change in additional depreciation, machinery and equipment	0	0
Transfer to tax allocation reserve	-788	-522
Received Group contribution	3,427	2,393
Paid Group contribution	-8	-16
Total	**2,626**	**1,855**

Note 14 Taxes

RECOGNIZED IN THE INCOME STATEMENT

Group, MSEK	2017	2016
Current tax expenses/income		
Tax expenses for the year	-548	-380
Adjustment of tax attributable to previous years	7	-9
	-541	**-389**
Deferred tax expenses/income		
Temporary differences	129	77
Capitalized tax value of loss carry-forwards during the year	3	0
Utilisation of capitalized tax value of loss carry-forwards	-30	-117
Changed tax rates	-1	-2
Revaluation of reported deferred tax values	52	108
	153	**66**
Total reported tax expenses in the Group	**-388**	**-323**

Parent company, MSEK	2017	2016
Current tax expenses/income		
Tax expenses for the year	-520	-345
	-520	**-345**
Deferred tax expenses/income		
Temporary differences	11	11
	11	**11**
Total reported tax expenses in the parent company	**-509**	**-334**

RECONCILIATION OF EFFECTIVE TAX

Group, MSEK	2017	2017 (%)	2016	2016 (%)
Pre-tax profit	**2,445**		**2,050**	
Tax in accordance with tax rate for the parent company	-538	22.0	-451	22.0
Effect of other tax rates for foreign subsidiaries	1	-0.0	-1	0.0
Non-deductible expenses	-106	4.3	-89	4.4
Tax exempt income	172	-7.0	84	-4.1
Deductible non profit-influencing items	8	-0.3	11	-0.5
Revaluation of reported deferred tax values	52	-2.1	108	-5.2
Utilized non-capitalized loss carry-forwards	2	-0.1	14	-0.7
Tax attributable to previous years	7	-0.3	-9	0.4
Changed tax rates	-1	0.0	-2	0.1
Increase in loss carry-forwards without corresponding capitalization of deferred tax	-24	1.0	-6	0.3
Effect net profit of joint ventures	39	-1.6	18	-0.9
Reported effective tax	**-388**	**15.9**	**-323**	**15.8**

Parent company, MSEK	2017	2017(%)	2016	2016 (%)
Pre-tax profit	**2,526**		**1,555**	
Tax according to tax rate for the parent company	-556	22.0	-342	22.0
Non-deductible expenses	-1	0.0	-1	0.1
Tax exempt income	40	-1.6	1	-0.1
Deductible non profit-influencing items	8	-0.3	8	-0.5
Reported effective tax	**-509**	**20.1**	**-334**	**21.5**

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TAX ATTRIBUTABLE TO OTHER COMPREHENSIVE INCOME

	Pre-tax	Tax	After tax	Pre-tax	Tax	After tax
Group, MSEK		**2017**			**2016**	
Translation difference for the year foreign operations	-55	-4	-59	166	12	178
Financial assets available-for-sale	-55		-55	153		153
Cash flow hedges	112	-12	100	31	-11	20
Other comprehensive income	**2**	**-16**	**-14**	**350**	**1**	**351**

REPORTED ON THE BALANCE SHEET
DEFERRED TAX RECOVERABLES AND TAX LIABILITIES

	Deferred tax recoverables		Deferred tax liabilities		Net		Changes reported in profit for the year
Group, MSEK	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**
Intangible assets			-68	-62	-68	-62	6
Tangible assets			-396	-338	-396	-338	-52
Investment property			-11		-11		-13
Financial fixed assets	0			-41	0	-41	41
Project and development properties			-6	-5	-6	-5	21
Work-in-progress	2	4			2	4	-2
Inventories	1	1			1	1	0
Accounts receivable	17	3			17	3	15
Worked-up but not invoiced income			-75	-66	-75	-66	-7
Other receivables			-1	-2	-1	-2	0
Interest-bearing liabilities	102	95			102	95	5
Provisions for pensions	107	82			107	82	25
Provisions	79	63			79	63	17
Invoiced income not yet worked-up	275	244			275	244	31
Other liabilities	224	163			224	163	63
Loss carry-forwards	151	134			151	134	22
Tax allocation reserves			-289	-116	-289	-116	-173
Safety reserve			-308	-462	-308	-462	154
Tax recoverables/tax liabilities	**958**	**789**	**-1,154**	**-1,092**	**-196**	**-303**	
Offset	-943	-720	-943	720	–	–	
Net	**15**	**69**	**-211**	**-372**	**-196**	**-303**	**153**

	Deferred tax recoverables		Deferred tax liabilities		Net		Changes reported in profit for the year
Parent company, MSEK	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**
Provisions for pensions	107	97			107	97	10
Other liabilities	3	2			3	2	1
Net	**110**	**99**	**–**	**–**	**110**	**99**	**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 deductability 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 2017-12-31 is SEK 137 million (187).

In the Norwegian operations the ability to use loss carry-forwards of SEK 504 million (417) remains uncertain. They have not been capitalized. The fiscal value of the non-capitalized loss carry-forward is SEK 116 million (100).

CHANGED TAX RATES

As of 2017 the tax rate in Norway has changed to 23 percent from 24 percent which was the tax rate during 2017. 2016 the tax rate was 25 percent in Norway.

Note 15 Intangible fixed assets

Group 2017, MSEK	Intangible fixed assets, external purchase: Goodwill	Brands	Customer relations	Tenancies gravel and rock quarries	Other intangible assets	Intangible fixed assets, internally developed: Balanced development costs	Total
Opening acquisition value	1,783	263	61	202	28	22	2,359
Purchases					39	17	56
Purchases through acquired companies	67	54			6		127
Sales and disposals		-5	-10				-15
Exchange rate differences	-6	-6					-12
Closing accumulated acquisition value	**1,844**	**306**	**51**	**202**	**73**	**39**	**2,515**
Opening depreciation	–	-155	-46	-64	-13	-16	-294
Sales and disposals		5	10				15
Depreciation [1]		-16	-3	-8	-4	-1	-32
Reclassifications						1	1
Exchange rate differences		3					3
Closing accumulated depreciation	**–**	**-163**	**-39**	**-72**	**-17**	**-16**	**-307**
Opening write-downs	-24	–	–	–	–	-5	-29
Write-downs [2]		-11					-11
Reclassifications						-1	-1
Closing accumulated write-downs	**-24**	**-11**	**–**	**–**	**–**	**-6**	**-41**
Closing recognized value	**1,820**	**132**	**12**	**130**	**56**	**17**	**2,167**

Group 2016, MSEK	Intangible fixed assets, external purchase: Goodwill	Brands	Customer relations	Tenancies gravel and rock quarries	Other intangible assets	Intangible fixed assets, internally developed: Balanced development costs	Total
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 and disposals		-8	-2		-26		-36
Sale of business	-4						-4
Exchange rate differences	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 and disposals		8	2		26		36
Depreciation [1]		-18	-3	-8	-2	-1	-32
Exchange rate differences		-4	-1				-5
Closing accumulated depreciation	**–**	**-155**	**-46**	**-64**	**-13**	**-16**	**-294**
Opening write-downs	-21	–	–	–	–	-5	-26
Exchange rate differences	-3						-3
Closing accumulated write-downs	**-24**	**–**	**–**	**–**	**–**	**-5**	**-29**
Closing recognized value	**1,759**	**108**	**15**	**138**	**15**	**1**	**2,036**

[1] Depreciation is reported in the following lines of the income statement:

MSEK	2017	2016
Production costs	-31	-32
Sales and administrative expenses	-1	–
Total	**-32**	**-32**

[2] Write-downs are reported in the following line of the income statement:

MSEK	2017	2016
Production costs	-11	–
Total	**-11**	**–**

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46

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GOODWILL IMPAIRMENT TESTING IN CASH GENERATING UNITS

The Peab Group balance sheet 2017-12-31 included total goodwill of SEK 1,820 million (1,759). The table below shows goodwill per group of cash generating units for which goodwill is tested for impairment.

MSEK	2017	2016
Construction		
Construction Sweden	68	68
Construction Finland	63	61
Construction Norway	151	159
Civil Engineering		
Civil Engineering Sweden	171	146
Industry		
Business area level, when repurchased by Peab 2008	1,274	1,274
Industry Sweden	51	16
Project Development		
Property Development Sweden	21	21
Housing Development Sweden	14	14
Housing Development Norway	7	–
Total	**1,820**	**1,759**

GOODWILL WRITE-DOWNS

Group goodwill has not been written down in 2017 or in 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 recognized value.

METHOD FOR CALCULATING RECOVERY VALUE

The recovery value for all goodwill values has been derived by calculating the useful value for the cash generating units. 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:

Net sales: The business' historical development, expected changes in the construction business cycle, general socioeconomic developments, 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 and hikes in salary, material 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. A weighted discount rate after tax has been used in calculating useful values. The discount rate after tax used on cash generating units in Sweden is on average 8.7 percent (7.8), in Norway 9.4 percent (10.2) and in Finland 9.2 percent (9.0) The corresponding pre-tax discount in Sweden was on average 8.8 percent (9.6), in Norway 9.4 percent (12.3) and in Finland 9.3 percent (11.4).

	Intangible fixed assets, external purchase	Intangible fixed assets, internally developed	
Parent company 2017, MSEK	**Other intangible assets**	**Balanced development costs**	**Total**
Opening acquisition value	–	–	–
Purchases	22	17	39
Closing accumulated acquisition value	**22**	**17**	**39**
Opening depreciation	–	–	–
Depreciation [1]	–	-1	-1
Closing accumulated depreciation	**–**	**-1**	**-1**
Closing recognized value	**22**	**16**	**38**

[1] Depreciation is reported in the following line of the income statement:

MSEK	2017
Administration expenses	-1
Total	**-1**

Note 16 Tangible fixed assets

Group 2017, MSEK	Buildings and land	Machinery and equipment	Construction in progress	Total
Opening acquisition value	2,090	8,062	137	10,289
Purchases	10	1,171	293	1,474
Purchases through acquired companies	4	29		33
Sales and disposals	-18	-385		-403
Sales via sold company		-101		-101
Reclassifications [1]	756	54	-110	700
Exchange rate differences	7	-52		-45
Closing accumulated acquisition value	**2,849**	**8,778**	**320**	**11,947**
Opening depreciation	-782	-5,212	–	-5,994
Accumulated depreciation in acquired companies		-6		-6
Sales and disposals	14	342		356
Sales via sold company		80		80
Depreciation	-102	-757		-859
Reclassifications [1]	-40			-40
Exchange rate differences		44		44
Closing accumulated depreciation	**-910**	**-5,509**	**–**	**-6,419**
Opening write-downs	-2	-16	–	-18
Write-downs [2]	-2			-2
Closing accumulated write-downs	**-4**	**-16**	**–**	**-20**
Closing recognized value	**1,935**	**3,253**	**320**	**5,508**

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 and disposals	-67	-437		-504
Sales via sold company		-3		-3
Reclassifications	-4	56	-48	4
Exchange rate differences	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 and disposals	60	382		442
Sales via sold company		1		1
Depreciation	-74	-678		-752
Reclassifications	9	7		16
Exchange rate differences	-3	-60		-63
Closing accumulated depreciation	**-782**	**-5,212**	**–**	**-5,994**
Opening write-downs	-2	-22	–	-24
Sales and disposals		6		6
Closing accumulated write-downs	**-2**	**-16**	**–**	**-18**
Closing recognized value	**1,306**	**2,834**	**137**	**4,277**

[1] After a revision of Peab's property portfolio it was decided that some property previously reported as project and development property, i.e. inventory properties, will instead be classified as operations property, in the case where there is no plan to divest the property and it is expected to remain in the Group for the foreseeable future. For this reason, as of 1 January 2017 properties for a total recorded value of SEK 619 million have been reclassified as operations property.

[2] Write-downs are reported in the following line of the income statement:

MSEK	2017	2016
Production costs	-2	–
Total	**-2**	**–**

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46

Parent company, MSEK	Machinery and equipment 2017	2016
Opening acquisition value	5	5
Closing accumulated acquisition value	**5**	**5**
Opening depreciation	-4	-4
Closing accumulated depreciation	**-4**	**-4**
Closing recognized value	**1**	**1**

GROUP FINANCIAL LEASING

Companies in the Group lease vehicles, construction machinery and other production equipment through many different leasing agreements. The reported value related to Group financial leasing amounted to SEK 598 million (643). 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 Investment property

After a revision of Peab's property portfolio it was decided that some property previously reported as project and development property, i.e. inventory properties, will instead be classified as investment property, in the case where there is no plan to divest the property and it is expected to remain in the Group for the foreseeable future. For this reason, as of 1 January 2017 properties for a total value of SEK 629 million have been reclassified as investment property.

Group 2017, MSEK	Investment property	Construction in progress	Total
Opening acquisition value	–	–	–
Reclassification	671		671
Purchases	148	117	265
Closing accumulated acquisition value	**819**	**117**	**936**
Opening depreciation	–	–	–
Reclassification	-42		-42
Depreciation	-13		-13
Closing accumulated depreciation	**-55**	**–**	**-55**
Opening write-downs	–	–	–
Write-downs [1]	-10		-10
Closing accumulated write-downs	**-10**	**–**	**-10**
Closing recognized value	**754**	**117**	**871**

[1] Write-downs are reported in the following line of the income statement:

MSEK	2017
Production costs	-10
Total	**-10**

ACCUMULATED FAIR VALUE

At year-end the accumulated fair value amounted to 918 MSEK.

VALUING TECHNIQUE, HIERARCHY AND SIGNIFICANT UNOBSERVABLE INPUTS

The valuation of the above fair values are classified on level 3 in the fair value hierarchy. The valuation is built on an internal valuation model. As a complement to this valuation annual external market valuations are obtained for a number of objects. Fair value has been determined through a combination of applying the location/price method, based on reported comparable purchases and the yield method.

EFFECT ON PROFIT/LOSS FOR THE YEAR

Group, MSEK	2017
Rental income	65
Direct costs for investment property that generated rent during the year (operational and maintenance costs, property tax and ground rent)	-28
Direct costs for investment property that did not generate rent during the year (operational and maintenance costs, property tax and ground rent)	-4

Note 18 Participation 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.

Tornet Bostadsproduktion AB, 31 percent ownership. The company will build and manage attractive and environmentally friendly rentals in larger cities in Sweden.

Peab owns 50 percent of Point Hyllie Holding AB. The company will develop, own and manage the office property The Point and own and manage the hotel property Värdshuset 5. 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.

Peab owned 50 percent of Visio Utveckling AB in 2016. The shares in Visio Utveckling AB were sold to Fabege in January 2017.

For joint ventures acquired during a financial year, full calendar year income statements are presented in the table below after adaption 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 2017-12-31 Fastighets AB Centur	Fastighets AB ML4	Tornet Bostads-produktion AB	Point Hyllie Holding AB	Significant joint ventures 2016-12-31 Fastighets AB Centur	Fastighets AB ML4	Visio Utveckling AB	Tornet Bostads-produktion AB	Point Hyllie Holding AB
Net sales	275	85	101	28	245	51	50	93	26
Operating profit [1]	220	43	59	10	199	9	24	55	7
Interest income and similar profit/loss items	4				4	0	0		0
Interest expenses and similar profit/loss items	-68	-27	-50	-8	-68	-25	-45	-47	-11
Tax	-36	-4	-2	-1	-25	4	0	-2	1
Profit for the year	**120**	**12**	**7**	**1**	**110**	**-12**	**-21**	**6**	**-3**
Other comprehensive income	1				1				
Comprehensive income for the year	**121**	**12**	**7**	**1**	**111**	**-12**	**-21**	**6**	**-3**
Less non-controlling interest	-6						-2		
Total comprehensive income less non-controlling interest	**115**	**12**	**7**	**1**	**111**	**-12**	**-23**	**6**	**-3**
[1] Depreciation amounts to		41	15	14		40	4	14	14
Fixed assets		90		0		5			1
Investment property	4,382	1,854	2,393	785	4,132	1,870	313	1,908	675
Short-term investments and liquid funds	58	35	61	41	166	57	7	51	17
Other current assets	18	1	5	13	97	3	144	7	11
Total assets	**4,458**	**1,980**	**2,459**	**839**	**4,395**	**1,935**	**464**	**1,966**	**704**
Long-term financial liabilities	3,664	1,825	2,135	779	3,758	1,853	276	1,707	715
Other long-term liabilities	109	36			75		17		
Current financial liabilities		28				23	6		
Other current liabilities	58	11	86	80	57	36	11	27	11
Total liabilities	**3,831**	**1,900**	**2,221**	**859**	**3,890**	**1,912**	**310**	**1,734**	**726**
Net assets	**627**	**80**	**238**	**-20**	**505**	**23**	**154**	**232**	**-22**
Less non-controlling interest	-7						-55		
Net assets less non-controlling interest	**620**	**80**	**238**	**-20**	**505**	**23**	**99**	**232**	**-22**
Group share of net assets at the beginning of the year	**252**	**11**	**72**	**-11**	**196**	**17**	**61**	**70**	**–**
Share of total comprehensive income	58	28 [1]	2	1	56	-6	-9	2	1
Acquisitions							-16		
Contribution / new issues							13		5
Reclassification upon partial disposal of shares in subsidiary									-17
Group share of net assets at year-end	**310**	**39**	**74**	**-10**	**252**	**11**	**49**	**72**	**-11**
Group share of unrealized internal profit at the beginning of the year	**-30**	**-54**	**-20**	**-99**	**-15**	**-51**	**-1**	**-20**	**–**
Reclassification of internal profit upon partial disposal of shares in subsidiary									-99
Elimination of unrealized profit			-1	0	-15	-3	0	0	
Group share of unrealized internal profit at year-end	**-30**	**-54**	**-21**	**-99**	**-30**	**-54**	**-1**	**-20**	**-99**
Recognized value at year-end	**280**	**-15**	**53**	**-109**	**222**	**-43**	**48**	**52**	**-110**

[1] Share of profit/loss for the year includes adjustments of profit/loss in previous years.

Comprehensive income is divided among the following items in the income statement:									
Production costs	57	28	2	1	40	-9	-9	2	1
Other comprehensive income	1				1				
Total	**58**	**28**	**2**	**1**	**41**	**-9**	**-9**	**2**	**1**
Recognized amount is divided among the following items in the balance sheet:									
Shares in joint ventures	280		53		222		48	52	
Accrued expenses and deferred income [1]		-15		-109		-43			-110
Total	**280**	**-15**	**53**	**-109**	**222**	**-43**	**48**	**52**	**-110**

[1] Refers to joint ventures where the net sum of equity and internal profit elimination is negative.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46

INFORMATION ON OTHER JOINT VENTURE'S VALUE IN THE GROUP

Group, MSEK	2017	2016
Share of comprehensive income in other joint ventures	**83**	**59**
Comprehensive income is divided among the following items in the income statement:		
Productions costs	77	53
Other operating income	6	7
Financial expenses	–	-1
Total	**83**	**59**
Recognized value of other joint ventures	**547**	**339**
Recognized amount is divided among the following items in the balance sheet:		
Participation in joint ventures	603	393
Other provisions [1]	-47	-43
Accrued expenses and deferred income [2]	-9	-11
Total	**547**	**339**

[1] Refers to joint ventures where equity is negative.

[2] Refers to joint ventures where the net sum of equity and internal profit elimination is negative.

Company, Registered Office, Corp. ID no.	Share percent 2017	Share percent 2016
Acturum Development AB, Stockholm, 556910-5488	50	50
Arktek AS, Tromsø, 913 955 889	33.4	–
Blindheim Kran AS, Hjörungavåg, 918 329 293	45	–
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
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
Fløtningen Park AS, Skien, 992 212 330	50	–
Frenvikrönningen AS, Skien, 986 838 325	50	–
Hans Haslums Vei Utvikling AS, Lysaker, 914 498 937	50	50
Hälsostaden i Ängelholm Holding AB, Ängelholm, 556790-5723	33.33	33.33
ITolv AB, Eksjö, 556513-2478	35	35
Kaldslettneset AS, Tromsø, 911 692 058	50	50
KB Älvhögsborg, Trollhättan, 916899-2734	50	50
Kirkebakken Vest AS, Horten, 988 796 174	50	50
Klosterfoss Utvikling AS, Skien, 991 043 829	50	–
Kungsörs Grusaktiebolag, Kungsör, 556044-4134	50	50
Lillegården Eiendom AS, Skien, 886 804 512	50	–
Ljusta Projektutveckling AB, Sundsvall, 556668-4899	50	50
Ljusta Projektutveckling KB, Sundsvall, 969700-6188	50	50
Log. Sunnanå AB, Helsingborg, 556699-7788	–	50
Log. Sunnanå Två AB, Helsingborg, 559023-3911	–	50
Log. Tostarp AB, Helsingborg, 556667-8784	–	50
Log. Tostarp Två AB, Helsingborg, 559025-2259	–	50
Medkila Nord AS, Harstad, 998 565 545	50	50
Mountain Resort Trysil AS, Trysil, 996 284 115	50	50
Myren Parkering AS, Skien, 912 024 733	26.4	–

Company, Registered Office, Corp. ID no.	Share percent 2017	Share percent 2016
Nedre Holte AS, Harstad, 985 911 495	50	50
Nya Bara Utvecklings AB, Malmö, 556858-4311	50	50
Nye Egne Hjem AS, Lysaker, 913 624 149	50	50
PeBri Projektutveckling AB, Helsingborg, 556752-1108	–	50
PeKum AB, Kumla, 559041-7464	50	50
Point Hyllie Holding AB, Solna, 559023-4034	50	50
Polarkanten AS, Tromsø, 994 417 657	–	50
PPE Holding AB, Solna, 559003-7304	50	50
Runö Fastigheter Handelsbolag, Stockholm, 969723-2107	30	30
Scandinavian Mountains AB, Malung-Sälen, 556973-5631	25	–
Sicklaön Bygg Invest AB, Solna, 556911-5479	50	50
Sikrenodalen AB, Stockholm, 556616-7242	50	50
Sjökrona Exploatering AB, Helsingborg, 556790-5624	25	25
Skiab Invest AB, Malung-Sälen, 556848-5220	50	50
Skiab Invest AS, Trysil, 915 659 454	50	50
Solligården Bolig DA, Lysaker, 913 765 516	50	50
Solligården Naering AS, Lysaker, 913 764 862	50	50
Stadsliden Utveckling AB, Umeå, 556874-7413	50	50
Steindalen AS, Stjördal, 914 738 091	33.33	–
Storsvingen Blokk E AS, Hammerfest, 999 210 953	50	–
Strandvegen Utvikling AS, Tromsø, 916 575 939	–	50
Strömbrytaren Holding AB, Stockholm, 559116-6391	50	–
Strömstad Exploatering AB, Solna, 559002-4518	–	50
Svenska Fräs och Asfaltåtervinning SFA AB, Markaryd, 556214-7354	40	40
Sydpartner AB, Ängelholm, 556712-4952	50	50
TCL S.à.r.l., Luxemburg, 19982401227	50	50
Telemark Vestfold Utvikling AS, Skien, 987 208 279	–	33.4
Tomasjord Park AS, Tromsø, 983 723 853	50	50
Tornet Bostadsproduktion AB, Stockholm, 556796-2682	31	31
Trysil Hotellutvikling AS, Trysil, 987 054 409	50	50
Trysil Suiter AS, Trysil, 991 276 068	50	50
Tunveien Eiendom AS, Oslo, 916 321 007	50	–
Täljö Utveckling nr 4 AB, Stockholm, 556750-5069	30	30
Vardenbakken 99 AS, Oslo, 998 347 211	50	50
Visio Property Ltd, Buckingham, 3871355	–	50
Visio Råsunda Garage AB, Solna, 556952-9992	50	–
Visio Utveckling AB, Solna, 556848-9032	–	50
Överby Holding AB, Solna, 559103-6818	50	–
Överby Trollhättan Fastigheter AB, Stockholm, 559049-7482	50	50

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Note 19 Joint operations

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

Company, Registered Office, Corp. ID no.	Share percent 2017	Share percent 2016
Dockan Exploatering AB, Malmö, 556594-2645	33.33	33.33
Mälarstrandens Utvecklings AB, Västerås, 556695-5414	44	44

Note 20 Interest-bearing receivables

INTEREST-BEARING LONG-TERM RECEIVABLES

Group, MSEK	2017	2016
Receivables in Group joint ventures	1,297	1,463
Other interest-bearing receivables	223	299
Total	**1,520**	**1,762**

INTEREST-BEARING CURRENT RECEIVABLES

Group, MSEK	2017	2016
Receivables in Group joint ventures	93	237
Other interest-bearing receivables	318	99
Total	**411**	**336**

Note 21 Other securities held as fixed assets

Group, MSEK	2017	2016
Available-for-sale financial assets		
Shares and participation	–	480
Holdings of unlisted funds	59	54
Unlisted shares and participation valued at purchase price	21	330
Total	**80**	**864**

Parent company, MSEK	2017	2016
Opening balance	480	310
Divested assets	-574	–
Change in value	94	151
Exchange rate differences	0	19
Closing balance	**0**	**480**

Note 22 Other receivables

OTHER LONG-TERM RECEIVABLES

	Group		Parent company	
MSEK	2017	2016	2017	2016
Receivables in Group joint ventures	48	97		
Other long-term receivables	81	81		
Derivate instruments held for hedging purposes	2	–		
Total	**131**	**178**	**–**	**–**

OTHER CURRENT RECEIVABLES

	Group		Parent company	
MSEK	2017	2016	2017	2016
Receivables in Group joint ventures	10	42	–	–
Other current receivables	263	333	4	4
Derivate instruments held for hedging purposes	4	12	–	–
Total	**277**	**387**	**4**	**4**

Note 23 Project and development properties

Group, MSEK	2017	2016
Housing development rights	5,116	4,125
Commercial development rights	627	675
Projects under construction	383	736
Completed projects	170	1,246
Other	143	225
Total	**6,439**	**7,007**

After a revision of Peab's property portfolio it was decided that some property previously reported as project and development property, i.e. inventory properties, will instead be classified as operations property or investment property, in the case where there is no plan to divest the property and it is expected to remain in the Group for the foreseeable future. For this reason, as of 1 January 2017 properties for a total recorded value of SEK 619 million have been reclassified as operations property and properties for a total value of SEK 629 million have been reclassified as investment property. The reclassification of these properties is forward-looking and therefore no comparable figures have been recalculated.

Project and development properties were written down during the year for a total of SEK 22 million (59). Loan interest of SEK 16 million (6) has been activated during the year.

RECOVERY

Of the reported value of project and development property of SEK 6,439 million (7,007) some SEK 4,200 million (approximately 5,100) is expected to be recovered through the start of production or sales more than 12 months after the balance sheet day. The remaining part is expected to be recovered within 12 months of the balance sheet day.

Note 24 Inventories

Group, MSEK	2017	2016
Raw materials and consumables	118	106
Products in progress	3	9
Finished products and goods for resale	278	249
Total	**399**	**364**

Note 25 Work-in-progress

At the end of the year there was work-in-progress for a total of SEK 1,349 million (1,203) in the Group referring to costs in housing projects reported according to IAS 18, Revenue.

Note 26 Accounts receivable

Accounts receivables were written down for actual and feared bad debts for a total of SEK 17 million (26). Actual bad debts amounted to SEK 11 million (14) in the Group, of which SEK 6 million were written down in 2016. The losses resulted from some of the company's customers going bankrupt. The parent company had no bad debts.

Note 27 Construction contracts

WORKED-UP BUT NOT INVOICED INCOME

Group, MSEK	2017	2016
Worked-up income on incomplete contracts	36,706	29,525
Invoiced sales on incomplete contracts	-34,325	-26,869
Total	**2,381**	**2,656**

INVOICED INCOME NOT YET RECOGNIZED

Group, MSEK	2017	2016
Invoiced sales on incomplete contracts	45,467	39,710
Worked-up income on incomplete contracts	-39,210	-33,801
Total	**6,257**	**5,909**

Worked-up income from ongoing contracts is reported by applying the percentage of completion method. The degree of recognition is calculated on the basis of the project costs incurred at the end of the period in relation to the project costs corresponding to the project income for the whole project.

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

Note 28 Prepaid expenses and accrued income

Parent company, MSEK	2017	2016
Prepaid overhead expenses	15	10
Total	**15**	**10**

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46

Note 29 Equity

SHARES AND SHARE CAPITAL

Group	A shares	B shares	Number of issued fully paid shares	Share capital, SEK
Issued shares per 1 January 2017	34,319,957	261,729,773	296,049,730	1,583,866,056
Issued shares per 31 December 2017	**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.

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]	
	2017	2016	2017	2016
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 that occur when revaluating liabilities recognized as hedging instruments of net investments in foreign operations.

Fair value reserve

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

Hedging reserve

The hedging reserve comprises the effective part of the accumulated net changes in fair value in a cash flow hedge instrument attributable to hedged transactions that have not as yet occurred.

PROFIT BROUGHT FORWARD INCLUDING PROFIT FOR THE YEAR

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

DIVIDEND

After the balance sheet day the Board of Directors proposed the following dividend; A cash dividend of SEK 4.00 (3.60) per share, totaling SEK 1,179,850,984 (1,061,865,886), 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 7 May 2018.

PARENT COMPANY

Restricted equity

Restricted equity may not be reduced 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. Amounts transferred to the share premium reserve before 1 January 2006 have been transferred to, and are part of, the statutory reserve.

Fund for development costs

The amount activated by internally generated development costs is transferred from non-restricted equity to a fund for development costs in restricted equity. The fund will contract as the activated costs are depreciated or written down.

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 contracts, 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 less dividends paid out during the year.

Note 30 Interest-bearing liabilities

LONG-TERM LIABILITIES

Group, MSEK	2017	2016
Bank loans	1,555	1,521
Bonds	550	649
Financial leasing liabilities	411	453
Other long-term liabilities	57	105
Total	**2,573**	**2,728**

CURRENT LIABILITIES

Group, MSEK	2017	2016
Bank loans	685	440
Commercial paper	200	1,329
Bonds	100	350
Financial leasing liabilities	155	139
Liabilities to joint ventures	29	36
Total	**1,169**	**2,294**

FINANCIAL LEASING LIABILITIES

Financial leasing liabilities fall due for payment as follows;

Group, MSEK	Minimum leasing charge 2017	Interest 2017	Capital amount 2017	Minimum leasing charge 2016	Interest 2016	Capital amount 2016
Within one year	164	9	155	153	14	139
Between one and five years	414	10	404	463	19	444
Later than five years	7	0	7	9	0	9
Total	**585**	**19**	**566**	**625**	**33**	**592**

Variable leasing fees were SEK 1 million (6). For further information concerning Group financial leasing, see note 16.

CHANGES IN LOANS

			Items that do not effect cash flow				
Group, MSEK	2016	Cash flow	New leasing contracts	Acquisitions [1]	Divestments	Exchange rate difference	2017
Bank loans	1,961	74		185		20	2,240
Commercial paper	1,329	-1,129					200
Bonds	999	-349					650
Financial leasing liabilities	592	-229	218	8	-17	-6	566
Liabilities to joint ventures	36	-7					29
Other liabilities	105	-48					57
Total	**5,022**	**-1,688**	**218**	**193**	**-17**	**14**	**3,742**

[1] Acquired liabilities including liabilities taken over in business and asset acquisitions.

Parent company, MSEK	2016	Cash flow [1]	2017
Liabilities to Group companies	7,281	-955	6,326
Total	**7,281**	**-955**	**6,326**

[1] According to the cash flow analysis, changes in loans amounted to MSEK -946, which also includes changes in balances in Group accounts by MSEK 9.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46

Note 31 Pensions

DEFINED BENEFIT PENSION PLANS

Defined benefit plans consist of the Swedish ITP 2 Plan for white-collar workers which is managed through insurance with Alecta. The defined benefit plan in Norway was renegotiated in 2016 and is now recognized as a defined contribution plan. Since Alecta cannot provide the information required to report the ITP 2 plan as a defined benefit plan it is recognized as a defined contribution plan (see below).

ITP 2 defined benefit plan obligations for old age pension and family pension obligations for white-collar workers 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 2017 the company did not have the necessary information required to report its proportional share of the plan's obligations, plan assets and expenses which has made it impossible to recognise this plan as a defined benefit plan. Therefore the ITP 2 pension plan which is secured through insurance from Alecta is reported as a defined contribution plan. Premiums for the defined benefit old age and family plans are calculated individually taking into account salary, previously earned pension and anticipated remaining employment period. Anticipated premiums for the next report period for ITP 2 insurance that are covered by Alecta amount to SEK 168 million (139). 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 0.96 percent (0.94) respective 0.61 percent (0.63).

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 2017, Alecta's surplus in the form of the collective consolidation level amounted to 154 percent (149).

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.

	Group		Parent company	
MSEK	**2017**	**2016**	**2017**	**2016**
Expenses for defined contribution plans	702	614	38	33
Of which ITP 2 plans financed in Alecta	*178*	*150*	*6*	*5*

Note 32 Provisions

PROVISIONS WHICH ARE LONG-TERM LIABILITIES

Group, MSEK	2017	2016
Guarantee risk reserve	342	310
Re-establishment costs	137	136
Special payroll tax on pensions	98	85
Commitments for joint ventures	47	43
Other	13	20
Total	**637**	**594**

PROVISIONS WHICH ARE CURRENT LIABILITIES

Group, MSEK	2017	2016
Guarantee risk reserve	184	104
Disputes	56	55
Other	79	46
Total	**319**	**205**

PROVISIONS

Parent company, MSEK	2017	2016
Special payroll tax on pensions	32	28
Total	**32**	**28**

Group 2017, MSEK	Guarantee risk reserve	Re-establishment costs	Special payroll tax on pensions	Disputes	Commitments for joint ventures	Other	Total
Opening recognized value	414	136	85	55	43	66	799
Provisions set aside during the year	189	8	13	31	5	66	312
Increase through business combinations	2				1		3
Amounts requisitioned during the year	-103	-7		-20		-37	-167
Reversed unutilized provisions during the year	-11			-10		-2	-23
Increase in discounted amounts during the year		0					0
Reclassifications	35						35
Exchange rate differences		0		0	-2	-1	-3
Closing recognized value	**526**	**137**	**98**	**56**	**47**	**92**	**956**
Of which are long-term provisions	342	137	98		47	13	637
Of which are current provisions	184			56		79	319

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

Parent company, MSEK	2017	2016
Opening recognized value	28	25
Provisions set aside during the year	4	3
Closing recognized value	**32**	**28**
Of which are long-term provisions	32	28

GUARANTEE RISK RESERVE

Refers to the estimated cost of remedying faults and deficiencies in finished 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 point in time for payment is not material expected future disbursements are not valued at their current value. Provisions for guarantee risks have been made in all business areas.

RE-ESTABLISHMENT COSTS

Refers to restoration costs in Industry operations 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. Our calculation of reserved amounts is based on estimated future payments for restoration and reflects Peab’s best assessment taking risks in cash flows into consideration.

SPECIAL PAYROLL TAX ON PENSIONS

There are pension plans where the Group has acquired endowment insurance which is hedged in favor of employees through pledges. Provisions for special payroll tax are reserved calculated on the fair value of the endowment insurance, except in cases where the contract stipulates that the endowment insurance covers special payroll tax.

DISPUTES

Refers to disputes in business areas 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.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46

Note 33 Other liabilities

OTHER LONG-TERM LIABILITIES

	Group		Parent company	
MSEK	2017	2016	2017	2016
Contingent consideration	23	23		
Derivate instruments held for hedging purposes	44	95		
Other liabilities	136	64		
Total	**203**	**182**	**–**	**–**

OTHER CURRENT LIABILITIES

	Group		Parent company	
MSEK	2017	2016	2017	2016
Liabilities to joint ventures	6	5		
Contingent consideration	11	–		
Withholdings, social security costs	196	189	4	3
VAT	631	573		
On account work-in-progress	499	714		
Derivate instruments held for hedging purposes	2	1		
Other liabilities	229	149	3	4
Total	**1,574**	**1,631**	**7**	**7**

Note 34 Accrued expenses and deferred income

Parent company, MSEK	2017	2016
Accrued payroll expenses	43	39
Accrued social security expenses	18	19
Accrued overhead expenses	15	5
Total	**76**	**63**

Note 35 Valuation of financial assets and liabilities at fair value

Under IAS 39, Financial instruments, financial instruments are valued either at accrued acquisition value or fair value depending on which category they belong to. Classification largely depends on the purpose of the holding. Items which have been the object of valuation at fair value are listed shareholdings, different types of derivatives, shares in 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 Group's contingent considerations has been calculated as the current value of the amounts expected to be paid out according to the individual contracts. The single largest Group contingent consideration will be paid out if Peab receives a certain permit for quarry operations. The valuation of the purchase price is therefore dependent on how Peab judges the probability of receiving said permit. The value of this contingent consideration on the balance sheet date was SEK 22 million (22). Other contingent considerations are based on the level of orders received and the level of profit in the acquired businesses.

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

Group, MSEK	Financial assets valued at fair value via the income statement 2017	2016	Derivatives used in hedge accounting 2017	2016	Financial assets available-for-sale 2017	2016	Accounts and loan receivables 2017	2016	Other financial liabilities 2017	2016	Total recognized value 2017	2016	Fair value 2017	2016
Financial assets														
Other securities held as fixed assets					80	864					80	864	80	864
Interest-bearing long-term receivables							1,520	1,762			1,520	1,762	1,525	1,765
Other long-term receivables			2				108	158			110	158	110	158
Accounts receivable							8,709	8,221			8,709	8,221	8,709	8,221
Interest-bearing current receivables							411	336			411	336	411	336
Prepaid expenses and accrued income							28	49			28	49	28	49
Other current receivables	4	12					96	198			100	210	100	210
Liquid funds							595	1,062			595	1,062	595	1,062
Total financial assets	**4**	**12**	**2**	**–**	**80**	**864**	**11,467**	**11,786**	**–**	**–**	**11,553**	**12,662**	**11,558**	**12,665**
Financial liabilities														
Interest-bearing long-term liabilities									2,573	2,728	2,573	2,728	2,573	2,728
Other long-term liabilities			44	95					159	87	203	182	203	182
Interest-bearing current liabilities									1,169	2,294	1,169	2,294	1,169	2,296
Accounts payable									4,882	4,474	4,882	4,474	4,882	4,474
Accrued expenses and deferred income									14	14	14	14	14	14
Other current liabilities			2						152	96	154	96	154	96
Total financial liabilities	**–**	**–**	**46**	**95**	**–**	**–**	**–**	**–**	**8,949**	**9,693**	**8,995**	**9,788**	**8,995**	**9,790**
Unrecognized profit/loss [1)]													5	1

[1)] In those cases where there is a difference between recognized 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 -1 million (11). The effects stem from the market value of the outstanding currency swaps.

Parent company, MSEK	Financial assets available-for-sale 2017	2016	Accounts and loan receivables 2017	2016	Other financial liabilities 2017	2016	Total recognized value 2017	2016	Fair value 2017	2016
Financial assets										
Other securities held as fixed assets		480					–	480	–	480
Accounts receivable			1	1			1	1	1	1
Current receivables Group companies			3,472	2,444			3,472	2,444	3,472	2,444
Total financial assets	**–**	**480**	**3,473**	**2,445**	**–**	**–**	**3,473**	**2,925**	**3,473**	**2,925**
Financial liabilities										
Long-term liabilities Group companies					6,326	7,281	6,326	7,281	6,326	7,281
Accounts payable					25	28	25	28	25	28
Current liabilities Group companies					347	58	347	58	347	58
Total financial liabilities	**–**	**–**	**–**	**–**	**6,698**	**7,367**	**6,698**	**7,367**	**6,698**	**7,367**

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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.

	Level 1		Level 2		Level 3		Total	
Group, MSEK	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Financial assets								
Other securities held as fixed assets		480			59	54	59	534
Whereof shareholding in listed company		*480*					*–*	*480*
Whereof investment in unlisted funds					*59*	*54*	*59*	*54*
Other long-term receivables			2				2	–
Whereof commodity hedging with futures			*2*				*2*	*–*
Other current receivables			4	12			4	12
Whereof currency swaps			*4*	*12*			*4*	*12*
Total financial assets	**–**	**480**	**6**	**12**	**59**	**54**	**65**	**546**
Financial liabilities								
Other long-term liabilities			44	95	23	23	67	118
Whereof interest rate swaps			*44*	*95*			*44*	*95*
Whereof contingent consideration					*23*	*23*	*23*	*23*
Other current liabilities			2	0	11		13	0
Whereof currency swaps			*2*	*0*			*2*	*0*
Whereof contingent consideration					*11*		*11*	*–*
Total financial liabilities	**–**	**–**	**46**	**95**	**34**	**23**	**80**	**118**

	Level 1		Level 2		Level 3		Total	
Parent company, MSEK	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Financial assets								
Other securities held as fixed assets		480					–	480
Whereof shareholdings in listed company		*480*					*–*	*480*
Total financial assets	**–**	**480**	**–**	**–**	**–**	**–**	**–**	**480**

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

	Other securities held as fixed assets [1]	
Group, MSEK	**2017**	**2016**
Opening balance	**54**	**49**
Investments during the year	17	38
Repayment during the year	-14	–
Dividends received	-1	-51
Reported in profit/loss for the year [2]	-2	22
Reported in other comprehensive income	5	-4
Closing balance	**59**	**54**

[1] Refers in its entirety to an investment in unlisted funds. The holding is classified as a financial asset available-for-sale and is valued at fair value through other comprehensive income.
[2] Reported in net financial items.

	Contingent consideration	
Group, MSEK	**2017**	**2016**
Opening balance	**23**	**–**
Acquisitions for the year	11	24
Reported in profit/loss for the year		
Other operating income	–	-1
Interest expense (discount) [1]	0	0
Closing balance	**34**	**23**

[1] Reported in net financial items.

The contingent consideration will amount to at least SEK 3 million and at most SEK 38 million.

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Note 36 Financial risks and Finance 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 Finance 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 Committee which is chaired by the Chairman of the Board. It is authorised to make decisions that follow the Finance policy in between meetings of the Board. The Finance 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 function is to provide cost-effective funding and to minimise the negative effects on Group profit from 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 year-end is presented below.

AVAILABLE LIQUID FUNDS

Group, MSEK	2017-12-31	2016-12-31
Liquid funds and bank holdings	595	1,062
Unutilized overdraft facilities	750	1,000
Other unused credit lines	3,800	4,000
Total	**5,145**	**6,062**

The Finance policy dictates that Group net debt should mainly be covered by loan commitments that mature between 1 and 5 years. At the end of 2017, the average loan period for utilized credits was 98 months (62), for unutilized credits 27 months (29), and for all granted credits 58 months (45). 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. The option for a second year extension was utilized in 2017, which means that the contract now runs until September 2020. This loan facility is supplemented by capital market financing, other kinds of short-term operations financing, project-related credits, financial leasing and installment financing. 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 200 million (1,329).

In February 2012 Peab received approval and registration from the FI (Financial Supervisor Authority) for the issue of Medium Term Notes (MTN) with a loan limit of SEK 3 billion. No new bonds under the MTN program were issued in 2017 (SEK 350 million) but bonds nominally worth SEK 350 million (1,000) matured during the year. At the end of the year Peab had outstanding bonds with a nominal value of SEK 650 million (1,000).

Total credit commitments, excluding unutilized leasing lines, the unutilized part of the certificate program and the unutilized part of MTN-program amounted to SEK 8,492 million (10,022) per 31 December 2017. Of the total credit commitments SEK 3,742 million (5,022) was utilized.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46

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AGE ANALYSIS OF FINANCIAL LIABILITIES, UNDISCOUNTED CASH FLOW INCLUDING INTEREST

Group 2017, MSEK	Currency	Average interest rate on balance sheet day, %	Nominal value, original currency	Amount SEK	Matures 2018	Matures 2019	Matures 2020	Matures 2021	Matures 2022	Matures 2023–
Bank loans	SEK	2.1	812	812	199	165	139	170	83	56
Bank loans	NOK	2.4	237	237	185	28	8	4	4	8
Bank loans	EUR	1.4	139	1,366	365	24	100	8	7	862
Commercial papers	SEK	0.1	200	200	200					
Bonds	SEK	1.1	663	663	107	204	352			
Financial leasing liabilities	SEK	1.3	466	466	113	156	170	10	8	9
Financial leasing liabilities	NOK	3.1	120	120	41	31	26	14	6	2
Financial leasing liabilities	EUR	6.8	3	27	15	9	3			
Total interest-bearing financial liabilities				**3,891**	**1,225**	**617**	**798**	**206**	**108**	**937**
Accounts payable	SEK		4,093	4,093	4,093					
Accounts payable	NOK		543	544	544					
Accounts payable	EUR		25	245	245					
Other liabilities	SEK		213	213	83	34	74	22		
Other liabilities	NOK		88	88	59		7	19	3	
Other liabilities	EUR		2	24	24					
Interest rate swaps	SEK			44	29	6	5	4	0	
Total non-interest bearing financial liabilities				**5,251**	**5,077**	**40**	**86**	**45**	**3**	
Total financial liabilities				**9,142**	**6,302**	**657**	**884**	**251**	**111**	**937**

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**

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 2017, interest-bearing net debt amounted to SEK 1,216 million (1,862). Interest-bearing liabilities amounted to SEK 3,742 million (5,022), of which SEK 1,169 million (2,294) were short-term. The Finance policy dictates that the average fixed interest period on total borrowing may not exceed 24 months. Peab has chosen short fixed interest periods for outstanding credits.

Per 31 December 2017 there were interest rate swaps of SEK 1,400 million (2,250) with maturity between 0 and 4 years at an effective interest rate of 2.9 percent (2.7) 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 2017-12-31 this fair value was SEK -44 million (-95).

Interest rate derivates

MSEK	Currency	Effective rate %	Amount SEK	Matures 2017	Matures 2018	Matures 2019	Matures 2020	Matures 2021	Matures 2022	Matures 2023–
Interest rate swaps 2017-12-31	SEK	2.9	1,400		1,150				250	
Interest rate swaps 2016-12-31	SEK	2.7	2,250	850	1,150				250	

As the table below shows, the fixed interest period for SEK 3,278 million (3,622) of the Group's total interest-bearing liabilities, including derivatives, is less than 1 year. Interest-bearing asset items totaling SEK 1,048 million (1,978) have short fixed interest periods, with the result that the fixed interest period for SEK 2,230 million (1,644) 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 regarding Peab's risk sensitivity see the Sensitivity Analysis on page 44 in the Board of Directors' report.

Fixed interest rate period on utilized credits, excluding derivates per 31 December 2017

Fixed interest period	Amount, MSEK	Average effective interest rate, percent	Share, percent
2018	3,528	1.5	94
2019–	214	2.4	6
Total	**3,742**	**1.6**	**100**

Fixed interest rate period on utilized credits, including derivates per 31 December 2017

Fixed interest period	Amount, MSEK	Average effective interest rate, percent	Share, percent
2018	3,278	2.6	88
2019–	464	2.7	12
Summa	**3,742**	**2.6**	**100**

CURRENCY RISKS

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

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 2017, including leasing but excluding currency and interest rate derivatives, was allocated as follows:

	2017-12-31		2016-12-31	
	Local currency in millions	MSEK	Local currency in millions	MSEK
SEK	2,061	2,061	3,625	3,625
EUR	136	1,340	92	883
NOK	341	341	487	514
Total		**3,742**		**5,022**

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 when closing the books and value changes are reported as unrealized exchange rate differences in the income statement and as current receivables and liabilities on the balance sheet. At the end of the year, there were EUR 22 million (50) in outstanding currency swaps relating to financial exposure. Last year EUR 42 million referred to currency swaps for the Lemminkäinen Oyj shareholding which was divested in the fourth quarter 2017. Exchange rate differences in net financials items from financial exposure were SEK -22 million (-7). Exchange rate differences in operating profit were SEK -2 million (-2).

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 2017 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	2017	Of which hedged	2016	Of which hedged
NOK	1,360	–	822	–
EUR	30	10	38	10
PLN	2	–	1	–

A change in the euro rate as of December 31, 2017 by ten percent would involve a translation effect on equity of SEK 20 million (27). A corresponding change of the Norwegian crown would generate a translation effect on equity of SEK 136 million (87). 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/loss for the year are limited.

Annual translation differences in equity (net assets in foreign subsidiaries) amounted to SEK -53 million (166).

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46

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Commercial exposure

Although international purchases and sales of goods and services in foreign currency are currently limited, they are expected to increase as the competition grows regarding purchasing goods and services. Contracted or forecasted currency flows can be hedged for 12 months from the date of the contract. At the end of the year, there were exchange rate hedges related to forecasted currency flows of EUR 10 million (7).

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

SHARE PRICE RISK

Peab has been exposed to share price risk through its holding in the listed company Lemminkäinen Oyj. The entire shareholding was divested in 2017. The reported value of this holding on the balance date in 2016 amounted to SEK 480 million.

CREDIT RISK

Credit risk refers to the risk of losing money if a counterparty fails to meet its 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 Finance 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. According to the agreement 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 on the balance sheet. The information in the table below shows the financial instruments covered by ISDA agreements.

	2017		2016	
Group, MSEK	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Recognized gross amount	6	46	12	95
Amount covered by netting agreement	-5	-5	-12	-12
Net sum after netting agreement	**1**	**41**	**0**	**83**

Peab did not suffer any financial instrument losses in 2017. Total counterparty exposure related to derivative trading calculated as a net receivable per counterparty amounted to SEK 1 million (0) at the end of 2017. The estimated gross exposure to counterparty risks related to liquid funds and current investments amounted to SEK 595 million (1,062).

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 sizes 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 on the Group balance sheet. Total bad debts amounted in 2017 to SEK 11 million (14). 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	2017	2016
Accounts receivable, not mature	6,217	6,612
Accounts receivable, overdue 0 – 30 days	610	570
Accounts receivable, overdue 31 – 90 days	149	284
Accounts receivable, overdue 91 – 180 days	492	134
Accounts receivable, overdue 181 – 360 days	212	49
Accounts receivable, overdue > 360 days	1,075	623
Total	**8,755**	**8,272**

Accounts receivable written-down

Group, MSEK	2017	2016
Opening balance	51	44
Reversed write-downs	-15	-10
Write-downs	12	17
Reclassifications	-2	–
Exchange rate differences	0	0
Balance carried forward	**46**	**51**

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

CAPITAL MANAGEMENT

Peab strives 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 also promotes 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	2017	2016
Share capital	1,584	1,584
Other contributed capital	2,576	2,576
Reserves	-167	-153
Retained earnings including profit for the year	6,368	5,373
Equity attributable to shareholders in parent company	**10,361**	**9,380**

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 2017 was 32.1 percent (29.7).

It is the ambition of the Board of Directors to preserve a balance between a high 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 shareholders in the parent company divided by the average equity attributable to shareholders in the parent company) in excess of 20 percent. The return on equity was 21.1 percent (20.1) for 2017. The Board believes the target figure is a relevant level long-term for Peab. In comparison, the Group's average interest expenses on interest-bearing borrowing, including derivatives, were 2.6 percent (2.6) on 31 December 2017.

Peab´s target for dividends is an annual distribution of at least 50 percent of profit for the year 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 4.00 per share (3.60) is proposed for 2017. Excluding the 1,086,984 B shares owned by Peab AB on 31 December 2017, which do not entitle to dividends, the proposed dividend is equivalent to a total dividend distribution of SEK 1,180 million (1,062). Calculated as a share of the Group's reported profit for the year, the proposed dividend amounts to 57 percent (61). 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 2017, 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 2017, Peab's AGM authorized the Board of Directors to acquire shares in Peab AB up to an amount so that after acquisition Peab would hold a maximum of 10 percent of the registered shares in the company. During 2017 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 37 Operational leasing contracts

LEASING CONTRACTS WHERE THE COMPANY IS LESSEE

Expensed leasing payments for the year:

Group, MSEK	2017	2016
Minimum lease payments	246	261
Total leasing costs	**246**	**261**

Non-cancellable leasing payments amount to:

Group, MSEK	2017	2016
Within a year	238	210
Between one and five years	471	504
Later than five years	63	58
Total	**772**	**772**

Rental of premises, office inventory 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.

LEASING CONTRACTS WHERE THE COMPANY IS LESSOR

Leasing payments for the year recognized as income:

Group, MSEK	2017	2016
Minimum lease payments	131	117
Variable fees	15	11
Total leasing income	**146**	**128**

Non-cancellable leasing payments amount to:

Group, MSEK	2017	2016
Within a year	118	97
Between one and five years	248	124
Later than five years	411	35
Total	**777**	**256**

In 2017 a long leasing contract was signed for a commercial property in Västerås.

Note 38 Investment obligations

In 2017, the Group signed agreements to acquire tangible fixed assets amounting to SEK 136 million (212). In addition, the Group has decided to construct buildings (offices) for the amount of SEK 461 million.

At the end of both 2017 and 2016, the Group had no commitments to invest in joint arrangements.

Companies classified as joint arrangements have committed to investments of SEK 1,395 million (948). Most of the investments refer to construction of commercial property and are expected to be settled in the coming fiscal years.

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

Note 39 Pledged assets, contingent liabilities and contingent assets

PLEDGED ASSETS

	Group		Parent company	
MSEK	2017	2016	2017	2016
For own liabilities and provisions				
Real estate mortgages [1]	1,489	1,037		
Assets with attached lines	1,290	1,576		
Other	49	153		
Other pledged assets and guarantees				
Real estate mortgages [2]	3	3		
Floating charges	8	8		
Total	**2,839**	**2,777**	**–**	**–**

[1] Pledged assets of which SEK 295 million (–) are recognized as fixed assets and SEK 1,194 million (1,037) as current assets.

[2] Pledged assets recognized as fixed assets.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46

CONTINGENT LIABILITIES

	Group		Parent company	
MSEK	2017	2016	2017	2016
Shared obligations as partial owners in limited partnerships	34	72	–	–
Guarantees and contracting guarantees for Group companies	–	–	9,355	11,020
Guarantee liabilities for the benefit of joint arrangements	2,718	2,267	2,718	2,267
Obligations to tenant-owner associations under construction	7,750	4,498	7,750	4,498
Other guarantees and contingent liabilities	0	138	0	138
Total	**10,502**	**6,975**	**19,823**	**17,923**

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 noll 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 40 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
Profit brought forward	1,123,233,744
Profit for the year	2,016,785,296
Total	**5,503,227,988**

The Board of Directors propose the following appropriation of disposable profit and non-restricted reserves;	
Dividend, 296,049,730 shares at SEK 4.00 per share	1,184,198,920
Carried forward [1)]	4,319,029,068
Total	**5,503,227,988**
[1)] of which to share premium reserve	2,308,208,948

Note 41 Related parties

The Group is subject to considerable influence by Mats Paulsson, Fredrik Paulsson and Anita Paulsson together with families, children and companies. As part of the generation shift, in the spring of 2017 the Paulsson families merged the majority of their indirect holdings into a holding company, Ekhaga Utveckling AB, which is controlled by Mats Paulsson's son Fredrik Paulsson. Ekhaga Utveckling AB has 48.2 percent of the votes. Peab's Chairman of the Board, Göran Grosskopf, is also chairman in Ekhaga Utveckling AB. At the end of 2017 the collective ownership connected to the Paulsson families amounted to a total of 25.5 percent of the capital and 57.6 percent of the votes.

SKISTAR

The Skistar Group is subject to considerable influence by Mats Paulsson with families, children and companies through their ownership of the company. Fredrik Paulsson is a member of the Board of Directors of Skistar from December 2017.

KRANPUNKTEN

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

AB AXEL GRANLUND/VOLITO

Karl-Axel Granlund is a member of the Board of Directors of Peab and together with his family, children and companies has had decisive influence in AB Axel Granlund/Volito until June 2017. After a generation shift in AB Axel Granlund the shareholding majority was transferred to his three sons. Karl-Axel Granlund continues to be Chairman of Volito AB which is part of the AB Axel Granlund group.

JOINT ARRANGEMENTS

In addition to the related parties presented above the Group has a related party relation with its joint arrangements, see note 18 and 19.

SUBSIDIARIES

In addition to the related parties relations given above for the Group, the parent company has a related party relation with its subsidiaries, see note 42.

SUMMARY OF TRANSACTIONS WITH RELATED PARTIES

Group, MSEK	2017	2016
Transactions with joint arrangements		
Sales to joint arrangements	1,462	1,081
Purchases from joint arrangements	201	118
Interest income from joint arrangements	53	86
Interest costs to joint arrangements	2	12
Receivables from joint arrangements	1,749	1,986
Liabilities to joint arrangements	50	53
Dividends from joint arrangements	82	180
Capital contributions to joint arrangements	40	19
Guarantee liabilities for the benefit of joint arrangements	2,718	2,267
Transactions with Skistar		
Sales to Skistar	1	7
Purchases from Skistar	1	1
Transactions with Kranpunkten		
Sales to Kranpunkten	36	36
Purchases from Kranpunken	52	48
Receivables from Kranpunkten	7	7
Liabilities to Kranpunkten	10	6
Transactions with AB Axel Granlund/Volito		
Sales to AB Axel Granlund/Volito	12	28
Sales of 50 percent of the shares in Peab FU Linné AB [1]	–	389
Purchases from AB Axel Granlund/Volito	0	1
Receivables from AB Axel Granlund/Volito	11	8
Dividends to AB Axel Granlund/Volito	60	50

[1] 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.

SUMMARY OF TRANSACTIONS WITH RELATED PARTIES

Parent company, MSEK	2017	2016
Transactions with subsidiaries		
Sales to subsidiaries	253	241
Purchases from subsidiaries	71	48
Interest costs to subsidiaries	130	142
Receivables from subsidiaries	3,472	2,444
Liabilities to subsidiaries	6,673	7,339
Capital contributions to subsidiaries	311	35
Transactions with AB Axel Granlund/Volito		
Dividends to AB Axel Granlund/Volito	60	50

EXECUTIVE MANAGEMENT

For information on salaries and other remuneration to the Board of Directors, 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 took place on market terms.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46

Note 42 Group companies

Company	Corp.ID.nr	Registered office	Share of equity [1) 2)]	Recognized value in parent company, MSEK 2017	2016
Peab Finans AB	556552-1324	Båstad	100.0%	1,616	1,616
Peab Sverige AB	556099-9202	Båstad	100.0%	3,622	3,622
Peab Sp.z.o.o	40624	Warszawa	100.0%	–	–
Kompetenskraft i Solna AB	556737-7683	Solna	100.0%	–	–
Kompetansekraft AS	991 687 971	Lysaker	100.0%	–	–
KB Muraren 135	916837-9841	Båstad	100.0%	–	–
KB Möllevarvet	969639-7877	Båstad	100.0%	–	–
KB Snickaren 204	969684-0975	Båstad	100.0%	–	–
Torghuset i Värnamo AB	556607-6807	Båstad	100.0%	–	–
Undertak- och Fasad-entreprenader Sverige AB	556058-5837	Stockholm	100.0%	–	–
Rörman Installation & Service Sverige AB	556026-0316	Sundbyberg	100.0%	–	–
Fastighetsförvaltningsbolaget Gasellen 2 HB	916563-4271	Stockholm	100.0%	–	–
Olsson & Zarins Baltinvest AB	556439-3592	Uppsala	100.0%	–	–
Kungsfiskaren Bygg & Fastighet AB	556471-2296	Stockholm	100.0%	–	–
Peab Construction Syd AB	556292-2368	Båstad	100.0%	–	–
Peab Construction i Göteborg AB	556626-9089	Båstad	100.0%	–	–
Peab Byggservice AB	556066-3675	Båstad	100.0%	–	–
Peab Fastigheter i Växjö AB	556716-6664	Båstad	100.0%	–	–
Peab Ugglarp AB	556094-5072	Båstad	100.0%	–	–
HälsingeBygg i Hudiksvall AB	556624-4025	Hudiksvall	100.0%	–	–
Värby Fastighets AB	556703-4771	Båstad	100.0%	–	–
Peab Sverige AB, dansk filial	1595622	Fredrikshavn	100.0%	–	–
KB Brämaregården 18:4	969638-3364	Kristianstad	100.0%	–	–
Peab Infra Oy	2303725-2	Helsinki	100.0%	–	–
Peab Bostadsproduktion AB	556554-6487	Båstad	100.0%	–	–
Norrberga Exploaterings AB	556809-1846	Solna	100.0%	–	–
Peab Anläggning AB	556568-6721	Båstad	100.0%	792	492
Skillingenäs AB	556587-0192	Båstad	100.0%	–	–
Olof Mobjer Entreprenad AB	556445-1275	Båstad	100.0%	–	–
West Wind AB	556615-7797	Solna	100.0%	–	–
G Nilsson Last & Planering i Ranseröd AB	556236-0908	Båstad	100.0%	–	–
Peab Industribyggnad i Norr AB	556851-7121	Båstad	100.0%	–	–
Peab Anlegg AS	913 502 566	Lysaker	100.0%	–	–
Peab Prosjekt i Nord ANS	913 935 047	Lysaker	100.0%	–	–
Solberg Maskin AS [3)]	999 327 869	Heimdal	90.3%	–	–
Peab Grundläggning AB	556154-7364	Båstad	100.0%	–	–
Berg & Betongtätning i Sverige AB	559059-6473	Båstad	100.0%	–	–
Tranab Markbyggnad AB	556687-3963	Örebro	100.0%	–	–
Peab Oy	1509374-8	Helsinki	100.0%	488	488
Kehitysyhtiö Pyynikki Oy	2214064-5	Helsinki	100.0%	–	–
Peab Bygg Norge AS	920 003 672	Tromsø	100.0%	861	–
K.Nordang AS	936 574 696	Stranda	100.0%	–	–
Björn Bygg AS	943 672 520	Tromsø	100.0%	–	–
Nilsen & Haukland AS	986 359 168	Harstad	100.0%	–	–

Company	Corp.ID.nr	Registered office	Share of equity [1) 2)]	Recognized value in parent company, MSEK 2017	2016
Peab Eiendomsutvikling Nord AS	982 794 528	Tromsø	100.0%	–	–
Bogstrand AS	996 043 428	Harstad	100.0%	–	–
Firkanten Utbygging AS	915 464 254	Tromsø	100.0%	–	–
Strandvegen Utvikling AS	916 575 939	Tromsø	100.0%	–	–
Peab AS	990 040 729	Lysaker	100.0%	–	861
Peab Eiendomsutvikling AS	987 099 011	Lysaker	100.0%	–	–
Midtveien 8 Eiendom AS	914 308 461	Lysaker	100.0%	–	–
Trondheimsveien 113 AS	994 535 250	Lysaker	100.0%	–	–
ANS Solligården	957 524 346	Lysaker	100.0%	–	–
Peab Bolig Prosjekt AS	990 892 385	Lysaker	100.0%	–	–
Telemark Vestfold Utvikling AS	987 208 279	Skien	100.0%	–	–
Kjølnes Eiendom AS	991 085 033	Skien	75.0%	–	–
Peab Industri AB	556594-9558	Båstad	100.0%	2,588	2,588
Peab Industri Sverige AB	556594-9624	Ängelholm	100.0%	–	–
Grunnarbeid Lysaker AS	996 217 981	Lysaker	100.0%	–	–
Lambertsson Sverige AB	556190-1637	Båstad	100.0%	–	–
Lambertsson Kran AB	556543-5293	Båstad	100.0%	–	–
KB Muraren 105	916837-9544	Mölndal	100.0%	–	–
Krantorp KB	969623-0540	Mölndal	100.0%	–	–
ATS Kraftservice AB	556467-5998	Båstad	100.0%	–	–
ATS Tjänster AB	556501-1011	Helsingborg	100.0%	–	–
Hagström i Nås AB	556377-1376	Vansbro	100.0%	–	–
Swerock AB	556081-3031	Helsingborg	100.0%	–	–
Rådasand AB	556042-8699	Lidköping	100.0%	–	–
Peab Transport & Maskin AB	556097-9493	Örkelljunga	100.0%	–	–
AB Roler	556100-0729	Örebro	100.0%	–	–
Ferdigbetong AS	987 013 117	Tromsø	100.0%	–	–
Swecem AB	556919-5760	Helsingborg	100.0%	–	–
Skandinaviska Byggele-ment AB	556034-2148	Helsingborg	100.0%	–	–
AB Smidmek Eslöv [3)]	556232-3963	Eslöv	60.0%	–	–
Lättklinkerbetong AB	556239-1721	Alingsås	100.0%	–	–
Peab PGS AB	556428-5905	Båstad	100.0%	–	–
Peab Asfalt AB	556098-8122	Båstad	100.0%	–	–
Bodenhus AB	556279-8768	Boden	100.0%	–	–
Pionjären Fastighets AB	556114-9773	Boden	100.0%	–	–
Kvalitetsasfalt i Mellan-sverige AB	556537-5432	Västerås	100.0%	–	–
Peab Asfalt Norge AS	994 628 577	Lysaker	100.0%	–	–
Peab Bildrift Norden AB	556707-8380	Helsingborg	100.0%	–	–
Peab Bildrift Sverige AB	556313-9608	Helsingborg	100.0%	–	–
Peab Bildrift Norge AS	892 890 692	Lysaker	100.0%	–	–
Peab Vagnpark AB	556234-0371	Båstad	100.0%	–	–
Peab Industri Norge AS	990 609 527	Lysaker	100.0%	–	–
Kranor AS	976 313 062	Slemmestad	100.0%	–	–
Peab Industri Finland AB	556687-9226	Helsingborg	100.0%	–	–
Peab Industri Oy	1509160-3	Helsinki	100.0%	–	–
Lambertsson Oy	0937993-4	Helsinki	100.0%	–	–

Company	Corp.ID.nr	Registered office	Share of equity [1) 2)]	Recognized value in parent company, MSEK 2017	2016
Annehem Fastigheter AB	556683-4452	Båstad	100.0%	22	22
Annehem Fastigheter & Projekt AB	556715-5220	Båstad	100.0%	–	–
Fastighets AB Skepps-dockan i Malmö	556563-0711	Ängelholm	100.0%	0	0
Valhall Flyg AB	556718-8593	Ängelholm	100.0%	–	–
Br Paulsson Peab AB	556113-4114	Båstad	100.0%	157	157
Stadiongatans Lokal-uthyrning AB	556141-1736	Båstad	100.0%	–	–
Norrviken Exploaterings AB	556245-3356	Båstad	100.0%	–	–
Vejby Transport & Miljö AB	556240-2742	Ängelholm	100.0%	1	1
Peab Support AB	556061-1500	Stockholm	100.0%	56	55
Peab Support AS	998 622 670	Lysaker	100.0%	–	–
Peab Support Oy	2586326-7	Helsinki	100.0%	–	–
Peab Försäkrings AB	556511-5408	Båstad	100.0%	1,370	1,370
Birsta Fastigheter AB	556190-3765	Helsingborg	100.0%	60	60
Peabskolan AB	556442-7432	Båstad	100.0%	1	1
Peab Norden AB	556134-4333	Båstad	100.0%	1	7
Peab Skandinavien AB	556568-8784	Båstad	100.0%	0	0
Flygstaden Intressenter i Söderhamn AB	556438-9665	Båstad	100.0%	241	241
HDWG Finans AB	556470-0184	Båstad	100.0%	–	–
Skånska Stenhus AB	556233-8680	Stockholm	100.0%	–	–
Flygstaden Intressenter i Grevie AB	556541-5360	Båstad	100.0%	–	–
Peab Projektutveckling AB	556715-0254	Båstad	100.0%	21	11
Peab Bostad AB	556237-5161	Stockholm	100.0%	–	–
Peab BU Holding 4 AB	559118-0871	Solna	100.0%	–	–
Peab BU Holding 3 AB	559076-5466	Solna	100.0%	–	–
Peab Rankhus AB	559040-9974	Solna	100.0%	–	–
Verkstaden 17 i Västerås AB	559114-5916	Solna	100.0%	–	–
Peab BU Drift AB	559076-5516	Solna	100.0%	–	–
Peab BU Lager 2 AB	559076-5524	Solna	100.0%	–	–
Fastighets AB Partille 11	556518-4354	Gothenburg	100.0%	–	–
Partille 11 Bostad Holding AB	556958-4146	Gothenburg	100.0%	–	–
Partille 11 Bostad BR 1 AB	556960-0330	Gothenburg	100.0%	–	–
Partille 11 Bostad BR 2 AB	556960-0348	Gothenburg	100.0%	–	–
Partille 11 Bostad BR 3 & 4 AB	556960-0355	Gothenburg	100.0%	–	–
Partille 11 Bostad 3A AB	556960-0363	Gothenburg	100.0%	–	–
Partille 11 Bostad 3B AB	556960-0371	Gothenburg	100.0%	–	–
Partille 11 Bostad 4A AB	556960-0389	Gothenburg	100.0%	–	–
Partille Port Holding AB	556960-0264	Gothenburg	100.0%	–	–
Fastighets AB Partille Port 3	556960-0272	Gothenburg	100.0%	–	–
Fastighets AB Partille Port 4	556960-0280	Gothenburg	100.0%	–	–
Peab BU Holding 2 AB	559036-7396	Solna	100.0%	–	–
Peab Riksten 1 AB	559036-7354	Solna	100.0%	–	–
Peab Riksten 2 AB	559036-7461	Solna	100.0%	–	–
Peab Riksten 3 AB	559036-7453	Solna	100.0%	–	–
Peab Riksten 4 AB	559036-7446	Solna	100.0%	–	–
Peab Sturefors AB	559065-7499	Solna	100.0%	–	–
Stockholms Kommersiella Fastighets AB	556105-6499	Stockholm	100.0%	–	–

Company	Corp.ID.nr	Registered office	Share of equity [1) 2)]	Recognized value in parent company, MSEK 2017	2016
Stora Hammars Exploatering AB	556763-4216	Vellinge	100.0%	–	–
Strömstad Exploatering AB	559002-4518	Solna	100.0%	–	–
Hatteskär AB	556874-6936	Båstad	100.0%	–	–
Peab Projektutveckling Väst AB	556092-9852	Gothenburg	100.0%	–	–
Peab Trading Väst AB	556594-9590	Gothenburg	100.0%	–	–
Smögen Exploatering AB	556090-5472	Båstad	100.0%	–	–
Peab Borås Exploatering AB	556651-7727	Båstad	100.0%	–	–
Kreaton AB	556644-5010	Gothenburg	100.0%	–	–
Peab Holding Väst AB	556900-2586	Gothenburg	100.0%	–	–
Kompligens Fastigheter AB	556691-2555	Båstad	100.0%	–	–
KB Klagshamn Exploatering	916563-4412	Båstad	100.0%	–	–
Peab Trading Nord AB	556715-4827	Solna	100.0%	–	–
Fastighets AB Ekudden	556628-0326	Alingsås	100.0%	–	–
Västgöta Mark och Entreprenad AB	556644-1308	Alingsås	100.0%	–	–
Husgruppen i Alingsås KB	969728-7887	Gothenburg	100.0%	–	–
Peab i Kungsbacka 8 AB	556789-7466	Gothenburg	100.0%	–	–
Peab i Kungsbacka 9 AB	556791-4493	Gothenburg	100.0%	–	–
Kista Gård 3 Parkering AB	556938-3648	Solna	100.0%	–	–
Fastighetsbolaget Måsbodarna Tre AB	556691-9907	Solna	100.0%	–	–
Telge Peab AB	556790-5889	Södertälje	100.0%	–	–
Peab Trading Öst AB	556778-8749	Stockholm	100.0%	–	–
Fastighets AB Isolatorn	556913-9644	Solna	100.0%	–	–
Perioden Fastighets AB	556832-7919	Solna	100.0%	–	–
Peab Trading Solna AB	556793-1554	Solna	100.0%	–	–
KB Messingen	916837-9817	Stockholm	50,0%	–	–
Fastighets AB Spelhagen	556795-0992	Solna	100.0%	–	–
DGV i Enskede AB	556750-3791	Stockholm	100.0%	–	–
Peab Förskolan AB	556707-9719	Sigtuna	100.0%	–	–
Hanbjelken AB	556699-4306	Solna	100.0%	–	–
Furuspecialen i Nyköping Fastighets AB	556695-9986	Solna	100.0%	–	–
Eldslundfastigheter Sverige AB	556750-2165	Linköping	100.0%	–	–
Råsta Arenabostäder AB	556789-3002	Solna	100.0%	–	–
Råsta Köpcenterbostäder AB	556789-2921	Solna	100.0%	–	–
Peab Hermelinen AB	556872-5633	Stockholm	100.0%	–	–
Peab Racketen AB	556721-1635	Stockholm	100.0%	–	–
Peab Söderbymalm 3:405 AB	556722-0735	Stockholm	100.0%	–	–
Centrumhuset i Sigtuna AB	556961-9769	Solna	100.0%	–	–
Norrvikens Fastigheter AB	556703-1470	Stockholm	100.0%	–	–
Peab Markutveckling AB	556949-4437	Solna	100.0%	–	–
Peab BU Holding 1 AB	559019-1846	Solna	100.0%	–	–
Peab Slättö Exploatering AB	559065-1427	Solna	100.0%	–	–
Peab Hyllie Allé AB	559033-0543	Solna	100.0%	–	–
Ale Exploatering AB	556426-2730	Göteborg	100.0%	–	–
Peab Drotten 10 AB	559032-4686	Solna	100.0%	–	–
Peab Högsbo 34:6 AB	556898-8553	Stockholm	100.0%	–	–
Peab i Valla AB	559019-1853	Solna	100.0%	–	–

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Company	Corp.ID.nr	Registered office	Share of equity [1) 2)]	Recognized value in parent company, MSEK 2017	2016
Peab Alp Lodge AB	559019-1903	Solna	100.0%	–	–
Peab Innovation H AB	559019-2497	Solna	100.0%	–	–
Åkanten Smedstabäcken AB	559019-1929	Solna	100.0%	–	–
Peab Etage AB	559019-1895	Solna	100.0%	–	–
Paletten i Valla AB	559019-1887	Solna	100.0%	–	–
White Campus Corner AB	559019-1861	Solna	100.0%	–	–
Peab Råsunda Holding AB	559030-7723	Solna	100.0%	–	–
Visio Exploatering AB	556570-7030	Solna	100.0%	–	–
Peab Fastighetsutveckling AB	556824-8453	Båstad	100.0%	–	–
Peab Fastighet AB	559091-3538	Solna	100.0%	–	–
Peab FU Holding 6 AB	556649-9116	Båstad	100.0%	–	–
Båramo i Värnamo AB	556713-7871	Båstad	100.0%	–	–
Peab Invest Oy	1773022-9	Helsinki	100.0%	–	–
Property Gardener Oy	2558819-7	Helsinki	100.0%	–	–
Kiinteistö Oy Eventes II	1582860-1	Esbo	100.0%	–	–
Kiinteistö Oy Mallanpuisto	1580499-2	Esbo	100.0%	–	–
Kiinteistö Oy City Garden	2625235-3	Tammerfors	100.0%	–	–
Ultimes Ky	2568845-4	Helsinki	100.0%	–	–
Ultimes Parking Ky	2568844-6	Helsinki	100.0%	–	–
Ultimes II Ky	2850052-5	Helsinki	100.0%	–	–
Peab Fastighetsutveckling Sverige AB	556825-9856	Båstad	100.0%	–	–
Peab Utveckling Nord AB	556341-7228	Båstad	100.0%	–	–
Peab Ägaarena 1 AB	556741-8552	Solna	100.0%	–	–
Peab Ägaarena 2 AB	556741-8560	Solna	100.0%	–	–
Peab Exploateraarena-staden AB	556741-8586	Solna	100.0%	–	–
Peab Drivaarena AB	556741-8578	Solna	100.0%	–	–
Peab Hem AB	556077-8499	Båstad	100.0%	–	–
Peab Fågelbärsvägen AB	559011-5613	Solna	100.0%	–	–
Peab Fabriksgatan AB	556963-9825	Solna	100.0%	–	–
Peab Kastanjeparken AB	556059-0910	Båstad	100.0%	–	–
Annehem Hylliecentrum AB	556683-4478	Båstad	100.0%	–	–
Annehem Bygg & Projekt AB	556699-8430	Båstad	100.0%	–	–
Peab Bad AB	556870-3564	Solna	100.0%	–	–
Pebri Glumslöv AB	556758-6853	Helsingborg	100.0%	–	–
Pebri Glumslöv HB	969717-3335	Helsingborg	100.0%	–	–
Åke & Clas Skoogh Holding AB	556722-9066	Kristianstad	100.0%	–	–
Peab FU Holding 1 AB	556855-6954	Solna	100.0%	–	–
Peab FU Måby AB	556874-6837	Solna	100.0%	–	–
INSPI Sweden AB	556796-7970	Stockholm	100.0%	–	–
Peab FU Sporthall AB	556901-4557	Solna	100.0%	–	–
Peab FU Holding 3 AB	556866-8635	Solna	100.0%	–	–
Peab FU Almnäs AB	556594-9160	Solna	100.0%	–	–
Peab FU Visby AB	556679-4862	Solna	100.0%	–	–
Peab FU Visby Exploatering AB	556800-9335	Solna	100.0%	–	–
Peab FU Fartygsmekano AB	556345-8586	Solna	100.0%	–	–
Peab FU Jupiter 11 AB	556892-3428	Solna	100.0%	–	–
Peab FU Jupiter 4 AB	556126-0745	Solna	100.0%	–	–
Peab FU ÖFU AB	556916-2596	Solna	100.0%	–	–
Annehem MAH AB	556919-5752	Solna	100.0%	–	–
Peab FU Bommen AB	556928-0752	Solna	100.0%	–	–
Peab FU Holding 2 AB	556864-4156	Solna	100.0%	–	–
Peab Projektfastigheter AB	556202-6962	Stockholm	100.0%	–	–
Peab Förvaltning Nyköping AB	556632-7747	Nyköping	100.0%	–	–
Peab Park AB	556107-0003	Båstad	100.0%	–	–
Kokpunkten Fastighets AB	556759-5094	Stockholm	100.0%	–	–
Ängelholms Flygplats AB	556814-2896	Båstad	100.0%	–	–
Ljungbyhed Park AB	556545-4294	Båstad	100.0%	–	–
Projektfastigheter Götaland AB	556259-3540	Båstad	100.0%	–	–
Skånehus AB	556547-6958	Båstad	100.0%	–	–
Peab FU Silhouette 1 AB	556895-0116	Solna	100.0%	–	–
Ulriksdal Utveckling AB	556509-6392	Solna	100.0%	–	–
Riksten Friluftsstad AB	556547-8764	Stockholm	100.0%	–	–
Peab Holding AB	556594-9533	Båstad	100.0%	–	–
Fältjägaren 3 AB	556851-7261	Östersund	100.0%	–	–
Fältjägaren 7 AB	556855-7176	Östersund	100.0%	–	–
Visborg Infanteristen 1 AB	556970-5717	Solna	100.0%	–	–
Peab FU Rebbelberga 147 AB	556470-0176	Solna	100.0%	–	–
Peab FU Holding 4 AB	556946-9058	Solna	100.0%	–	–
Peab FU Vintrie 1 AB	559034-8925	Solna	100.0%	–	–
Peab FU Vintrie 2 AB	559034-8917	Solna	100.0%	–	–
Peab FU Husbacka AB	556946-9108	Solna	100.0%	–	–
Peab FU Gennakern AB	556949-4312	Solna	100.0%	–	–
Peab FU Holding 5 AB	556979-7698	Solna	100.0%	–	–
Peab FU Holding 7 AB	559030-7301	Solna	100.0%	–	–
Peab FU Lager 2 AB	559076-5508	Solna	100.0%	–	–
Incasec AB	556591-2267	Båstad	100.0%	0	0
Peab Grevie AB	556715-0213	Båstad	100.0%	0	0
Peab Invest Yek AB	556753-4226	Borås	100.0%	–	–
Peab Vejby AB	556663-2682	Båstad	100.0%	50	50
Sieglo AB	556556-0595	Båstad	100.0%	169	169
Skåne Projektfastigheter AB	556471-9143	Båstad	100.0%	0	0
Lappmarken i Malmö AB	556796-2849	Båstad	100.0%	–	–
Mauritz Larsson Byggnads AB	556036-8242	Båstad	100.0%	–	–
Projektfastigheter Väst AB	556044-1866	Båstad	100.0%	–	–
Peab Lokal AB	559025-6607	Solna	100.0%	0	0
Total				12,116	11,811

1) The share of capital corresponds to the share of votes.
2) Except for the Group companies acquired in 2017 (see note 5), the share of capital in 2017 corresponds to the share of capital in 2016.
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	2017	2016
Opening acquisition value	16,183	16,148
Purchases	861	–
Paid shareholder contribution	311	35
Reduction of share capital	-6	–
Sales	-3,468	–
Closing accumulated acquisition values	**13,881**	**16,183**
Opening revaluations	100	100
Closing accumulated revaluations	**100**	**100**
Opening write-downs	-4,472	-4,472
Sales	2,607	–
Write-downs	0	0
Closing accumulated write-downs	**-1,865**	**-4,472**
Closing balance	**12,116**	**11,811**

During the year, shares in Group companies were written down by SEK 0 million (0) and refer to shares in dormant companies or companies with little activity where th" value of the write-downs is equivalent to equity. Annual write-downs are reported in the income statement on the "Profit/loss from participation in Group companies" line.

Note 43 Untaxed reserves

Parent company, MSEK	2017	2016
Tax allocation reserve	1,310	522
Accumulated additional depreciation, intangible assets	5	–
Accumulated additional depreciation, machinery and equipment	0	0
Total	**1,315**	**522**

Note 44 Cash flow statement

PAID INTEREST AND DIVIDENDS RECEIVED

	Group		Parent company	
MSEK	2017	2016	2017	2016
Dividends received	98	220	16	2
Interest received	96	69	1	2
Interest paid	-136	-268	-130	-142

ADJUSTMENTS FOR ITEMS NOT INCLUDED IN CASH FLOW

	Group		Parent company	
MSEK	2017	2016	2017	2016
Profit from participation in joint ventures	-171	-41		
Dividends received from joint ventures	82	166		
Depreciation and write-downs	960	920	0	0
Unrealised exchange rate differences	6	-118		
Profit/oss on sales of fixed assets	10	-68	-163	–
Profit/loss on sales of subsidiaries/businesses	6	-1		
Provisions	117	21	4	4
Change in fair value of financial instruments	4	-12		
Other	-26	5	1	–
Total	**988**	**872**	**-158**	**4**

TRANSACTIONS WITHOUT PAYMENTS

Group, MSEK	2017	2016
Acquisition of an asset through the issue of a promissory note or an option liability directly related to the asset	48	77
Aquisition of assets by financial leasing	218	261

ACQUISITION OF SUBSIDIARIES/BUSINESSES

Group, MSEK	2017	2016
Acquired assets and liabilities		
Intangible assets	127	48
Tangible assets	27	262
Financial assets	40	–
Deferred tax recoverables	2	4
Project and development properties and inventories	211	14
Accounts receivable and other receivables	84	53
Liquid funds	53	14
Interest-bearing liabilities	-25	-82
Non-controlling interests	-1	–
Deferred tax liabilities	-42	-14
Provisions	-3	-30
Accounts payable and other current liabilities	-152	-34
	321	**235**
Less: Previous shares in joint ventures	-60	-7
Acquired net assets	**261**	**228**
Purchase prices	261	228
Promissory note and option liability	-48	-77
Paid purchase sum	**213**	**151**
Less: Liquid funds in acquired companies	-53	-14
Effect on liquid funds	**160**	**137**

DISPOSAL OF SUBSIDIARIES/BUSINESSES

Group, MSEK	2017	2016
Disposed assets and liabilities		
Intangible assets	–	4
Tangible assets	21	2
Inventories	12	–
Liquid funds	–	3
Interest-bearing liabilities	-17	–
Accounts payable and other current liabilities	-6	-2
	10	**7**
Sales price	4	8
Received purchase sum	4	8
Less: Liquid funds in the divested business	–	-3
Effect on liquid funds	**4**	**5**

LIQUID FUNDS

The following components are included in liquid funds:

Group, MSEK	2017	2016
Liquid funds	595	1,062
Total	**595**	**1,062**

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 Margretetorpsvägen 84, SE-269 73 Förslöv. The consolidated accounts for 2017 consist of the parent company and its subsidiaries, together referred to as the Group. The Group also includes shares of holdings in joint arrangements.

Note 46 New IFRSs 2018

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 Revenue from contracts with customers, replaces as of 2018 existing standards related to income recognition such as IAS 18 Revenue, IAS 11 Construction contracts and IFRIC 15 Agreements for the construction of real estate. No material effects have been identified. According to IFRS 15 income is recognized when control over a product or service is transferred to a customer, which is a change from the current reporting standards that are based on the transfer of risks and benefits. Even if IFRS 15 entails a new method of determining how and when income is recognized, requiring a new way of thinking compared to how income is currently recognized, it has not led to any material effects for the Peab Group.

Peab has chosen to apply IFRS 15 retroactively by recalculating the financial reports for 2017.

Until the end of 2017 there were differences between operative and legal reporting in business area Project Development. The differences have also been reflected in how executive management and the Board have followed up the Group on the whole. Peab applies IFRIC 15, Agreements for the construction of real estate, in legal reporting. This principle requires applying IAS 18, Revenue, for housing projects in Finland and Norway as well as our own home developments in Sweden, which means income from projects is first recognized when the home is turned over. Operative and segment reporting is based on the percentage of completion. After implementing IFRS 15, our own home developments in Sweden and all homes in Norway will be reported according to so-called "income over time". IFRS 15 will not lead to any changes in reporting regarding housing projects in Finland compared to the current application since income is first recognized when the home is turned over to the buyer. After implementation of IFRS 15 segment reporting will mirror legal reporting. The differences between operative and legal reporting will therefore no longer exist after implementation of IFRS 15.

According to IFRS 15 the sales price of the identified performance obligations in contracts with customers is divided up. Income is recognized when a performance obligation is met, which can be at a certain point in time or over time. In regards to Peab's construction contract operations in business area Construction and Civil Engineering IFRS 15 does not entail any material change in when the income is recognized or for what amount. Business area Industry recognizes income according to both IFRS 15 and IAS 17 but the shift to IFRS 15 does not entail any material change in the way income is recognized. In business area Project Development most income is recognized over time. Swedish tenant-owner projects are reported according to IFRS 15 over time, which is the same as previously. This means that income is recognized depending on the project's level of completion based on accrued expenses in relation to the project's total calculated costs. Land is sold and buildings are constructed according to the contract with the tenant-owner association, which is an independent legal entity.

As previously, feared costs are expensed as soon as they are known. According to IFRS 15 the part of a feared loss that has not been worked-up is recognized as a provision. This is a change compared to IAS 11 where the part of a feared loss that has not been worked-up is recognized as Worked-up but not invoiced income among current assets or Invoiced but not worked-up income among current liabilities.

No material effects have been identified due to Peab's recalculation to IFRS 15. As of 1 January 2017 the recalculation effected equity by SEK -1 million. The recalculation to IFRS 15 reduced net sales in 2017 by SEK 245 million to SEK 49,845 million and operating profit improved by SEK 2 million to SEK 2,407 million. Total comprehensive income for the year 2017 was not affected by the recalculation and therefore equity at the end of 2017 was SEK 1 million lower due to the recalculation.

Cash flow was not affected by the recalculation but it causes some deferment within changes in working capital primarily because work-in-progress is reclassified to project and development property.

Presentation requirement

Implementation of IFRS 15 also entails new presentation demands primarily regarding income allocation into categories, contract balances and performance obligations, which will affect Peab's Annual Report for 2018.

IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 Financial instruments, replaces IAS 39 Financial instruments: Recognition and measurement, as of 2018. IFRS 9 differs from IAS 39 foremost regarding classification and valuation of financial assets and financial liabilities, write-downs of financial assets and hedging accounting. IFRS 9 allows a company to continue to apply the rules in IAS 39 for hedging accounting even after 1 January 2018 until IASB has finished its project on so-called "macro hedging". Peab has chosen to apply all parts of IFRS 9 as of 1 January 2018. In addition, Peab has chosen to apply the exemption in IFRS 9 that permits not recalculating comparable information for previous periods. However, the changed principles for hedging accounting will not affect the Group. The other effects of IFRS 9 for Peab are described below.

Classification and valuation of financial assets and financial liabilities

Peab has holdings of unlisted funds that under IAS 39 have been classified as "Financial assets available-for-sale" (see note 35),

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which means that the funds have been valued at fair value via other comprehensive income. The funds do not meet the criteria in IFRS 9 for equity instruments and cash flow from the funds does not consist solely of payments in capital and interest. The funds will therefore be valued at fair value via the income statement under IFRS 9. The amount of SEK 4 million in “Fair value reserve” that refers to the funds on 31 December 2017 will be transferred to profit brought forward in the opening balance on 1 January 2018.

Peab also has holdings in unlisted shares and participations under IAS 39 valued at acquisition method less any write-downs since fair value could not be reliably determined. However, under IFRS 9 these shares must be valued at fair value. When transitioning to IFRS 9, fair values were re-examined and the recognized values corresponded more or less to fair value. Future changes in values will be recognized in profit for the year.

IFRS 9 will not have any effect on the recognition of Peab’s financial liabilities.

Write-downs of financial assets
IFRS 9 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. Historically Peab has only had small credit losses in current operations. Implementation of IFRS 9 will therefore only raise Group reserves for credit losses to a certain extent. The loss reserve per item affected as of 1 January 2018 are shown in the table below. The increase in loss reserves due to the transition to IFRS 9 will charge profit brought forward in the opening balance on 1 January 2018 by SEK -7 million net after reductions for deferred tax.

Group, MSEK	Increase in credit risk reserve on 1 January 2018
Accounts receivable	5
Interest-bearing long-term receivables	5
Total	**10**

Presentation requirement
New presentation requirements follow with the implementation of IFRS 9, primarily regarding hedging accounting and credit risks that will affect Peab's Annual Report in 2018.

REPORT ON GROUP FINANCIAL POSITION IN SUMMARY, 2017-01-01

MSEK	Reported balance sheet	Adjustment IFRS 15	Adjusted balance sheet
Assets			
Intangible assets	2,036		2,036
Tangible assets	4,277		4,277
Interest-bearing long-term receivables	1,762		1,762
Other financial fixed assets	1,757	22	1,779
Deferred tax recoverables	69	-7	62
Total fixed assets	**9,901**	**15**	**9,916**
Project and development properties	7,007	690	7,697
Inventories	364		364
Work-in-progress	1,203	-1,203	–
Interest-bearing current receivables	336		336
Other current receivables	11,736	5	11,741
Liquid funds	1,062		1,062
Total current assets	**21,708**	**-508**	**21,200**
Total assets	**31,609**	**-493**	**31,116**
Equity and liabilities			
Equity	**9,380**	**-1**	**9,379**
Liabilities			
Interest-bearing long-term liabilities	2,728		2,728
Deferred tax liabilities	372	-12	360
Other long-term liabilities	776		776
Total long-term liabilities	**3,876**	**-12**	**3,864**
Interest-bearing current liabilities	2,294		2,294
Other current liabilities	16,059	-480	15,579
Total current liabilities	**18,353**	**-480**	**17,873**
Total liabilities	**22,229**	**-492**	**21,737**
Total equity and liabilities	**31,609**	**-493**	**31,116**

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REPORT ON GROUP INCOME STATEMENT, JAN-DEC 2017

MSEK	Reported income statement	Adjustment IFRS 15	Adjusted income statement
Net sales	50,090	-245	49,845
Production costs	-45,345	236	-45,109
Gross profit	**4,745**	**-9**	**4,736**
Sales and administrative expenses	-2,620	11	-2,609
Other operating income	305		305
Other operating expenses	-25		-25
Operating income	**2,405**	**2**	**2,407**
Financial income	191		191
Financial expenses	-151		-151
Net finance	**40**	**–**	**40**
Pre-tax profit	**2,445**	**2**	**2,447**
Tax	-388	-3	-391
Profit for the year	**2,057**	**-1**	**2,056**
Profit for the year attributable to:			
Shareholders in parent company	2,057	-1	2,056
Non controlling interests	0		0
Profit for the year	**2,057**	**-1**	**2,056**

REPORT ON GROUP FINANCIAL POSITION IN SUMMARY, 2017-12-31 RESPECTIVELY 2018-01-01

MSEK	Reported balance sheet 2017-12-31	Adjustment IFRS 15 2017-12-31	Adjusted balance sheet 2017-12-31	Adjustment IFRS 9 2018-01-01	Adjusted balance sheet 2018-01-01
Assets					
Intangible assets	2,167		2,167		2,167
Tangible assets	6,379		6,379		6,379
Interest-bearing long-term receivables	1,520		1,520	-5	1,515
Other financial fixed assets	1,147	8	1,155		1,155
Deferred tax recoverables	15	-6	9		9
Total fixed assets	**11,228**	**2**	**11,230**	**-5**	**11,225**
Project and development properties	6,439	1,153	7,592		7,592
Inventories	399		399		399
Work-in-progress	1,349	-1,349	–		–
Interest-bearing current receivables	411		411		411
Other current receivabels	11,855	-91	11,764	-5	11,759
Liquid funds	595		595		595
Total current assets	**21,048**	**-287**	**20,761**	**-5**	**20,756**
Total assets	**32,276**	**-285**	**31,991**	**-10**	**31,981**
Equity and liabilities					
Equity	**10,362**	**-1**	**10,361**	**-7**	**10,354**
Liabilities					
Interest-bearing long-term liabilities	2,573		2,573		2,573
Deferred tax liabilities	211	-10	201	-3	198
Other long-term liabilities	840		840		840
Total long-term liabilities	**3,624**	**-10**	**3,614**	**-3**	**3,611**
Interest-bearing current liabilities	1,169		1,169		1,169
Other current liabilities	17,121	-274	16,847		16,847
Total current liabilities	**18,290**	**-274**	**18,016**	**–**	**18,016**
Total liabilities	**21,914**	**-284**	**21,630**	**-3**	**21,627**
Total equity and liabilities	**32,276**	**-285**	**31,991**	**-10**	**31,981**

The Board and CEO 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 27, 2018

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 27, 2018. 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 7, 2018.

Our Auditor's report was submitted on March 29, 2018
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 2017. The annual accounts and consolidated accounts of the company are included on pages 28-105 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 2017 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 2017 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. Board of Directors' report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the AGM adopts the income statement and balance sheet for the parent company and the Group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

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.This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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 period in question. 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 27 and accounting principles on page 59 in the annual accounts and consolidated accounts for detailed information and a 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's progress. Revenue and profits are recognised in relation to the progress of the project, based on expenses incurred as of the balance sheet date compared with estimated total expenses on completion of the project. Feared losses are recognized as expenses as soon as they become 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 and additional work and demands 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 modifications and additional work).

We selected a sample of construction projects for which we have evaluated and assessed the most significant areas. 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 purchasing 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 were discussed with executive management based on forecasted 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.

Valuation of project and development properties

See disclosure 2 and 23 and accounting principles on pages 61-62 in the annual accounts and consolidated accounts for detailed information and a description of the matter.

Description of key audit matter
Project and development properties amount to SEK 6,439 million (7,007). The properties are recognized 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 is accouting 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, it also obtains 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 1–27 respectively 110–120. The Board of Directors and the CEO 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 CEO

The Board of Directors and the CEO 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 CEO 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 CEO 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 Director's and the CEO intend to liquidate the company, to cease operations, or have 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 scepticism 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 CEO.
- Conclude on the appropriateness of the Board of Directors' and the CEO'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.

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 CEO of Peab AB (publ.) for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the Annual General Meeting that the profit be appropriated in accordance with the proposal in the Board of Director's report and that the members of the Board of Directors and the CEO 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 CEO
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 CEO 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 CEO 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 scepticism 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.

AUDITOR'S OPINION REGARDING THE STATUTORY SUSTAINABILITY REPORT
To the Annual General Meeting in Peab AB (publ.), corporate identity number 556061-4330

Engagement and responsibility
The Board of Directors is responsible for the sustainability report for the year 2017 on pages 8-27, 42-44, 110-113 and that it is prepared in accordance with the Annual Accounts Act.

The scope of the examination
Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability 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 opinion.

Opinion
A sustainability report has been prepared.

KPMG AB was appointed auditor of Peab AB (publ.) by the Annual General Meeting on the 10 May 2017. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 1992.

Förslöv 29 March 2018

KPMG AB

Dan Kjellqvist
Authorized Public Accountant

Corporate governance report 2017

"Good corporate governance is built on openness and transparency, which makes it possible for everyone to realize that the company is led with clear strategies, responsibly and with a far-reaching perspective. This is how we at Peab work to create value for our shareholders, employees and society."

Göran Grosskopf, Chairman

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, Peab's Code of Conduct as well as other internal regulations and policies that the Board of Directors and executive management decide on.

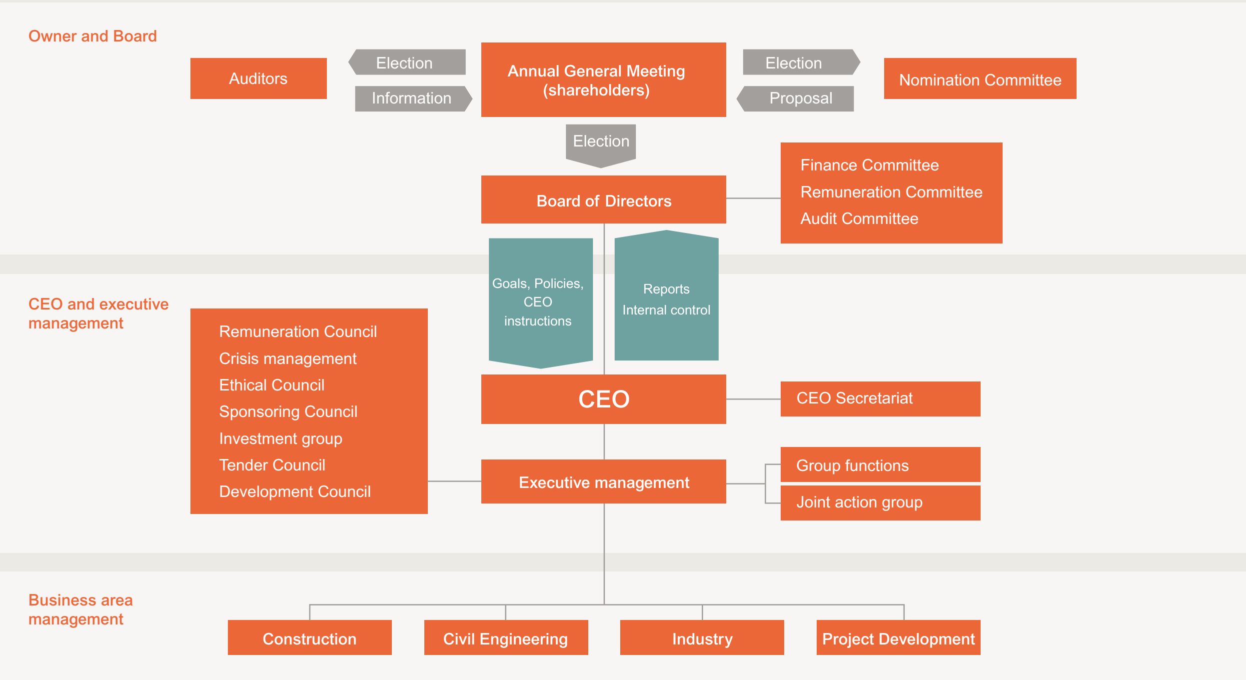
The corporate governance report is not a part of the financial reports. The company's auditor reads the corporate governance report and acknowledges that a corporate governance report has been drawn up and that its legally stipulated information is consistent with the annual accounts and Group accounts.

SHAREHOLDERS, ANNUAL GENERAL MEETING AND THE NOMINATION PROCEDURE

The Annual General Meeting (AGM) is the highest decision-making organ in Peab. All shareholders can use their right to vote at the AGM. The shareholders also have the right to ask the Chairman of the Board and the CEO questions and have opinions about Peab's business at the AGM.

The process of nominating members of the Board of Directors and the auditor to the AGM follows the nomination procedure established at the previous AGM. In order to create diversity and breadth in the Board regarding experience, expertise and background, the Nomination Committee made the wording in the Swedish Code of Corporate Governance, paragraph 4.1, its diversity policy when nominating Board members to the 2017 AGM. Female members elected by the AGM made up 37.5 percent of the Board.

The AGM was held on 10 May 2017 at Grevieparken, Grevie. It was attended by 477 shareholders, representing over 73 percent 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.



DIVERSITY POLICY
The Board should be composed in a manner that reflects the company's operations, phase of development and other relevant circumstances, characterized by diversity and breadth regarding the qualifications, experience and background of the members elected by the AMG. An equal gender balance should be striven for.

GOVERNING DOCUMENTS
Each year the Board adopts the Board's working program, instructions for the CEO and Board committees, Peab's Code of Conduct, Finance Policy, Information Policy and Policy for internal governance and control. Peab's Code of Conduct is available on Peab's website www.peab.com. The AMG annually adopts the Remuneration Policy.

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 2017 AGM that the Board of Directors should consist of eight members chosen by the AGM and the following persons were reelected as members of the Board of Directors:

- Göran Grosskopf
- Karl Axel Granlund
- Malin Persson
- Fredrik Paulsson
- Mats Paulsson
- Lars Sköld
- Kerstin Lindell
- Nina Udnes Tronstad

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 as members of the Board and, where applicable, as members of committees in accordance with decisions taken by the AGM. Board member compensation is reported in note 9 in the Annual Report.

The following employee representatives were appointed by the employee unions at the 2017 AGM; Patrik Svensson, Kim Thomsen and Egon Waldemarsson (members), Torsten Centerdal and Kristina Bengtsson (deputies).

The Board of Directors held eight meetings in 2017, of which five were ordinary Board meetings (including the constitutional meeting) and three additional Board meetings, of which one was held over the telephone and two were per capsulam.

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 and to evaluate the nominations to the 2017 AGM the Chairman of the Board produced and compiled an inquiry which all the Board members and deputies answered. Regarding the evaluation of the Chairman of the Board, the Chairman of the Nomination Committee has approved the inquiry's contents and compiled it. The result of the evaluation was reported at a Board meeting and Nomination Committee meeting in preparation for nomination.

THE AUDIT COMMITTEE
Members during 2017:

- 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 and maintains regular contact with the company accountant regarding the scope and focus as well as their view of company risks. In addition, the Audit Committee monitors what other services besides auditing are performed by the company accountants, it evaluates the auditing work and informs the Nomination Committee about the evaluation. It also assists the Nomination Committee in proposals of auditors and remuneration for auditing work. The Audit Committee met four times in 2017. The principle company accountant participated in the relevant parts of three

Board meetings, attendance 2017

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	No	100%	M	100%	C	100%	C	100%
Mats Paulsson	No	No	100%			M	100%		
Karl-Axel Granlund	Yes	Yes	100%			M	100%	M	100%
Kerstin Lindell	Yes	Yes	100%	M	100%				
Fredrik Paulsson	No	No	100%					M	100%
Malin Persson	Yes	Yes	100%						
Lars Sköld	Yes	Yes	100%	C	100%				
Nina Udnes Tronstad	Yes	Yes	100%						
Employee representatives									
Patrik Svensson, ordinary			100%						
Kim Thomsen, ordinary			75%						
Egon Waldemarsson, ordinary			100%						
Torsten Centerdal, deputy			100%						
Kristina Bengtsson, deputy			100%						

C – Chairman M – Member

of these meetings. The Audit Committee regularly reports to the Board of Directors.

THE FINANCE COMMITTEE

Members in 2017:

- Göran Grosskopf, Chairman
- Karl-Axel Granlund
- Fredrik Paulsson

The Finance Committee has the mandate to make decisions in between Board meetings on financial matters such as currency, interest and investment positions in accordance with the Finance Policy established by the Board of Directors. The Finance Committee reports decisions made at the next Board meeting. Executive management representatives give reports to the Finance Committee meetings. The Finance Committee met thirteen times during 2017. The Finance Committee regularly reports to the Board of Directors.

THE REMUNERATION COMMITTEE

Members in 2017:

- 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 2017. The Remuneration Committee regularly reports to the Board of Directors.

REMUNERATION TO EXECUTIVE MANAGEMENT

The 2017 AGM 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, 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 are elected by the AGM. At the AGM in 2017 KPMG was elected the company auditor with the authorized public accountant Dan Kjellqvist as principle company accountant until the AGM 2018.

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.

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 2017 executive management consisted of the President and CEO, the CFO, the COO, the Business Area Manager of Construction, 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 focus on managing the business, following up the business plan and strategic matters. Heads of Group staff teams and other officers are called to attend meetings when needed.

GROUP FUNCTIONS

The Group functions, which support both executive management and operations in the business areas, strategically and in day-to-day operations, were divided into the following teams in 2017;

- Production oriented functions
- Finance and treasury oriented functions
- Communication

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 tender processes where there are predefined levels for each position. The principles for manning boards of directors and signatories in Group companies are adopted centrally.

To provide support for a cross-functional workflow within the Group executive management has delegated some work and decisions to a number of councils and groups consisting of representatives for different group functions and, in certain cases, representatives of business area management. Every council or group has a specific mandate and decision-making process, and they all report to executive management. In addition, executive management has formed a joint action group consisting of executive management, deputy business area managers and heads of Group functions. This joint action group meets around once a quarter and functions primarily as a reference group for change processes, strategic matters and frameworks as well as for rooting decisions made by executive management.

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 Business area Manager and consisting otherwise of operational managers in the business area and staff members. The Business are Managers are responsible for managing each operation and for running the line organization by delegating responsibility and authorizations.

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 and systems managing and controlling financial reporting. The principles of this process are established in the Policy for internal governance and control.

The purpose of the internal control process is to provide the Board, management and other stakeholders with a reasonable assurance that Peab's goals are met regarding business management and an effective and efficient organization, reliable internal and external reporting and that applicable laws, regulations and other rules are followed. The Policy for internal governance and control regulates the principles on how internal control of financial reporting is governed, organized and reported based on the following factors;

- control environment
- information and communication
- risk assessment
- control actions
- evaluation/follow-up

The President and CEO is responsible for good internal control in the Group and that it is organized and follows the Policy for internal governance and control. 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 instruments for internal steering and control are provided and coordinated centrally.

It is the responsibility of each BA Manager to ensure that their respective unit in the Group has good internal control and follows the Policy for internal governance and control as well as other established processes and instruments.

The President and 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.

OTHER MANDATORY INFORMATION IN ACCORDANCE WITH CHAPTER 6, SECTION 6 OF THE ANNUAL ACCOUNTS ACT

- Direct and indirect shareholdings in the company that represent at least a tenth of the number of votes of all the shares in the company are presented in the Board of Directors' report under the Peab Share.
- There are no limits in articles of association regarding how many votes individual shareholders can have at the AGM, which is also made clear in the Board of Directors' report under the Peab Share.
- The articles of association stipulate that the appointment of Board members takes place at the company's AGM. The articles of association do not contain any stipulations regarding the dismissal of Board members or changes in the articles of association.
- Authorization of the Board by the AGM to decide on new issues of Peab shares is presented in the Board of Directors' report under the Peab Share.
- Authorization of the Board by the AGM to decide on the purchase of own shares is presented in the Board of Directors' report under Holdings of own shares.

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 executive management.

Deviation

Mats Paulsson, who is a member of the Remuneration Committee, is not independent in relation to the company and executive 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 executive 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

ENGAGEMENT AND RESPONSIBILITY

It is the Board of Directors who is responsible for the Corporate governance report for the year 2017 on pages 110 – 113 and that it has been prepared in accordance with the Annual Accounts Act.

THE SCOPE OF THE AUDIT

Our examination has been 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.

OPINIONS

A Corporate governance report has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Förslöv, March 29, 2018

KPMG AB

Dan Kjellqvist
Authorized Public Accountant

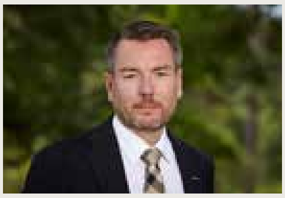
Board of Directors

Göran Grosskopf
Born 1945. Appointed 2004.
Professor, LLD and Dr Econ
Chairman of the Boards of Peab AB, ColoPlus AB, Ekhaga Utveckling AB, Mats Paulsson's Foundation, Forget Foundation, Stefan Paulsson Invest AB and Medicon Village Fastighets AB.
Member of the Boards of Brainheart Energy AB and 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 Ekhaga Utveckling AB, Mats Paulsson's Foundation and Medicon Village Fastighets AB.
Formerly various management positions in Peab since 1959.
Holding: 3,861,354 A shares, 7,262,500 B shares

Karl-Axel Granlund
Born 1955. Appointed 2000.
MSc (economics), MSc (engineering)
Chairman of the Board of Volito AB.
Holding: 2,000 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.
Member of the Board and CEO of Ekhaga Utveckling AB.
Member of the Board of Skistar AB.
Holding: 445,956 A shares, 782,750 B shares and via ownership of Ekhaga Utveckling AB 25,563,264 A shares and 35,707,059 B shares

Malin Persson
Born 1968. Appointed 2016.
MSc (engineering)
CEO and owner of Accuracy AB.
Member of the Boards 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.
Member of the Board of O.Timblads Målerifirma 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 Sjækerhatten AS.
Chairman of the Board of Technoport AS.
Member of the Boards of the Ramboll-gruppen AS and GIEK (The Norwegian Export Credit Guarantee Agency).
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: 10,000 B shares

Kristina Bengtsson
Born 1977. Appointed 2013.
KMA coordinator Construction Sweden.
Employee representative (deputy) Unionen.
Holding: None

The holdings reported were those on 31 December 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: 432,000 B shares and 406,935 B shares via endowment insurance [1)]

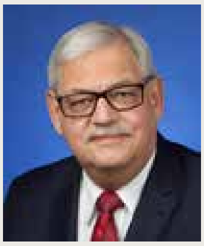
Niclas Winkvist
CFO
Born 1966
Employed since 1995
MSc (economics)
Holding: 105,000 B shares and 146,044 B shares via endowment insurance [1)]

Roger Linnér
COO
Born 1970
Employed since 1996
MSc (engineering)
Holding: 5,000 B shares and 93,551 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 103,440 B shares via endowment insurance [1)]

Göran Linder
Business Area Project Development
Born 1968
Employed since 2011
MSc (Business and Economics)
Holding: None

Stefan Danielsson
Business Area Construction
Born 1969
Employed since 2015
BSc (electrical engineering)
Holding: 6,000 B shares



Auditor

KPMG AB
Dan Kjellqvist
Authorized public accountant

The holdings reported were those on 31 December 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 Report, note 9.

The Peab share

Peab's B share is listed on the Nasdaq Stockholm, Large Cap. As of 31 December 2017 the total market capital of Peab was SEK 20.9 billion (21.4).

TRADING IN THE PEAB SHARE

As of 31 December 2017 the last day of the year the closing price of the Peab B share was SEK 70.60 (72.30), which was a two percent decrease during the year. The Swedish Stock Exchange, measured by the Affärsvärlden Index, increased in 2017 by six percent (six). In 2017, the Peab B share was quoted at a maximum of SEK 109.50 (77.30) and a minimum of SEK 70.60 (54.60). About 122 million shares (106) were traded, which was equivalent to 487,000 shares per trading day (421,000) and a turnover rate of 46.7 percent.

TOTAL RETURN

The total return on the Peab share in 2017 amounted to 2.6 percent, to be compared to the SIX Return index of 9.5 percent. In the five-year period 1 January 2013 to 31 December 2017 the annual total return on Peab's B share amounted to 165.6 percent, to be compared to the SIX Return Index of 96.4 percent during the same period.

SHARES AND SHARE CAPITAL

The total number of shares at the beginning of 2017 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 2017 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

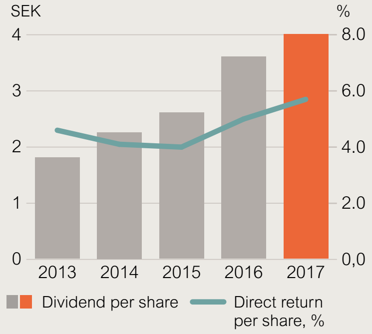
At the beginning of 2017 Peab's own B shareholding was 1,086,984 which corresponds to 0.4 percent of the total number of shares. No own shares were repurchased or divested in 2017.

DIVIDEND

A dividend of SEK 4.00 (3.60) per share is proposed for 2017. Excluding the 1,086,984 shares owned by Peab AB per 31 December 2017, which are not entitled to dividends, the proposed dividend is equivalent to a total dividend distribution of SEK 1,180 million (1,062). Calculated as a share of the Group's reported profit for the year, the proposed dividend amounts to 57 percent (61).

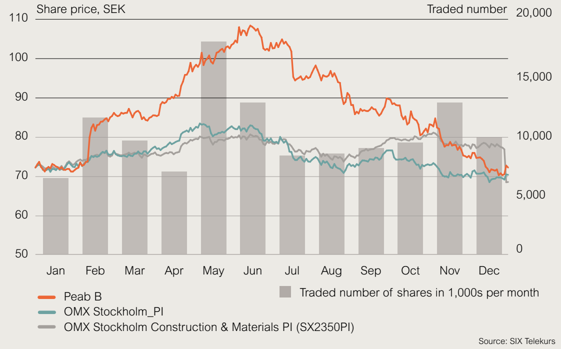
The direct return calculated on the proposed dividend and at the closing price on 31 December 2017 is 5.7 percent (5.0).

Dividend and direct return



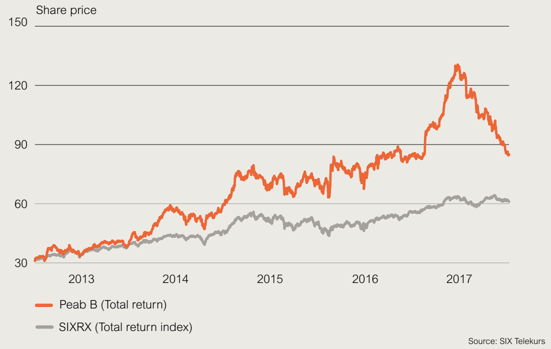
Price trend of the Peab share

1 January – 31 December 2017



Total return

31 December 2012 – 31 December 2017



List of shareholders on 31 December 2017

	A shares	B shares	Total number of shares	Proportion of capital, %	Proportion of votes, %
Ekhaga Utveckling AB	25,563,264	35,707,059	61,270,323	20.7	48.2
AB Axel Granlund	1,500,000	18,000,000	19,500,000	6.6	5.5
Mats Paulsson	3,861,354	7,262,500	11,123,854	3.8	7.6
Peab´s profit share foundation		9,439,000	9,439,000	3.2	1.6
Kamprad family foundation		8,600,000	8,600,000	2.9	1.4
CBNY-Norges Bank		6,844,883	6,844,883	2.3	1.1
SEB Investment Management		5,838,068	5,838,068	2.0	1.0
SIX SIS AG, W8IMY		3,661,323	3,661,323	1.2	0.6
Danica Pension		3,391,655	3,391,655	1.1	0.6
CBNY-DFA-INT SML CAP V		3,377,469	3,377,469	1.1	0.6
Clients Account-DCS		3,100,181	3,100,181	1.0	0.5
Handelsbanken Funds		2,948,269	2,948,269	1.0	0.5
Carnegie Funds		2,946,516	2,946,516	1.0	0.5
JPM CHASE NA		2,859,788	2,859,788	1.0	0.5
Other shareholders related to the Paulsson family	891,912	2,302,250	3,194,162	1.0	1.8
Other shareholders	2,503,427	144,363,828	146,867,255	49.7	27.8
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

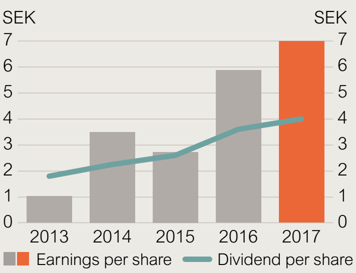
	2017	2016
Earnings, SEK	6.97	5.85
Equity, SEK	35.13	31.80
Cash flow before financing, SEK	7.78	8.99
Share price at year-end, SEK	70.60	72.30
Share price/equity, %	201.0	227.4
Dividend, SEK [1]	4.00	3.60
Direct return, % [2]	5.7	5.0
P/E-ratio [2]	10	12

[1] For 2017, Board of Directors´ proposal to the AGM.

[2] Based on closing price at year-end.

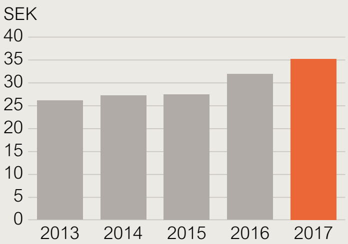
Key ratios

Earnings and dividend per share [1]



[1] For 2017, Board of Directors' proposal to the AGM.

Equity per share



Allocation of shareholdings [1]

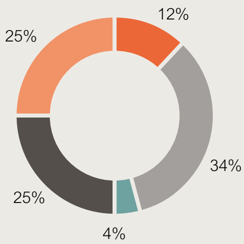
Number of shares	Number of share-holders	Proportion of capital, %	Proportion of votes, %
1– 500	21,523	1.2	0.6
501– 1,000	5,407	1.5	0.7
1,001– 5,000	6,960	5.7	2.8
5,001– 10,000	1,264	3.1	1.5
10,001– 15,000	479	2.0	1.0
15,001– 20,000	259	1.6	0.8
20,001–	715	84.9	92.6
	36,607	**100.0**	**100.0**

[1] Per 2017-12-31.

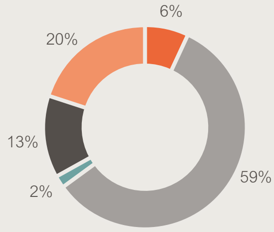
Shares and votes per share class [1]

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]



Financial companies and trust funds
Other Swedish legal entities
Interest organizations
Foreign shareholders
Swedish private persons

[1] Per 2017-12-31.

Five-year overview

Group, MSEK	2017	2016	2015	2014	2013
Income statement items					
Net sales	50,090	46,337	44,376	43,630	43,127
Operating profit	2,405	2,098	1,009	1,752	614
Pre-tax profit	2,445	2,050	906	1,230	383
Profit for the year	2,057	1,727	798	1,027	298
Balance sheet items					
Fixed assets	11,228	9,901	9,323	9,284	9,770
Current assets	21,048	21,708	18,718	19,101	22,135
Total assets	**32,276**	**31,609**	**28,041**	**28,385**	**31,905**
Equity	10,362	9,380	8,076	7,997	7,668
Long-term liabilities	3,624	3,876	4,505	4,719	6,087
Current liabilities	18,290	18,353	15,460	15,669	18,150
Total equity and liabilities	**32,276**	**31,609**	**28,041**	**28,385**	**31,905**
Key ratios					
Operating margin, percent	4.8	4.5	2.3	4.0	1.4
Equity, average during the year	9,742	8,584	8,088	7,832	7,823
Return on equity, percent	21.1	20.1	9.9	13.1	3.8
Capital employed, at year-end	14,104	14,402	14,476	14,762	16,202
Capital employed, average during the year	14,010	14,128	14,224	15,482	16,411
Return on capital employed, percent	18.5	16.2	8.2	12.1	5.2
Equity/assets ratio, percent	32.1	29.7	28.8	28.2	24.0
Net debt	1,216	1,862	3,118	3,886	5,948
Debt/equity ratio, multiple	0.1	0.2	0.4	0.5	0.8
Interest coverage ratio, multiple	21.7	13.3	5.5	4.8	1.9
Capital expenditures					
Goodwill	61	40	-17	26	-14
Other intangible assets	113	34	5	-2	-4
Investment property	265	–	–	–	–
Buildings and land	181	200	-94	36	0
Machinery and equipment	1,292	1,175	627	532	261
Shares and participations	-563	303	-210	-263	105
Project and development properties	702	324	291	-99	265
Orders					
Orders received	45,247	41,445	37,812	31,690	34,292
Order backlog	38,491	33,572	26,991	24,922	28,164
Personnel					
Number of employees, at year-end	14,344	13,869	13,300	13,213	13,290
Average number of employees	14,578	13,712	13,036	13,176	13,792
Data per share					
Earnings before and after dilution, SEK	6.97	5.85	2.71	3.48	1.01
Cash flow, SEK	7.78	8.99	6.06	9.50	2.12
Equity, SEK	35.13	31.80	27.38	27.11	26.00
Share price at year-end, SEK	70.60	72.30	64.85	54.95	39.35
Dividend, SEK [1]	4.00	3.60	2.60	2.25	1.80
Number of shares at year-end, millions	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

[1] For 2017, 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. For more information see www.peab.com/alternative-performance-measures.

Financial

AVAILABLE LIQUIDITY
Liquid funds and short-term investments along with unutilized credit facilities. Shows the Group´s available liquidity.

CAPITAL EMPLOYED FOR THE GROUP
Total assets at the end of the year less non-interest-bearing operating liabilities and provisions. The measurement is used to measure capital utilization and its effectiveness.

CAPITAL EMPLOYED FOR THE BUSINESS AREAS
Total assets in the business area at the end of the year 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. The measurement is used to measure capital utilization and its effectiveness for the business areas, and is only presented as a net amount per business area.

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. Measures the direct return of the proposed dividend i relation to the 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 year. Shows financial position.

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. The measurement shows how the interest costs can be covered.

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. Shows financial position.

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 28.

ORDERS RECEIVED
The sum of orders received during the period. Measures how new orders replace produced work.

P/E RATIO
Share price at year-end divided by earnings per share.

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.

DEVELOPMENT RIGHTS
Estimated amount of construction possible on a piece of land. A development right is the maximum level of construction allowed on a property according to a zoning plan. The scope of the future zoning plan is estimated for up and coming zoning plans. In order to have the right of disposition over a development right ownership of, or the option to own, the land is required. Development rights for commercial property are measured in square meters.

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.

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.

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 Monday 7 May 2018, Grevieparken in Grevie, Sweden.

Notification

Notification of participation in the Annual General Meeting must be submitted at the latest at 2 p.m. on Monday 30 April 2018. Notification may be submitted by telephone to +46 431 893 50, by mail to Peab AB (publ), Annual General Meeting, c/o Euroclear Sweden AB, Box 191, SE-101 23 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 Monday 30 April 2018 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 4.00 per share for 2017. The proposed record day is Wednesday 9 May 2018. If the Annual General Meeting approves the proposal submitted, dividends will be distributed from Euroclear Sweden AB on Tuesday 15 May 2018.

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

Niclas Winkvist
CFO
Tel +46 431-89000
niclas.winkvist@peab.se

Mikael Elveroth
Finance Manager
Tel +46 431-89000
mikael.elveroth@peab.se

Charlotte Hagö
CIO
Tel +46 431-89000
charlotte.hago@peab.se

Annual calendar 2018

First Quarter Report	7 May
Annual General Meeting	7 May
Second Quarter Report	17 August
Third Quarter Report	9 November
Year-end Report	8 February 2019
Annual and Sustainability Report	April 2019

Analysts who follow Peab

Company	Name	Email
ABG Sundal Collier	Tobias Kaj	tobias.kaj@abgsc.se
Carnegie	Erik Granström	erik.granstrom@carnegie.se
Danske Bank	Henrik Dahlgren	henrik.dahlgren@danskebank.se
DNB Nor	Mattias Montgomery	mattias.montgomery@dnb.se
Handelsbanken	Marcela Klang	mazi02@handelsbanken.se
Kepler Cheuvreux	Albin Sandberg	asandberg@keplercheuvreux.com
Nordea	Niclas Höglund	niclas.hoglund@nordea.com
SEB Enskilda	Stefan Andersson	stefan.andersson@enskilda.se

FINDUSPROMENADEN
Hammerfest, Norway

BYSTED

Peab is the Nordic Community Builder with approximately 15,000 employees and net sales of more than SEK 50 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.

Peab AB (publ) • Margretetorpsvägen 84 • SE-269 73 Förslöv • Tel +46 431-89000 **peab.com**

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THE NORDIC COMMUNITY BUILDER