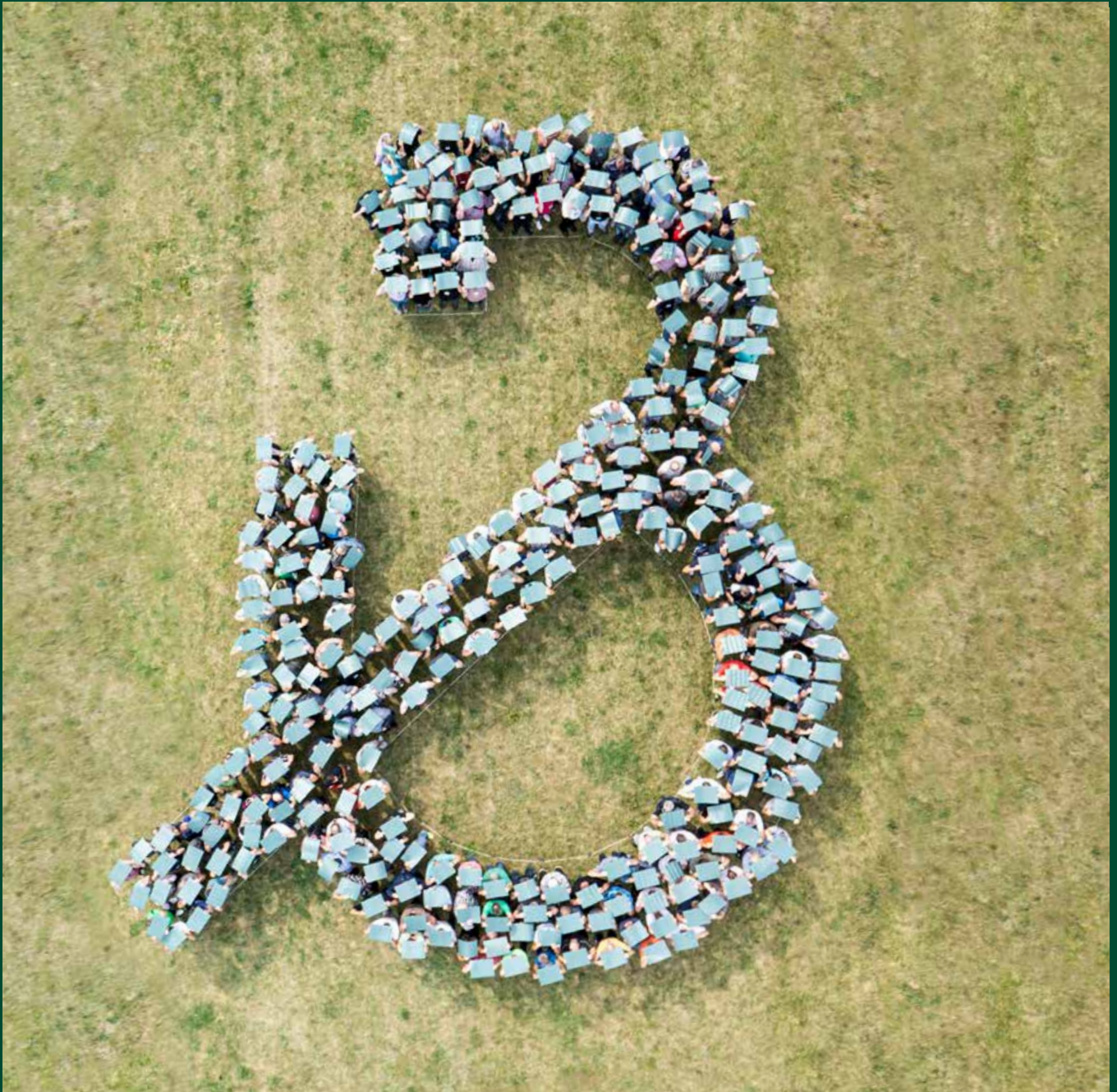




Annual Report 2016



CONTENTS

The year in brief	2
This is Bonava	4
Comments from our CEO	6
Business environment and trends	8
Strategy and objectives	12
Residential development	18
Our offering	22
Sustainability	26
– Happy neighbourhoods for the many	28
– Protecting our planet	29
– Passionate workplace	31
– Reliable business	34
Bonava's markets	36
Capital structure and financing	48
Risks and risk management	49
Bonava's owners and the share	53
Bonava on the capital market	56
Corporate Governance Report	57
– Comments from the Chairman	58
– Board of Directors	64
– Executive Management Group	66
More information on sustainability and the GRI-index	70
Financial reporting	
Report of the Board of Directors	80
Consolidated Accounts	84
Parent Company Accounts	113
Proposed appropriations of profits	121
Audit Report	122
Financial key ratios	125
Key ratios housing units	126
Definitions	127
Annual General Meeting 2017	128

The annual report is published in Swedish and English.
The Swedish version is the original. In any instance of discrepancy
between the two versions, the Swedish original shall apply.

A stable foundation as a starting point

Bonava's origins are within the construction group NCC, and it has a long history of developing housing and vibrant neighbourhoods. We have been active in residential and community development ever since the 1930s, and over the years, we have successively sharpened our role as a residential

developer. Our experience and know-how have been gathered from our own projects and acquisitions. In 2009, these operations became an independent business area – NCC Housing. We took another step last year, when we were listed on Nasdaq Stockholm. Our focus is on developing affordable

and sustainable housing for consumers and investors on selected markets where we can utilise our competence effectively and optimise our resources through the whole value chain – from project managing land to finished homes.

VISION

**We create happy
neighbourhoods where people
have the highest quality of life**

MISSION

**We challenge ourselves
everyday to change the housing
game, creating better homes
and lives for the many**

NUMBER OF EMPLOYEES

1,662

across 23 regions in eight countries

HOUSING UNITS IN PRODUCTION

9,113

at year-end

NET SALES

13.5

SEK billion

OUTCOME FINANCIAL OBJECTIVES AND DIVIDEND POLICY 2016

RETURN ON CAPITAL EMPLOYED

14.6%

Return on capital employed
should be 10–15 per cent

EQUITY/ASSETS RATIO

33.7%

The minimum equity/assets ratio
should be 30 per cent

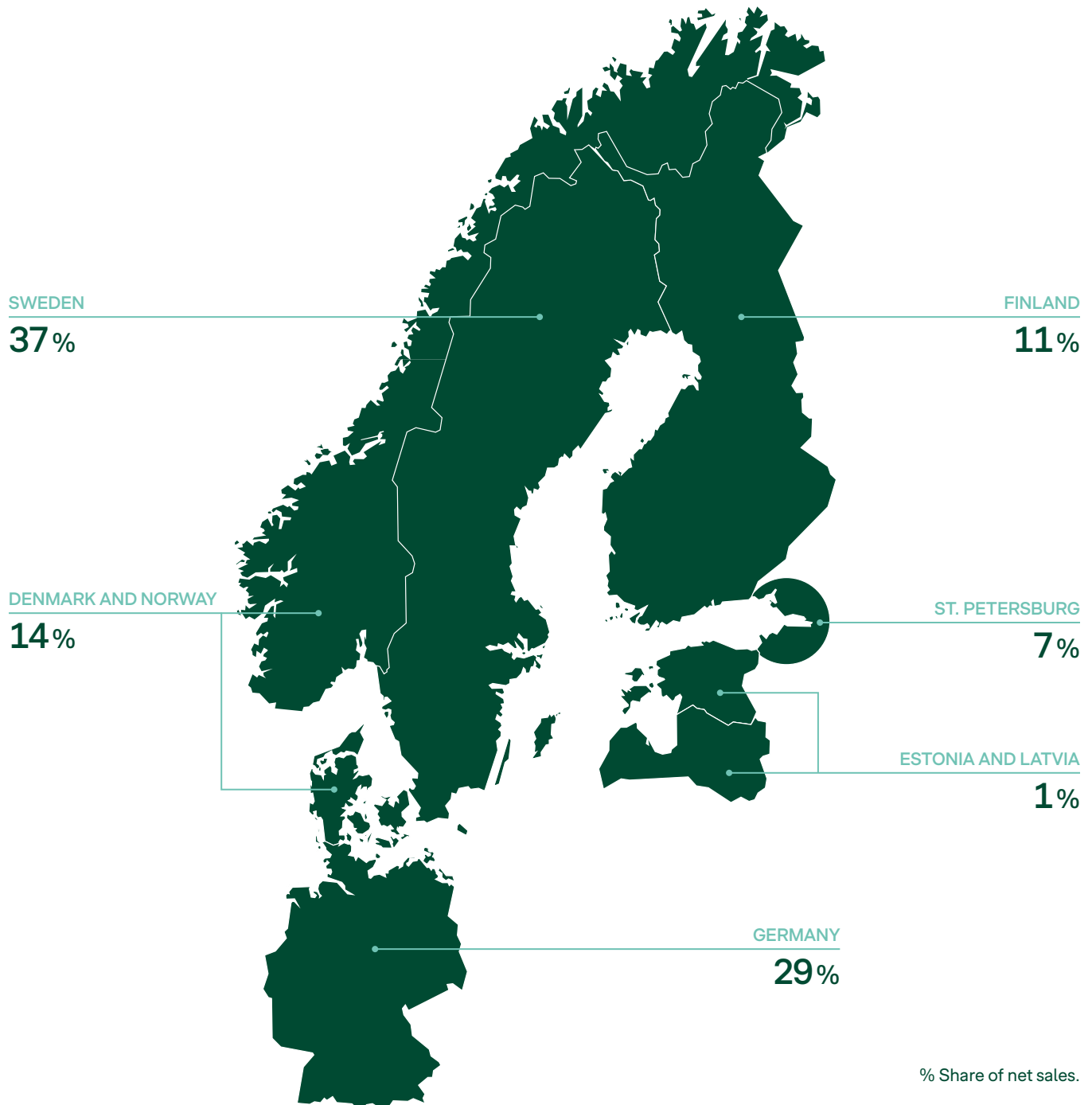
BOARD OF DIRECTORS' PROPOSED DIVIDEND

41%

(SEK 3.80 per share)

At least 40 per cent of consolidated
profit after tax should be distributed
to shareholders

A leading residential developer in northern Europe



Bonava develops and sells homes across 23 regions in eight countries. Its selected geographical markets are Sweden, Germany, Finland, Denmark, Norway, St. Petersburg, Estonia and Latvia. The main characteristics are that we focus on major city regions with clear growth and stable local labour markets,

which creates demand for new housing over time.

We develop land into affordable and sustainable neighbourhoods, where housing is adapted to customers' wants and needs, as well as the unique circumstances of each place. Bonava provides multi-family housing

and single-family housing, and develops homes for consumers and investors, such as pension funds, jointly with municipalities and other stakeholders. That is how Bonava helps to create new and vibrant neighbourhoods.

What is a home?

Is it the place where you grew up and have a million memories from? Is it the place where you can navigate with your eyes closed in the middle of the night? Or is it the place and the friendly neighbourhood you think about when you are homesick?

Even though we have created homes and neighbourhoods since the 30's, we know it's nothing we can do by ourselves. To create a safe haven that stands the test of time, where stories unfold, children grow up and people enjoy life, you only get by with a little help from your friends.

Of course, Bonava depends on our experienced engineers, architects and designers. But we also know, that the world's best homes aren't just about beautiful interiors or smart architecture: they are about the people who live in them.

That's why we always start with you and the neighbourhood you are moving in to, when we plan a housing project. We want to listen to you and understand what you need before we put the shovel in the ground. Then we take you aboard a simple and smooth journey towards a neighbourhood that makes you happy.

We know the answer can vary in a thousand ways. It can mean a playground for children, a delicacy market for food-lovers, a moving-in party for the new neighbours or a roof top terrace. Because the idea of a friendly neighbourhood isn't just the finishing touch, it's the starting-point of it all.

The year in brief

- Net sales amounted to SEK 13,492 M (13,070)
- Operating profit was SEK 1,562 M (1,377).
The operating margin amounted to 11.6 per cent (10.5)
- Profit after financial items was SEK 1,283 M (1,033)
- Profit for the period after tax was SEK 1,004 M (798)
- Cash flow before financing was SEK 536 M (1,437)
- Earnings per share amounted to SEK 9.26 (7.36)¹⁾
- Return on capital employed was 14.6 per cent (12.5)
- The number of housing units sold for the period was 6,233 (6,315). The number of production starts of housing units in the period was 5,832 (6,356)
- The Board of Directors proposes a dividend of SEK 3.80 per share

Key financial figures

SEK M	2016	2015
Net sales	13,492	13,070
Operating profit	1,562	1,377
Operating margin, %	11.6	10.5
Profit after financial items	1,283	1,033
Profit for the period after tax	1,004	798
Earnings per share, SEK ¹⁾	9.26	7.36
Cash flow before financing	536	1,437
Net debt	3,699	4,216
Net debt, excl. tenant-owners associations/ housing companies	75	1,039
Capital employed at period end	10,134	9,811
Return on capital employed, %	14.6	12.5
Equity/assets ratio, %	33.7	30.5
Number of production starts of housing units	5,832	6,356
Number of housing units in production at period end	9,113	8,778
Number of housing units sold	6,233	6,315
Number of housing units recognised for profit	4,778	5,736
Dividend, SEK ²⁾	3.80	–

¹⁾ There is no dilution effect.

²⁾ Board of Directors' proposal.

NUMBER OF SOLD HOUSING UNITS DURING THE YEAR

6,233



Zero harm

Health and safety is one of our fundamental priorities, and our objective is Zero harm – our workplaces should be free from accidents.



Bonava was listed on Nasdaq Stockholm on 9 June 2016



NUMBER OF STARTED UNITS DURING THE YEAR

5,832



Sustainability target

50 percent of the homes Bonava develops should be defined as affordable by the end of our strategy period in 2020.

The strongest brand in Germany

In early October, the yearly Real Estate Brand Value Study in Germany, ranked the Bonava brand the strongest in the residential sector. This ranking was conducted by the EUREB Institute (the European Real Estate Brand Institute) which evaluates around 1,200 brands in the European retail and real estate sectors.

A cross-border business concept

Housing development is a local business in many aspects. But our experience also demonstrates that core customer needs are largely similar and consistent between different markets. Bonava's strategy builds on the similarities between our markets being strong enough for us to achieve economies

of scale. As an independent residential development company, we can challenge established working methods and enhance our offering and customer experience based on our values and understanding of customers. We see ourselves as the cost leader on the German market and the market leader in

the affordable housing segment. We intend to develop and build on this knowledge and experience. As a major player on the housing market, we want to contribute to a sustainable urban development.

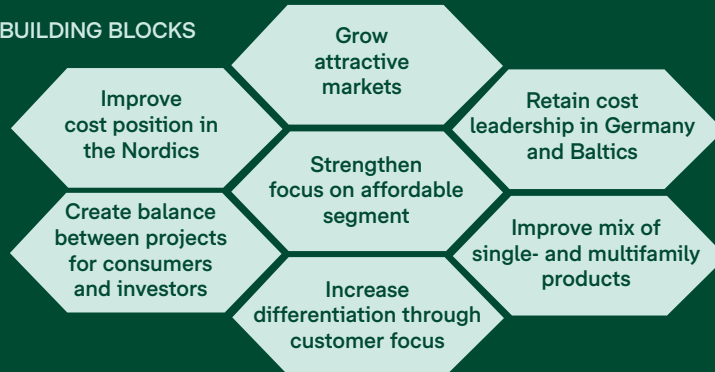
Strategy

Bonava's strategy is based on our experience that the similarities between different markets are strong enough for us to benefit from operating as a single company with a geographical broad presence and shared processes.

Our

Our values define and guide us

BUILDING BLOCKS



Customer needs and residential development on different markets have many qualities in common. This creates the potential for significant value creation for those of us with the size and resources to be able to utilise economies of scale, collective processes and a structured exchange of best practice.

These understandings are the foundation of Bonava's strategy. Working from our current positioning clarifies how we will keep sharpening our competitiveness on the market.

Customer focus

We always start with listening and understanding our customers' needs and expectations to be able to keep what we promise.

Passion

We are passionate about what we do. We love our job, solving problems and to challenge old ways of doing things, while maintaining work life balance.

Delivering excellence

We optimise our deliveries by prioritising, cooperating and learning from our mistakes and good examples.

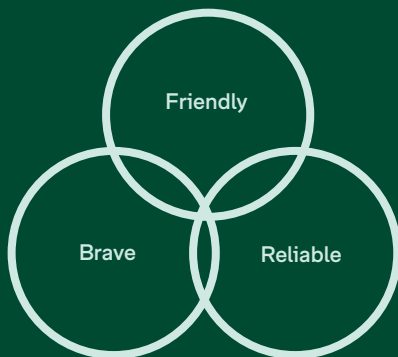
Read more about our strategy on pages 12–17.

Housing development is becoming subject to gradually more demanding standards. In order to address these requirements we need a good dialogue with municipalities and other stakeholders, where we can offer

international experience. What needs do the municipalities around Berlin share with those in Umeå? Bonava plays an important role in the dialogue about the homes of the future.

values

as a company and brand.



Sustainability agenda

Bonava's sustainability work has four focus areas. We have prioritised our most important sustainability aspects and developed the agenda we need to realise our strategy and our values in the long term.

FOCUS AREAS

Happy neighbourhoods
for the many

Protecting our planet

Passionate workplace

Reliable business

Friendly

We believe in treating everyone in a friendly way with empathy and warmth.

Brave

We believe in courageously challenging ourselves to create better homes and lives.

Reliable

We believe in taking responsibility for our actions, products and the environment.

Happy neighbourhoods for the many

Bonava's overall mission is to create happy neighbourhoods for the many.

Passionate workplace

Bonava wants to increase its people's commitment and passion by providing good potential for development, which is also about creating an inclusive, safe and healthy working environment.

Protecting our planet

Bonava takes responsibility for the environment, by striving to achieve resource efficiency and consideration to the environmental impact in its choice of land, during production, and for future residents' potential to live environmentally aware lives.

Reliable business

Being a reliable and responsible business partner, regardless of who Bonava is dealing with, where or when, is fundamental.

Read more about our sustainability work on pages 26–35 and 70–77.

Comments from our CEO



JOACHIM HALLENGREN, PRESIDENT AND CEO

Our sector is slow to change, and research demonstrates that today, its productivity is the same as 30 years ago. We want to contribute to positive change, and this means us challenging perspectives – both our own and the sector's – every day.

On the morning of 9 June, I rang the opening bell of Nasdaq Stockholm. After months of preparation, we finally became a listed company. Bonava may be new to the stock market, but our history and experience goes back to the 1930s. It is our experience that has brought us to our vision of creating homes and happy neighbourhoods where people have the highest quality of life. In everything we do, we start from our customers' wants and needs.

Our curiosity and determination has taught us that we can continuously improve our understanding of our customers and their lives. We live in a changing world, which has experienced significant political change in the past year. Just how this will affect our society and economy remains to be seen. But what we do know is that the housing shortage remains a central issue on our markets, and Bonava's mission as a residential development company is becoming

clearer – to provide affordable and sustainable homes that more people can afford to buy or rent.

Our sector is slow to change, and research demonstrates that today, productivity is the same as 30 years ago. We want to contribute to positive change, and this means us challenging perspectives – both our own and the sector's – every day. We need to work smarter by utilising our experiences and lessons from our different markets and other

2016 was a record year for us, when we reported our best full-year earnings ever. Net sales for the full year increased to SEK 13.5 billion (13.1), and operating profit was SEK 1.6 billion (1.4). We reported good earnings and we are going into 2017 in a strong financial position. The demand for affordable and sustainable housing is good in our markets, and trends that benefit us are sustaining.

We see strong demand from consumers and investors on our largest markets, Sweden and Germany. Demand in Denmark and Norway is good, and we did our first investor deal in Denmark during the year. The Finnish economy is recovering, and we see indications that the St. Petersburg housing market is stabilising.

industries. We need to work efficiently by standardising processes, and cutting costs without compromising Bonava's design, quality and profitability. There are examples in other sectors where good design has been successfully democratised. I want us to adopt this position in our sector. In this way, we will be able to provide affordable and sustainable homes without compromising quality.

To increase industrialisation and standardisation, and make our production more efficient, we can learn lessons from our German business, where we have a well-established process-oriented building system. In the Nordics, we are currently building up our own design studios so we can manage our own projects and increase our rate of change. Another focus area of our strategy is to grow our German business, where we are well positioned and have cost leadership. The German market is also large, stable and fragmented, which presents growth opportunities for us. Our objective is to develop our investor business on those markets that

have the right potential. We are convinced that society needs more affordable and sustainable homes to buy and rent, therefore we want to strengthen our focus on the affordable segment. Our objective is that by the end of our strategy period in 2020, 50 per cent of the homes we develop will be in this segment. During the year, 46 per cent of our production started units were included in the affordable segment.

Our sustainability work is continuing. During the year, we developed a sustainability agenda to support us in our endeavour to create affordable and sustainable homes, while acting in line with the principles of the UN Global Compact, complying with OECD Guidelines for Multinational Enterprises, and reporting in accordance with the Global Reporting Initiative (GRI). In 2016, we also continued to develop our safety work. Everyone should feel safe at our workplaces, and our vision is Zero harm – which means our workplaces should be free from accidents. To achieve Zero harm, we continue to prioritise health and safety by strengthen the

organisation and developing more preventive procedures. Safety should permeate our projects from start to finish.

With a strong year behind us, we are going into 2017 in a good financial position. We are well prepared for the future and will continue to deliver according to our strategy. I'm optimistic about our future, but also aware that realising our vision will take hard work. I'm proud of my colleagues and what we have achieved so far. Now we are continuing to challenge ourselves every day to develop more affordable and sustainable homes.



Joachim Hallengren
President and CEO

Business environment and trends

The supply and demand of new homes is controlled, among other things, by demographic trends, customer preferences, macroeconomic development and political decisions. Housing production has been low for a long time on several of our markets. Combined with stable population growth and continued forecast low interest rates, this means we expect good demand for new housing going forward.



Our operations are affected by international and local trends and factors, which impact on our markets to a varying degree. In this section, we review the most important drivers and trends in our business environment.

HIGH DEMAND AND LOW SUPPLY OF HOUSING

The production of housing has been fairly low in relation to demographic growth on several of our markets. This has created a shortage of new homes. To accelerate the construction of new housing, political discussion is underway in many countries with the purpose of stimulating production and increasing the supply of affordable homes.

NEW REGULATORY STANDARDS

The EU is applying progressively higher standards to businesses, and several directives affecting the environment for residential development have been introduced. For example, one is designed to ensure that all new production should comply the near-zero energy building standard by 2021. The exact implication is determined by individual markets, but according to the directive, its defined as a building with high energy performance where the amount of energy can largely be delivered in the form of energy from renewable energy sources. In the future, it is likely that still higher standards will be applied, which may mean that homes will need to produce energy, known as plus-energy buildings.

We also expect the overconsumption of global resources to trigger greater demand for more efficient utilisation in the production of housing. The circular economy is an attitude whose ultimate aim is independence from new input materials. This will entail efficiency and maximum recycling of materials.

One key factor when we develop our building systems is to satisfy current standards, and that we can also upgrade to future standards governing energy performance and the utilisation of resources.

DIGITALISING PROJECT MANAGEMENT AND PRODUCTION

Digitalisation is a important tool for enabling productivity gains in the construction sector. It includes platforms for real-time collaboration between internal and external resources, as well as information models that contain relevant information on the project such as costs, materials usage, drawings, visuals and time schedules.

Using enhanced data models, construction components can be more easily standardised using enhanced digital models. Another benefit is enabling everyone to work from the same platform, which means that potential inaccuracies can be discovered more easily prior to housing production starts.

EVALUATING ADVANCED CONSTRUCTION METHODS

Piloting state-of-the-art and sophisticated construction methods designed to increase productivity, such as 3D printing and brick-laying robots, has already begun. In all likelihood, the commercial implementation of these production methodologies will not be within Bonava's current strategy period until 2020. But it is clear that new production methods will change the production of housing in the near future.

DIGITAL CUSTOMER CHANNELS BECOMING MORE SIGNIFICANT

Digital channels and platforms are becoming increasingly important to customers when they look for new homes. The usage of

mobile devices particularly is becoming more widespread.

The potential for creating digital models of homes before they are built has improved rapidly. We now have technology that enables housing buyers to make virtual visits to their homes, including decoration choices, to get a better feel for what they are about to buy.

This raises a challenge for us as a residential development company to keep up with technological progress so we can offer our customers tools that simplify the buying process.

CUSTOMER BEHAVIOUR DRIVING INNOVATION

The growing share of online consumption has created demand for entrance area spaces where goods can be delivered securely so customers can receive them easily. This space may need to be chilled or heated in order to satisfy the needs of various types of delivery.

The growing sharing economy is also creating new conditions for housing. If, for example, more households become members of carpools, this will mean a reduced need for parking spaces, which in turn, will enable these spaces to be used for other purposes.

STAKEHOLDERS DEMANDING GREATER TRANSPARENCY

Regulators, customers and shareholders are applying more stringent standards for businesses to conduct themselves transparently and responsibly. For example, to increase business transparency, sustainability reporting will become a legal requirement for large corporations from 2017.

CONTINUED POPULATION GROWTH

Demand for housing correlates closely to population growth. Of Bonava's markets, Sweden and Norway have had the highest population growth rates in recent years, while Estonia and Latvia have grown more slowly than the EU average. Population growth should be analysed further to understand which population groups are making the greatest growth contribution. Recently, turbulence in the surrounding world has meant that immigration has created a high share of population growth on several markets. Accordingly, for residential development companies, producing homes that address these changed needs, or enable moving chains that free up homes, are important.

The ageing population, which has special needs and requirements regarding housing environments, is another clear demographic trend.

RAPID URBANISATION

Urbanisation is increasing the demand for housing in larger cities. This trend is strong in Europe and expected to remain so in the future.

Urbanisation sets new demands for urban infrastructure to develop so that new neighbourhoods can be incorporated into the urban environment. Growing cities also set higher standards for sustainability.

IMPORTANT MACROECONOMIC FACTORS

Employment is important to the willingness to invest in the housing market. Historically, employment levels have been high in Sweden, Norway and Germany.

Other factors include economic growth, often an indicator of progress on the housing market. Sweden, Germany and Norway, jointly with Estonia and Latvia, have had good GDP growth over the past decade.

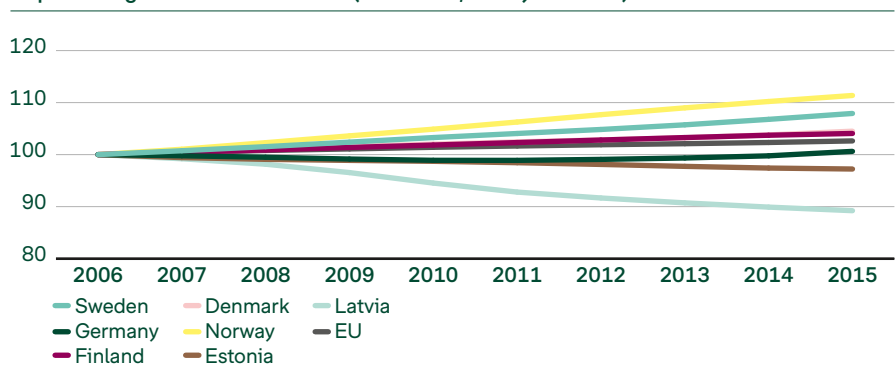
Disposable income is a measure of how people's buying power has progressed, and is an important factor for housing purchases. Adjusted disposable incomes have increased by 30 per cent across all markets since 2006.

Disposable income is affected by interest rate levels. When interest rates are low, capital tends to flow into the property market, driving up housing prices.

Simultaneously, the market is becoming more competitive as new participants start up because of a good supply of capital. All market interest rates are currently at low historical levels on Bonava's markets.

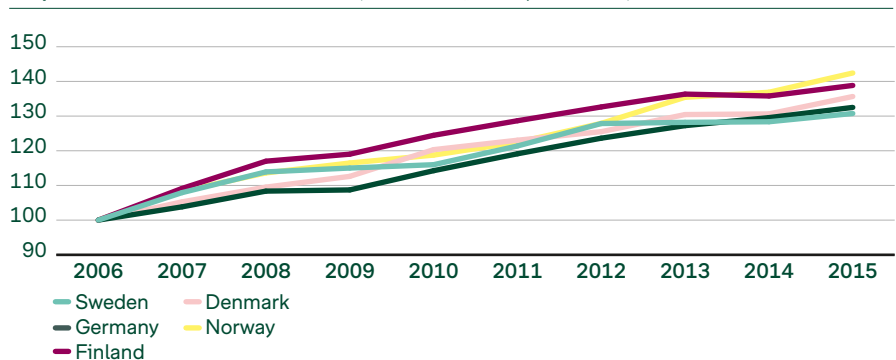
Political and economic turbulence in recent years has affected several of our markets. For example, falling oil prices have reduced economic growth in Norway and St. Petersburg.

Population growth on our markets (index 100, base year 2006)



Source: European Commission (Directorate-General for Economic and Financial Affairs, DG ECFIN).

Disposable income on our markets (index 100, base year 2006)



Source: OECD (Household Disposable Income, USD per capita).



Digital customer channels becoming more significant
New technology is enabling customers to make virtual visits to their new homes.

RISING HOUSING PRICES

Housing prices on several of Bonava's markets have increased significantly in recent years. The combination of favourable interest rates with historically low production has meant that investors and consumers have become more willing to invest in housing. This is positive for us in the shorter perspective: prices rise and the projects in our portfolio can be sold for a higher price. In the longer term, rising sales prices are usually compensated by the cost of land rising to the same extent.

A DIVIDED COMPETITIVE OUTLOOK

The competition situation on Bonava's markets varies. The market is fragmented and we encounter many of our competitors in only one country or regionally.

There are several major established residential development companies on the Swedish market such as Skanska, JM and Peab. In recent years, many new players have also appeared with a clear focus on residential development, some of which concentrate on niche market segments such as Oscar Properties.

The German market is fragmented, and Bonava often encounters different competitors in various parts of the country. BPD is active in Germany and other European markets.

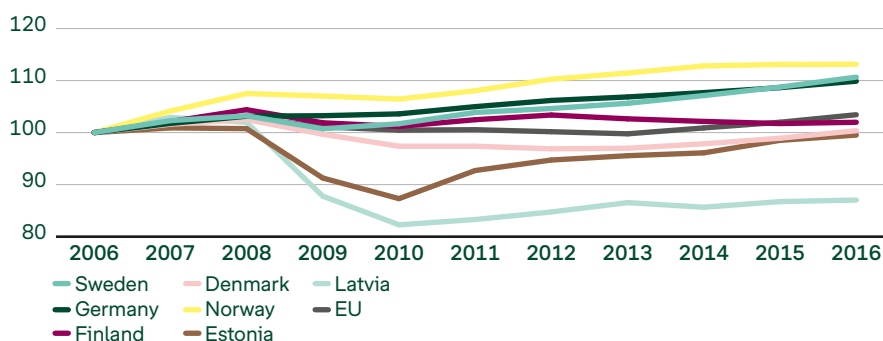
The largest competitors on the Finnish market are construction companies such as YIT, Lemminkäinen and Skanska.

The Danish market is fragmented with a large number of residential development companies.

In Norway, competitors include construction companies like Veidekke and Skanska, as well as residential development companies like OBOS, Selvaag Bolig and JM.

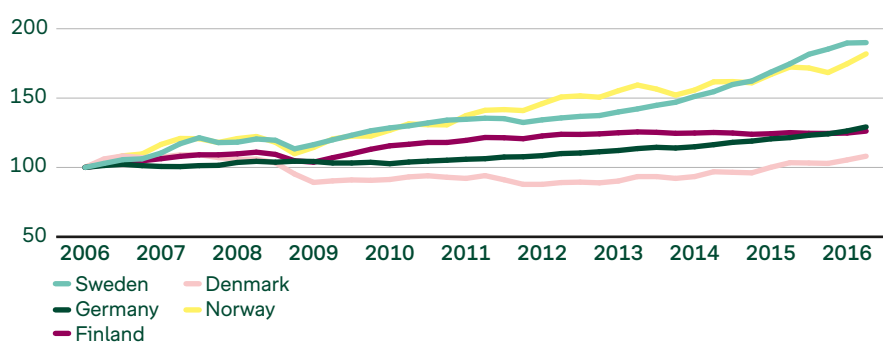
In St. Petersburg, we encounter other Western companies like YIT, as well as domestic competitors like Setl City.

Employment levels on our markets (index 100, base year 2006)



Source: European Commission (Directorate-General for Economic and Financial Affairs, DG ECFIN).

Housing prices (index 100, base year 2006)



Source: Bank of International Settlements. Includes all homes in the country, nominal figures.



Customer behaviour driving innovation

Increasing online shopping is creating the need for spaces in entrance areas where goods can be delivered securely.

Strategy and objectives

Bonava's strategy is based on our experience that the similarities between different markets are strong enough for us to benefit from operating as a single company with broad geographical presence and shared processes.

Residential development is a local business in that neither customers nor products are mobile. Additionally, municipalities and local authorities play a central role as they formulate policies and regulations, as well as the stipulations governing the planning process, and grant permits. Accordingly, many of our suppliers and competitors are local or regional.

Despite this, there are many characteristic features of residential development that are the same across international borders. Studies demonstrate that to a great extent, customer needs are the same regardless of country.

This is the foundation of Bonava's strategy and the initiatives to be executed in the current strategy period until 2020.

MISSION AND VISION

Bonava's vision

We create happy neighbourhoods where people have the highest quality of life.

We create homes and neighbourhoods where people feel they belong. We understand that this means different things to different people and that it might vary over time. This is why we're on a constant quest, together with our customers and stakeholders, to find out what makes people happy where they live. Because the idea of a friendly neighbourhood isn't just the finishing touch, it's the starting-point of it all.

Bonava's mission

We challenge ourselves every day to change the housing game, creating better homes and lives for the many.

FINANCIAL OBJECTIVES AND DIVIDEND POLICY

Bonava has two financial objectives and one dividend policy:

Return on capital employed

Bonava should generate a good return for its shareholders with retained financial stability. Its return on capital employed should be 10–15 per cent.

Equity/assets ratio

To ensure that we do not achieve our return target through financial risk-taking, our minimum equity/assets ratio should be at least 30 per cent.

Dividend policy

Bonava's dividend policy is that a minimum of 40 per cent of consolidated profit for the year after tax is distributed to shareholders. This policy is intended to provide a good dividend yield while simultaneously creating the potential to invest in our business, and thus generate growth with retained financial stability.

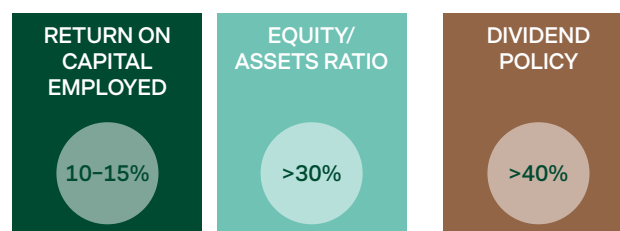
THE AFFORDABLE SEGMENT

Housing for consumers with household disposable incomes close to the median income in their geographical region.

Bonava's strategic framework



Financial objectives and dividend policy



Strategic position

Bonava's return and risk profile is attractive because it is well-balanced over a number of dimensions:

Geographical presence

We are present in 23 regions in eight countries.

Customer categories

Our offering addresses consumers and investors.

Product categories

Multi-family houses, semi-detached houses and detached houses.

Product segments

Affordable, Core and High-end

We operate in four focus areas that are designed to enhance our strategic positioning:

1. Grow and capitalise on attractive markets where Bonava is well positioned

The German housing market is large, stable and has qualities that are attractive to Bonava. The market is fragmented, creating growth potential for larger players like Bonava. The fairly short building permit process, and potential for part-payments during the production phase, are the foundation of a capital-efficient delivery model.

Bonava is well positioned to benefit from this because we have been a leading residential development company on this market for a long time. Bonava Germany has generated

good returns historically due to its well-established process-based building system.

Bonava's objective is to grow on the German market in the current strategy period.

Focusing on growth in specific markets can simultaneously imply presences in other markets being deprioritised or discontinued. Consistent with this, we have exited a number of regional markets in Norway, Sweden and Finland during the current strategy period.

Our objective is that by the end of our strategy period in 2020, 50 per cent of the homes we develop should be categorised as affordable.

2. Create a balance between projects for consumers and investors

Our core business is to sell and deliver homes and neighbourhoods to consumers. Meanwhile, projects targeting investors are an interesting and attractive complement, because they contribute to an improved risk and cash flow profile, and thus a more diversified and balanced portfolio.

Bonava's objective is to exploit growth opportunities in the investor segment on those markets where this is possible.

3. Strengthen our focus on affordable projects on the affordable segment

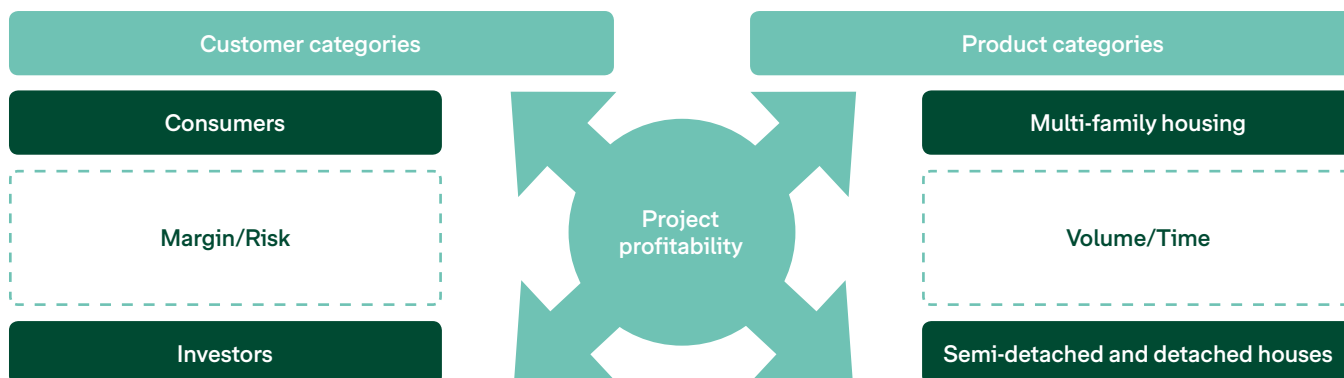
The four main segments on the market are Affordable, Core, High-end and Exclusive. We have decided to operate in the first three product segments. Until 2020, we will strengthen our focus on the affordable segment, which is attractive for several reasons, especially because it is consistent with our mission and helps alleviate the housing shortage. Additionally, projects in this segment tend to be more capital efficient because their planning process is shorter.

Our objective is that by the end of our strategy period in 2020, 50 per cent of the homes we develop should be categorised as affordable.

4. Improve the mix between multi-family and single-family homes

Bonava's offering covers large multi-family housing projects as well as small-scale projects in single-family homes. Our available land reserves often determine the type of products we decide to focus on. A mix of products within a project not only offers opportunities to create outstanding customer value by creating lively and happy neighbourhoods, but also means a healthier financial risk profile as margins and sales speed might differ. Bonava's single-family home projects in Sweden have been managed efficiently, and are attractive on the market. Accordingly, we plan to increase the production of Swedish single-family homes during the strategy period.

A diversified business model that creates value



Competitive advantages

We have three focus areas that are helping to enhance our competitive advantages:

1. Retaining cost leadership in Germany and the Baltics

In our view, we are the cost leader on the German market, which makes us the market leader in the affordable segment. Due to this positioning, we can purchase and develop land that our competitors find difficult to make profitable. In Germany, capital turn-over in this segment is high and lead-times are short.

The German building platform system, which is based on in-house and centralised design and production, has created substantial competitive advantages. Bonava endeavours to continuously improve this working model that has served for the development of over 20,000 homes, and is a major contributor to Bonava's strong market position. The exchange of best practice

from Germany has contributed to positive progress in Estonia and Latvia. The cost leadership we enjoy in these countries is based on components and experiences from the German building system.

The German building platform system has created significant competitive advantages.

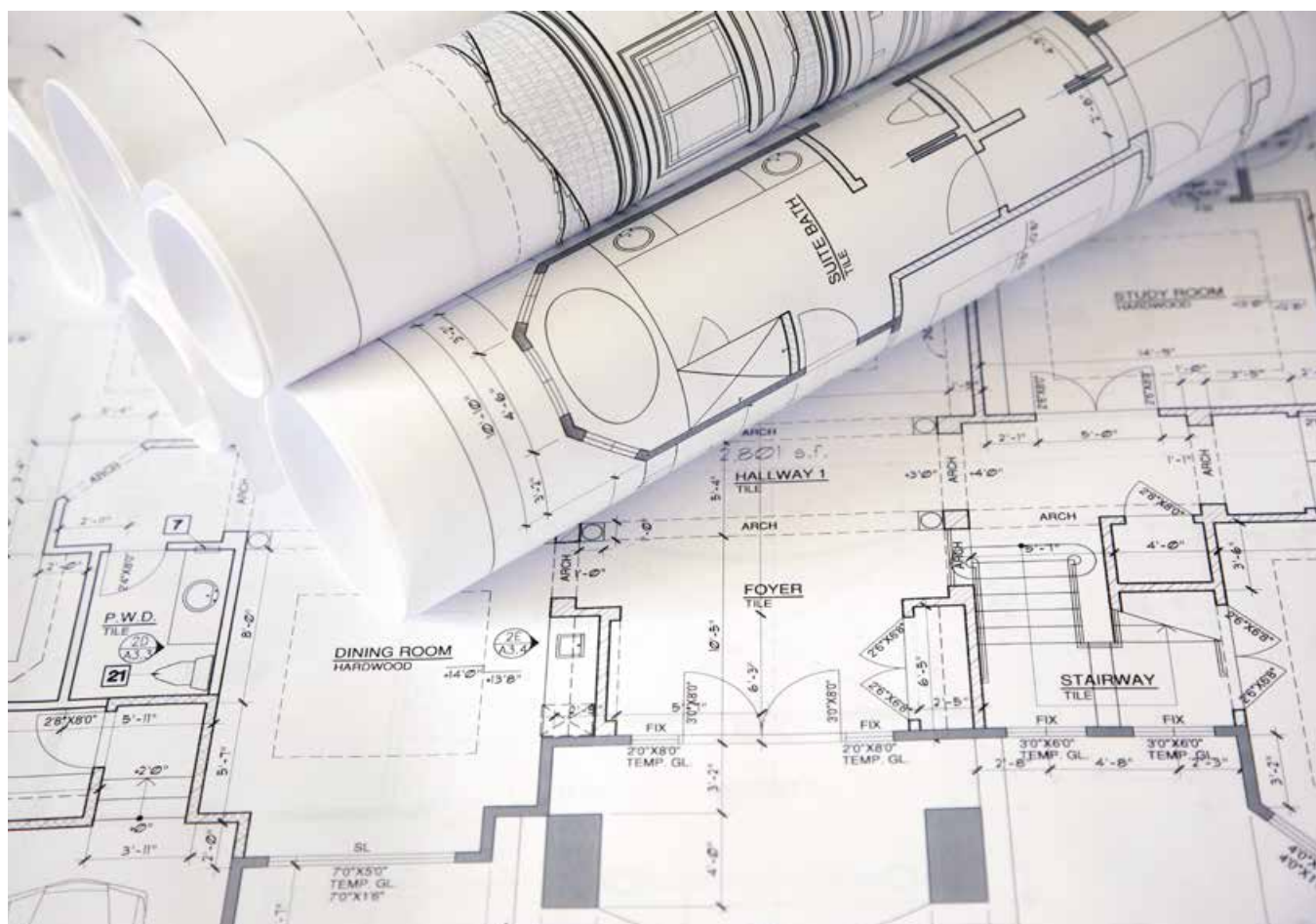
2. Improving cost positioning in the Nordics

Historically, Bonava's Nordic operation was fully dependent on NCC as contractor, with very limited proprietary resources and competence in production, design and procurement.

Accordingly, in 2015, Bonava started working on building up internal functions in these segments in the Nordic countries. This process is ongoing, and our objective is to control the whole value chain as an independent company. This means a significantly improved cost position to deliver new homes and neighbourhoods to more people.

3. Creating clear differentiation

Residential development is a market with limited differentiation and low brand loyalty, and this is especially true in the affordable and core segments. Accordingly, as a new brand, Bonava's objective is to increase brand recognition to create trust and preference. Our ambition and focus is also to create unique values through the whole customer journey from communication to the delivery of our homes and neighbourhoods. This will make an additional contribution to differentiated positioning.



Strategic initiatives and enablers



Increase differentiation through customer focus

Bonava's brand recognition is currently low because we are a new brand. Very few competitors have succeeded in profiling and differentiating their brands to any extent. Initially, we will be focusing on building a clear profile to gradually increase awareness of our brand. The objective is to create a consistent and proactive customer journey, and build brand equity through innovative products and clear segmentation.



Consolidate markets and grow in Germany

Historically, Bonava's earnings and capital efficiency has varied significantly between the regions of our eight markets. These differences are to some extent due to varying market dynamics and structures, and our strategic positioning on the local market. Our focus is on growing the German market and concentrating Bonava's operations on fewer regions in the Nordic markets. Bonava is monitoring progress on its regional markets and progressively adjusting its local geographical presence.



Improve efficiency

The organisational structure of Bonava's design and production resources differs between countries. In Germany, Bonava uses vertically integrated design functions and production staff, while the Nordic operations have historically been part of NCC. The objective is to start up in-house production and design functions on all Bonava's markets to optimise the design process and increase industrialisation. By building on experiences from our German operation, we are creating the potential to increase productivity, while simultaneously reducing costs and lead-times.



Reduce costs

Bonava's procurement resources vary between markets in terms of competence and capacity. The Nordic organisations have had limited procurement resources because historically, projects have been delivered on contract by NCC.

There is significant potential to coordinate procurement activities between Bonava's markets. To utilise this potential, we have started up a central category-defined procurement function whose objective is to generate cost savings by exploiting economies of scale.



An beneficial operating model

Bonava's organisation is currently organised into Group functions that support the various business units. To realise strategic initiatives and achieve their full effect, we need to coordinate the different markets.



Shared processes and systems

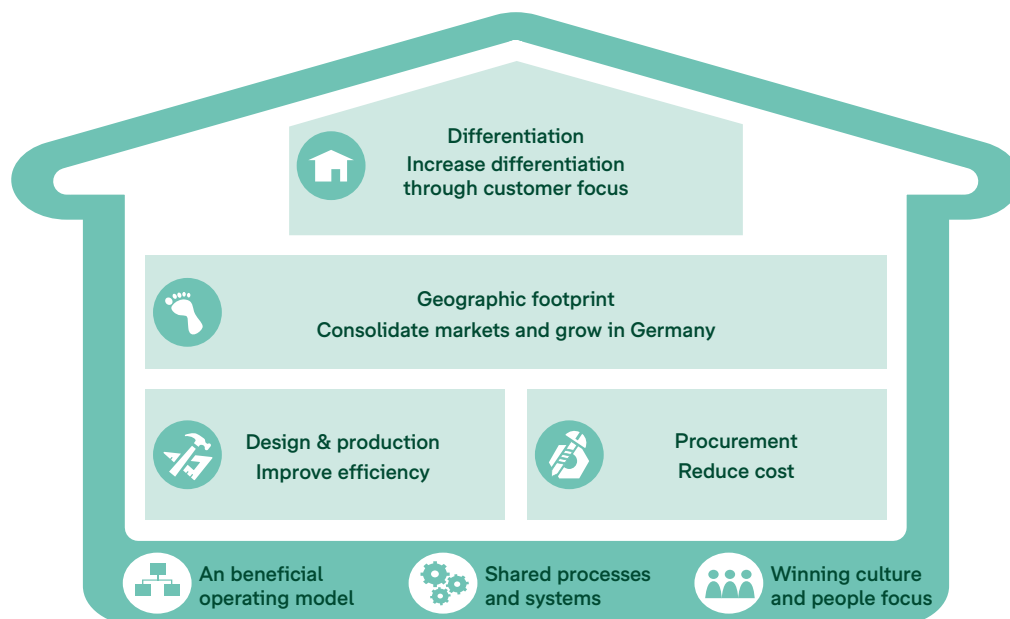
Bonava's start-up required substantial investment for new systems and processes in our core and support functions. New systems and processes mean that Bonava can develop beneficial system landscapes and raise the efficiency of all strategic initiatives.



Winning culture and people focus

People are the focus of everything Bonava does, and are the foundation of our strategy. To achieve sustainable success, it is important that we can hire, retain and develop our people. We work on a structured footing to continuously enhance our corporate culture and sharpen the focus on our people.

Strategic initiatives and enablers





Eds Allé, Upplands Väsby, Sweden.



Ekkällan Arena, Linköping, Sweden.

Residential development

The success of Bonava's operations is based on our ability to develop land into new, sustainable housing environments. This is about adapting homes to customers' wants and needs, as well as the unique circumstances of each neighbourhood.

To achieve this, we need to be active through the whole value chain – from project concept and analysis to handing over homes to the customer.

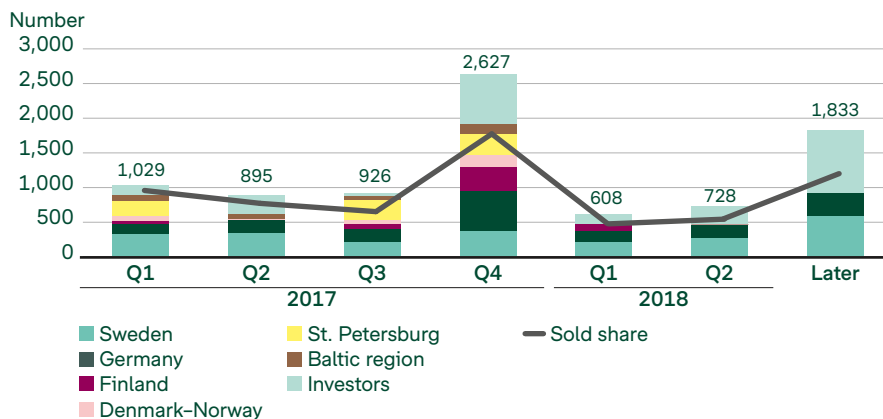
The most critical factor for us is good awareness and understanding of how people want to live. This is our starting point when we create project concepts, which are followed by a development process. To execute its projects, Bonava has well-defined processes, which provide us with control right through the value chain, ensuring that projects stay on schedule, and deliver good profitability.

PLANNED COMPLETION OF HOMES

As of 31 December 2016, Bonava had 9,113 homes in production with a sales rate of 79 per cent. We make an assessment of the timing of completions at the end of each quarter. Exact timings may differ from our assessment due to changes to production lead-times or regulatory determination of completion.

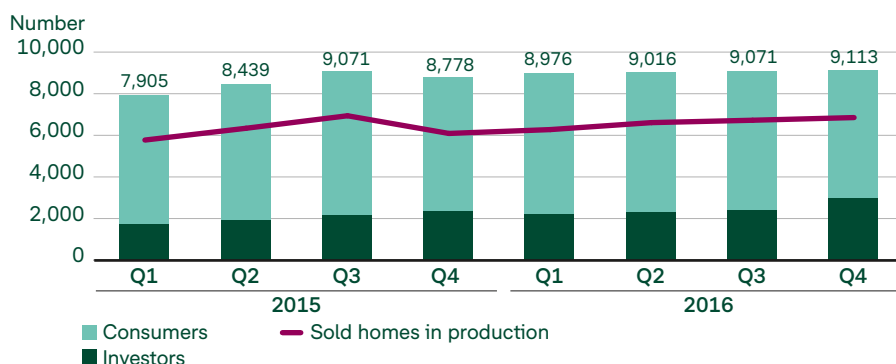
Normally, homes are handed over to consumers or investors and recognised for profit on completion, simultaneous with the sales value being recognised in net sales. In some cases and on certain markets, brief delays may occur due to formal processing by regulatory authorities, for example, or the customer formally signing to take possession of the home. Accordingly, the timing of completion is not exactly the same as recognising the home for profit.

Estimated completions per quarter



The diagram illustrates the estimated completion date of homes for consumers, and homes for the investor market, that have not yet been recognised for profit. Homes in production that have already been recognised for profit for investors are not included. The curve illustrates the sold share. Sold homes are recognised for profit at the time of handover to the customer.

Number of housing units in ongoing production and share of sold housing units



The diagram illustrates the number of homes in production per quarter and the share of these homes that were sold.



Bonava's value chain

REFINEMENT AND DEVELOPMENT

1. Land purchases

We conduct an analysis of the type of housing that should be developed, and the target group, before a potential land acquisition. Simultaneously, Bonava initiates the project process, preparing an overall financial model, simultaneous with analysing the project's risks and opportunities. We set the framework for project management, including the products, building systems and technology platforms used. By involving the right competences within architecture, project development, the environment and construction management at an early phase, we can ensure a time and cost-efficient process. If the analysis is compatible our standards, we take a decision to make a purchase.

2. Project development

Project management is refined in terms of the building's construction, as well as interior and exterior design. Throughout the process, we endeavour to secure close collaboration with relevant local authorities. Proposals are considered internally to ensure that the project is consistent with target group references and the company's profitability requirements. We identify economies of scale to further streamline project development, construction process and quality. Once the frameworks for the program, finances, product selection etc. produced have been actualised and determined, we take the decision to start the project.

3. Marketing and sale

Project marketing begins in the project development phase. With good knowledge of demand and customer needs, we ensure we reach the right target group. We achieve this primarily by meeting our customers, but also through digital channels and print media. Digital visualisations give our customers good understanding of their homes so they can make well-founded purchasing decisions before their home is completed. Once we have attracted sufficient interest from customers, we start production.



FINANCIAL REPORTING OF HOUSING TRANSACTIONS

CONSUMERS

Land purchases

Expenditure until land purchases is expensed on an ongoing basis as a production expense. Once we have taken possession of land, we recognise its cost as Properties held for future development in the Balance Sheet and Investments in housing projects in the Cash Flow Statement.

Once Bonava controls the potential for developing land, it is reported as Building rights, with one building right corresponding to one future home. Land that Bonava controls through option agreements or other contracts, but where possession has not yet been taken, is recognised as Building rights off balance sheet.

Expenditure from project development

Expenditure for product development and project-specific marketing and sales that occurred after the land has been recognised in the Balance Sheet is capitalised as Properties held for future development in the Balance Sheet and Investments in housing projects in the Cash Flow Statement.

Project execution

Once a decision on production start is taken and production has commenced, the value of land purchases and development expenses in the Balance Sheet transfers from Properties held for future development to Ongoing housing projects. Expenditure incurred during production lead-times is capitalised as Ongoing housing projects in the Balance Sheet and is charged to Investments in housing projects in the Cash Flow Statement.

On production start, the number of building rights transfer to the Number of houses in production. After production start, all homes are recognised in the Number of sold housing units in the period once a binding agreement has been signed with the customer.

4. Project execution

In Germany, Bonava utilises in-house and centralised design and production competences, which include site management and construction workers. We also have production competence and site management in St. Petersburg, Denmark and Estonia-Latvia.

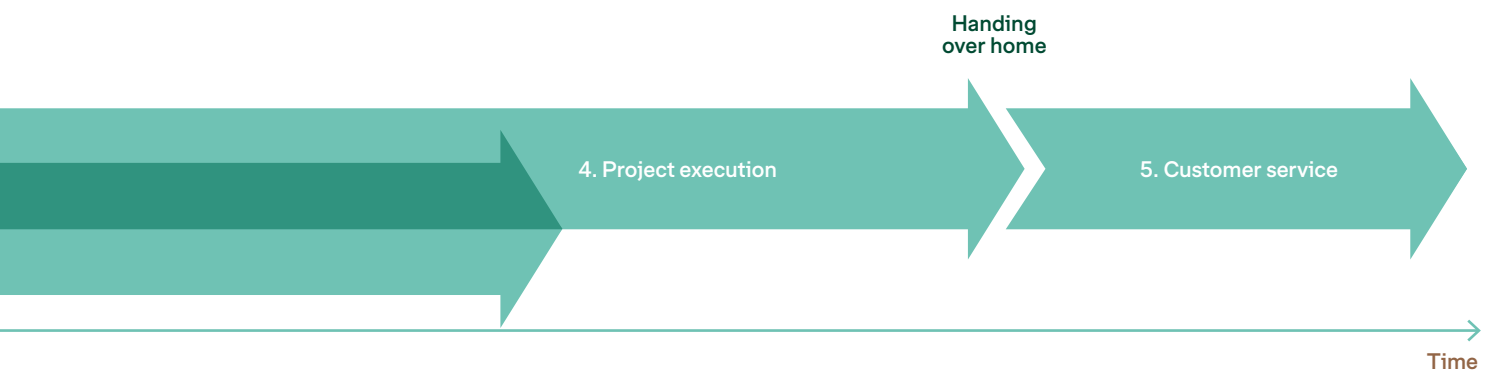
On the Nordic markets, Bonava has historically procured design and build-contracts from NCC. As an independent company, we are building up proprietary design and production competences. This will enable projects to be procured on construction contracts, which will

give us more control over the production phase. In Sweden and Denmark-Norway, Bonava has established site management to develop single-family homes.

Regardless of the role we play in the production phase, all projects have a designated project manager who continuously coordinates and monitors activities, schedules and budgets. The project manager also co-ordinates and manages contacts with the authorities, suppliers and contractors, as well as auditing sub-contractors. Project execution concludes with Bonava ensuring a professional handover to the customer.

5. Customer service

We continue our efforts to achieve customer satisfaction even after handing over homes, organising moving-in events and meetings to help new neighbours get to know each other. We also help find solutions to customers' potential problems or proposals for improvements in their homes. Customers' opinions are gathered in order to ensure that the next project concept can be adapted to customer expectations even more closely, while also helping to streamline our internal processes.



Completion and handover of homes

Once production is complete, and customers take possession of their homes, the sales value of these homes is recognised as Net sales in the Income Statement. The capitalised expenditure for these homes is expensed from Ongoing housing projects in the Balance Sheet to Production costs in the Income Statement. The book value of housing units that have been completed but that the customer has not taken possession of transfers from Ongoing housing projects to Completed housing units in the Balance Sheet. In cash flow, the profit

or loss from the house sale is recognised under Profit after financial items, while the book value of homes recognised for profit is reported under Sales of housing projects.

Homes that the customer has taken possession of are recognised as the Number of profit-recognised housing units in the period. Other completed homes are recognised as Completed housing units, not recognised for profit, including sold housing units that the customer has not yet taken possession of.

FINANCIAL REPORTING OF HOUSING TRANSACTIONS

INVESTORS

The reporting of housing transactions for investors is essentially the same as for consumers.

Our offering

We create homes and neighbourhoods where people feel a sense of belonging. A home is so much more than the house you live in, it's about the people and places around you.

Our understanding of customers is based on a dialogue about what's important for feeling at home and what makes people happy where they live. We focus on creating safe and happy neighbourhoods that last over time.



Elvebredden II, Nyborg, Norway.

We create homes and happy neighbourhoods

The housing market is an important hub of any growing town or region. It has to be healthy and well balanced in terms of supply and demand. Ultimately, this is about developing cities and regions that are competitive and able to attract the best competence, and to create functional and inclusive communities.

CUSTOMER NEEDS

Bonava develops land into affordable and sustainable housing environments. We put a big emphasis on adapting homes to customers needs, and the unique circumstances of each neighbourhood. To improve

our understanding of customer wants and needs, we conducted a market and customer survey in 2016. The results of our research, which will be compiled and reported in early-2017, proceed from the important factors in Bonava's various markets – what makes neighbourhoods attractive and what makes our customers satisfied.

Our offering covers several product segments, focusing on affordable and sustainable housing. This is how Bonava creates new, vibrant neighbourhoods where people can be happy.

MULTI-FAMILY AND SINGLE-FAMILY HOMES

Bonava creates multi-family homes, semi-detached houses and detached houses. Our development process is conducted in close partnership with consumers, investors, municipalities, regional authorities and other stakeholders. This overall perspective helps us create new, attractive housing estates and neighbourhoods.

We have a diversified offering in terms of customer and product category, which enhances the potential for value creation and profitability because differing needs can be satisfied simultaneously with diversifying risk.



GRETAS GLÄNTA, SWEDEN

Project name: Gretas glänta

Location: Sigtuna, Sweden

Housing category: Multi-family housing

Number of housing units: 69

Project start: Second quarter 2018

A VIBRANT TOWN SQUARE

We focus on sustainability in our projects, as well as in our neighbourhoods in general. Gretas glänta held Nordic Swan Ecolabelling certification for its material choices and the production process. We are building an entire neighbourhood around an open town square including green spaces, a boules terrain and seating. Restaurants and stores on the ground floor will help create a vibrant neighbourhood.

CONSUMERS ARE OUR LARGEST CUSTOMER GROUP

Bonava's marketing and sales process is conducted in parallel with project development and execution. This enables us to ensure there are enough number of interested customers before production begins.

Sales to consumers are through our own sales professionals to a varying extent, depending on geographical markets. In St. Petersburg, Estonia Latvia, all sales are executed by our own sales professionals, while sales in Sweden, Finland, Denmark and Norway also involve external brokers

to some extent. In Germany, we utilise external sales agents combined with our own sales professionals. About 70 per cent of the homes we sold in 2016 were for consumers.

INVESTOR DEALS ARE EXPANDING

Investors may be pension funds, insurance companies, real estate funds, private or public sector landlords.

Bonava usually sells housing properties to investors before construction starts. In practice, this means investors often pay the purchase price in stages as the project completes, which enables lower capital tied-up

for Bonava than for sales to consumers. In 2016, investors represented approximately 30 per cent of the housing units we sold.

In its investor deals, Bonava assumes responsibility for project development in relation to the investor. In some cases, we also provide rent guarantees to investors. In Germany and Finland, we collaborate closely with a number of investors that invest in new production of rental apartments. The ambition is that the share of housing transactions with investors will also increase on other markets.



SCHÖNEFELD, GERMANY

Project name: Schönefeld

Location: Schönefeld, southeast of Berlin, Germany

Housing category: Multi-family housing

Number of housing units: 96 rental apartments

Project start: Third quarter 2016

NEIGHBOURING BERLIN

Affordable homes for people who like the peace and quiet of the countryside, but still want to be close to active city life. This neighbourhood is at Berlin's southern city limits, just 25 km from the city centre. It is close to schools and shopping, restaurants and other activities. Good communications into the city make the location perfect for commuters.

Sustainability

As a major player on the housing market,
Bonava also has an important role in the society.

We want to be responsible and drive development towards sustainable cities, and are constantly endeavouring to maintain open dialogue with various stakeholders on the housing market. Our aim is to clarify how we can create the most benefit – as a residential developer for the customers and wider society.

Bonava in wider society

Bonava plays an important role in the sustainable development of society. By sustainable, we mean from social, economic and environmental perspectives. Accordingly, our objective is that 50 per cent of the homes that we develop should be in the affordable segment, simultaneous with us working for greater resource efficiency and systematic environmental consideration. Obviously, our direct influence is mainly as a residential developer. But indirectly, we also have great significance as a referral body and participant in sector collaborations and research projects.

NEW REQUIREMENTS

Accelerating urbanisation is setting new demands for residential development companies. We address these demands through joint planning with other parties in expansion zones, planning for service functions and green spaces, delivering innovative parking solutions and facilitating the usage of sustainable transport alternatives.

OPEN DIALOGUE

To successfully develop homes and happy neighbourhoods where people want to live now and in the future, we need an open dialogue with many different participants on the housing market. We maintain close dialogues with political decision-makers and civil servants, to discuss our collaboration and how Bonava can deliver attractive and affordable housing environments. We can also contribute with our international experience. We are looking forward to continuing to participate in developing sustainable cities and regions.

Sustainability agenda

DEVELOPING OUR SUSTAINABILITY AGENDA

When we became an independent company, we utilised the experience and knowledge we had gathered at NCC and developed a new sustainability agenda. As a residential developer, this new agenda provides us with good potential to make a long-term contribution to the development of Bonava and wider society in social, environmental and economic terms. The starting-point of the sustainability agenda is for us to adhere to the principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises and reporting in accordance with the Global Reporting Initiative (GRI).

When developing our sustainability agenda we prioritised our material sustainability topics. This resulted in four focus areas that supports our strategy, and is consistent with our values and the precautionary principle.

OUR SUSTAINABILITY AGENDA IN BRIEF

Bonava's sustainability agenda has four focus areas:

- Happy neighbourhoods for the many
- Protecting our planet
- Passionate workplace
- Reliable business

The first three are considered as strategic opportunities, while the fourth is a basic requirement.

The execution of Bonava's sustainability agenda will primarily contribute to the following UN Sustainable Development Goals:

- Goal 8: Decent Work and Economic Growth
- Goal 11: Sustainable Cities and Communities
- Goal 12: Responsible Consumption and Production
- Goal 13: Climate Action
- Goal 17: Partnerships for the Goals

Read more about the Sustainability Report and GRI-index on pages 70–77.



Happy neighbourhoods for the many

Our overall mission is to create happy neighbourhoods for the many. This means that we should be able to provide affordable housing in functioning neighbourhoods, where people feel a sense of belonging and have the highest quality of life.

AFFORDABLE HOUSING

Bonava develops neighbourhoods for people other than those with the highest incomes. We address people with incomes close to the median level for their geographical area.

Our view is that a mix of housing with different types of usage for different customer segments is important for helping promote positive social development for the longer term.

Bonava's target is that half of the company's housing production should consist of homes in the affordable segment by the end of the strategy period in 2020. The overall target applies to Bonava's overall residential development. The underlying targets for allocating between product segments will be tailored to the circumstances on each market, and it is these targets that govern our investment decisions. Of all the housing we completed in 2016, 43 per cent was in the affordable segment, and 46 per cent of the housing units whose production started during the year were in the affordable segment.

AREAS FOR HAPPY NEIGHBOURHOODS

Bonava's neighbourhoods are designed to make people's daily lives easier and make housing more enjoyable. Design and access to services are important for potential residents, but also for people who already live close to the new neighbourhood.

The location and planning of a neighbourhood affects people's behaviour, which impacts on sustainability, socially and environmentally. This is an area where Bonava is currently engaged in research, through channels including benefiting from the experiences of previous piloting and work on the sustainable urban development systems BREEAM Community in Sweden and Norway, and One Planet Living in Finland. The aim is to be able to optimise the design of housing estates for social and environmental sustainability.

COMMUNITY DEVELOPMENT FOR SENSE OF BELONGING

We involve prospective residents and neighbours in the development of housing estates where people feel at home. We have positive experience of dialogue processes, in early phases to engage the people who live around new estates, and during production, to create a sense of belonging for prospective residents.

Activities during the year

To enhance Bonava's ability to provide happy places for many people, we have identified and mapped what makes people happy in their neighbourhoods. Bonava's extensive mapping process illustrates what is important and what the public and customers are satisfied with. The results will be reported in early 2017.

In dialogue with the municipalities where we are present, Bonava Sweden has developed planning support for social sustainability. Its purpose is to support the development of socially sustainable new neighbourhoods. This planning support is designed to realise dynamic hybrid cities whose environments focus on people, as well as dialogue and social engagement. It will be implemented and evaluated in 2017.

Bonava's sustainability agenda



Protecting our planet

Residential neighbourhoods affect the environment globally and locally, during and after production. Accordingly, the environment is one of our key priorities. We are working towards a circular production model, sustainable use of land, developing efficient buildings and utilising sustainable and non-hazardous materials.

CIRCULAR PRODUCTION MODEL

Building materials exert an impact on the environment in several ways, from the extraction of raw materials to waste management.

The term Circular production model, encapsulates Bonava's vision of efficient production where all material flows are optimised to minimise the need for new produc-

tion raw materials. The ultimate aim is a closed loop. The current ambition is to focus on innovative design and production that reduces materials usage and wastage. The basis for these efforts is improved methods to measure and analyse material flows, which in turn is a major challenge for us, and for the industry in general.

Converging on the vision of a circular production model is critical for reducing Bonava's environmental impact, and to our ability to deliver housing in the affordable segment. The background is that the cost of materials, especially whose supply is limited, and that of waste management, is expected to increase over time. The table to the right illustrates material consumption in Germany, where we have had in-house production for a long time, and are accordingly able to report its usage of building materials.

Usage of construction materials in Germany

	2016	2015	2014	2013
Limesandstone m ³ /housing unit	40.7	24.4	29.6	34.8
Concrete m ³ /housing unit	48.5	33.9	43.1	52.5
Prefabricated concrete elements m ³ /housing unit	161.4	109.7	134.2	170.1
Steel ton/housing unit	3.5	2.4	3	3.7

The fact that materials consumption per completed unit increased in 2016 when the previous trend was steady decline is explained by a strategic transition towards more multi-family housing with staircases and more substantial frames.

SUSTAINABLE USE OF LAND

Bonava develops land with consideration. Primarily, we use land that has previously been utilised, which we develop and decontaminate so it is suitable for housing. In cases where undeveloped land is utilised, Bonava's planning incorporates protection of biological diversity, and compensates ecological values. This is becoming more important due to the importance of vegetation in generating local and global resistance to climate change.

Being aware of the condition of land prior to purchase reduces the risk of unexpected remediation, additional expenses and delays to projects. Bonava's investigations prior to acquisition are tailored to identify and manage these risks.

Of all projects where a decision to start production was taken in 2016, Bonava took actions to protect important natural values in 24 per cent of projects. 46 per cent of projects were on brownfield sites, and about 40 hectares of land was remediated to enable residential development. These figures exclude projects in Germany.

EFFICIENT BUILDINGS

Delivering resource-efficient housing is central to Bonava. Primarily, resource efficiency means good energy performance and low water consumption.

Bonava has been working to the target of delivering homes with energy performance superior to the building standards of each country for several years. Targets are set by country because the circumstances and energy standards of each country differ. The energy standards in our markets have become gradually more stringent, and accordingly, Bonava's margins above legal standards have declined despite our energy performance improving.

By adapting Bonava's technology platforms to the environmental standards and accreditation of each country, we also create the potential for the efficient utilisation of water.

Environmental ambition of production starts of housing units:	Housing units with environmental certification ¹⁾		Superior energy performance ²⁾	
	2016	2015	2016	2015
Sweden	1,084 (69.7%)	1,242 (78.6%)	27%	28%
Germany	0	1 (0.1%)	34%	45%
Finland	0	0	6%	6%
Denmark	72 (28.1%)	53 (28.5%)	20%	17%
Norway	0	N/A	0%	N/A
St. Petersburg	72 (9.0%)	0	55%	17%
Estonia	0	0	8%	17%
Latvia	0	N/A	34%	N/A
Total	1,228 (19.0%)	1,295 (24.0%)	N/A	N/A

¹⁾ For housing with environmental certification, the figure in brackets is the share of the total number of housing units whose production started.

²⁾ Superior energy performance means how much lower the overall energy consumption per year is compared to if all buildings complied with the applicable law or building standard for each building. For Germany, the share of housing with superior energy performance is reported, at an average of some 15 per cent lower energy consumption than legally stipulated levels.

Passionate workplace

- Labour conditions supporting our values
- Health and safety
- Diversity



Decent Work and Economic Growth

Reliable business

- Compliance
- Responsible supply chain management
- Tax
- Transparency



Partnerships for the Goals

SUSTAINABLE AND NON-HAZARDOUS MATERIALS

Sustainable and non-hazardous materials do the least possible harm to the external environment, are not hazardous to the health of people that handle them, and do not have a negative impact on the internal environment.

Environmental certification of buildings is an effective tool to ensure that non-hazardous materials are used and that the precautionary principle¹⁾ is applied. This is because certification includes standards on the content and traceability of materials. Bonava utilises environmental certification either directly, or as a benchmark to ensure that our buildings satisfy these standards.

On the Nordic markets, Nordic Swan Ecolabelling²⁾ is the environmental certification system that fits Bonava's focus on more industrialised processes best, and goes furthest in the requirement for selecting sustainable and non-hazardous materials. Bonava certifies its buildings in Sweden, Denmark and Norway with Nordic Swan Ecolabelling. In Denmark and Norway, Bonava was first on the market to offer Nordic Swan Ecolabelled multi-family housing. In Sweden, Bonava's platform and processes are fundamentally tailored to the Swedish environmental certification, Sweden Green Building, Silver standard.

In St. Petersburg, Bonava certifies its buildings pursuant to Green Zoom,³⁾ a Russian third-party verified certification, whose development Bonava contributed to. In terms of structure and content, Green Zoom is based on the international certification systems BREEAM⁴⁾ and LEED.⁵⁾

In Germany, Bonava's processes and material selections have been audited according to the German certification system DGNB.⁶⁾ Bonava's test home achieved the Gold standard without any substantial modification being required. Experiences from this testing have been incorporated into routines and platforms.

¹⁾ **The precautionary principle:** Decision model that proceeds from the assumption that if there is a risk of environmental and/or health hazard, the absence of scientific proof may not be used to justify delays to cost-efficient actions. Accordingly, the potentially hazardous activity should be assumed as hazardous.

²⁾ **Nordic Swan Ecolabelling:** Nordic environmental labelling certification system initiated by the Nordic Council of Ministers. The standard for housing regulates production and usage, and focuses on resource use, as well as sustainable and non-hazardous materials. Each country's government assigns government corporations with responsibility for Nordic Swan Ecolabelling, on a non-profit basis. Read more at svanen.se

³⁾ **Green Zoom:** Russian environmental certification system. Read more at green-zoom.ru.

⁴⁾ **BREEAM:** Comprehensive environmental certification system originally from the UK. Assesses the sustainability potential of buildings and sites. Can be used for new buildings, conversions and existing buildings. There is also a version available for whole areas. Read more at sgbc.se.

⁵⁾ **LEED:** Comprehensive environmental certification system originally from the US. Assesses the sustainability potential of buildings and sites. Can be used for new buildings, conversions and existing buildings. There is also a version available for whole areas. Read more at sgbc.se.

⁶⁾ **DGNB:** Comprehensive international environmental certification system, developed and administered by DGNB of Germany. Assesses the sustainability potential of buildings and sites. There is also a version available for whole areas. Read more at dgnb.de.

Solar cells and plus energy in Germany



QUARTIER PLUS

Location: Hausbruch, southeast of Hamburg, Germany

Housing category: 14 semi-detached houses and 14 detached houses

Development period: Fourth quarter 2015 to fourth quarter 2016

The name of this project, Quartier Plus, indicates that building roofs have solar cells designed to produce more energy than the buildings consume themselves.

Passionate workplace

Committed and passionate employees who do their utmost for their customers and Bonava are a prerequisite of our success. We focus on working conditions that support our values and an inclusive workplace that is a safe and secure working environment for everyone. Bonava should feature diversity to reflect the societies we operate in.

LABOUR CONDITIONS SUPPORTING OUR VALUES

Bonava is a workplace of opportunities. We have a new brand, we operate in several countries and we have many years' experience of residential development. This means that we have the potential to influence our own development, and our company's.

By focusing on our people and our common culture, we will converge on Bonava's

vision. Bonava's cultural journey started back in 2012, and has laid the foundation for our current positioning. The whole time, our ambition has been to develop a winning culture that delivers good financial results. For everyone at Bonava to fulfil their potential, we need the right conditions that support good performance and results, just as much as opportunities to learn and develop. Good leadership and well-defined common HR processes are leading Bonava in the right direction.

The right competence and development
Bonava has defined the need for competence, and success factors for our key roles. These serve as the starting-point in our search, selection and introduction of new employees, and in our planning of work, as well as training and development.

Bonava's employee and customer satisfaction surveys demonstrate that the efforts we make are appreciated, and that commitment has increased significantly in the past

three years. The most recent survey was executed in September 2015, and the next one is planned for March 2017.

Quarterly reviews where managers and staff agree, and follow-up, on expectations, targets and development plans, are the foundation for performance and progress. Bonava's people also gain regular support at work through monthly meetings with their first-line managers.

Regular dialogue

Within Bonava, dialogue has a high priority, to support good performance and enhance our common culture. The yearly cycle of regular interviews between managers and staff helps create an open climate and culture of feedback.

To share our experiences and learn from each other, we launched a new intranet during the year, and introduced the social network Yammer for internal information and communication.

Our employees

Employee category	Permanent		Temporary		Employee turnover	2016
	Women	Men	Women	Men		
White-collar	486	657.5	29.5	19	Employees, number at year-end	1,662
Blue-collar	3	277	7	26	New employees, number during the year	363
Total	489 (32.5%)	934.5 (62.0%)	36.5 (2.5%)	45 (3.0%)	Terminations, number	142

All figures apart from employee turnover are stated for the average number of employees. A full-time employee who has been working for six months is entered as one-half. The exception is Germany, which counts the number of employees at year-end.

Employment contract	Women	Men
Permanent employees	489	934.5
Temporary employees	36.5	45
Total	525.5 (35%)	979.5 (65%)

Bonava Academy

Bonava Academy has been the company's competence development hub since 2014. This is where we integrate mandatory training packages on health and safety and compliance, programs for managers and other key employees, for example. We offer online training in Group-wide introduction days for new employees. At these introduction days, we bring together employees from all our markets for two days at the head office. Over 250 new employees participated on three different occasions during 2016.

Employer branding

To disseminate and enhance Bonava's corporate culture, we have trained over 20 brand and cultural ambassadors. These ambassadors will be holding workshops for employees on all our markets in 2017. Each market will also be conducting further activities to strengthen our common culture. Employees will also gather in focus groups on all markets to clarify Bonava's employer brand and how it should be communicated externally and internally to attract and retain the right competence. Strengthening Bonava's culture and brand is one of our strategic initiatives.

HEALTH AND SAFETY

Health and safety is a fundamental priority at Bonava. Building sites are hazardous. There are no fatalities to be reported in 2016, either at those workplaces where Bonava is site manager, or projects fully contracted out. However, as late as in 2015 two contractor employees were fatally injured at work on the former NCC Housing's projects in St. Petersburg. To prevent this from recurring, we have implemented our Zero harm vision, which means our workplaces should be free from accidents. Effective 2017, we make no

distinction between our own and our sub-contractors' employees in accident reporting.

Early initiatives

To realise our vision of Zero harm we need a continuous focus on safety. Early-phase safety planning in projects creates the potential for safe workplaces and safe management when buildings are in use. Because the construction of our homes and neighbourhoods is often conducted by independent contractors, we plan good safety jointly with our partners.

Health and safety

	Employees		Contractors ⁴⁾	
	2016	2015	2016	2015
Sickness absentee rate ¹⁾	5.0%	5.8%	N/A	N/A
Work-related injuries ²⁾	19	12	23	15
Work-related injury frequency ³⁾	7.0	5.3	N/A	N/A
Fatalities, work-related	0	0	0	2

¹⁾ Number of hours of sickness absence in relation to total working hours.

²⁾ Work-related injuries that resulted in sickness absence.

³⁾ Number of work-related injuries per million working hours.

⁴⁾ Contractor employees subject to Bonava site management.

N/A = not available





During the development of the Sigtuna neighbourhood, we maintained a very old apple tree, whose trunk circumference of 408 cm makes it one of Sweden's largest. This tree grew from a seed planted about 200 years ago. It is also unique in bearing a unique variety of apple, which was named the Sigtuna Sur.

Activities during the year

In our first year as an independent company, we started developing working methods and organisational resources for health and safety at Group level. We hired a Health and Safety Manager and created a health and safety network. We decided on a common ambition for health and safety, and prepared plans and instructions for crisis situations and other activities.

To highlight the importance of safety, we arranged an Awareness Day, a full-day event focusing on safety. This day has been arranged for several years by NCC, but this autumn's event was the first Bonava organised independently. At the Awareness Day, we launched a web-based training package – a quiz about preventative safety measures.

DIVERSITY

We endeavour to be a welcoming workplace featuring diversity that focuses on collaboration. The aim is to ensure Bonava's

access to a broad recruitment base, and our employee base should reflect the general population. Bonava's initiatives to increase diversity include placements for students and recent immigrants. The consistent aim is to make Bonava's mission more simple – to create better homes and lives for the many.

At year-end we had 1,662 employees. Bonava's Board of Directors has three women and three men, and the Executive Management Group (EMG) has three women and eight men. During the year, 35 per cent of all our employees on average were women and 65 per cent were men.

Our diversity¹⁾

	Age <30		Age 30–50		Age >50	
	Women	Men	Women	Men	Women	Men
the Board	0	0	1 (17%)	1 (17%)	2 (33%)	2 (33%)
EMG	0	0	2 (18%)	6 (55%)	1 (9%)	2 (18%)
						175.5 (12%)
White-collar	91.5 (6%)	87.0 (6%)	328.5 (22%)	413.5 (27%)	96 (6%)	
Blue-collar	0	26.5 (2%)	6.5 (0.4%)	149 (10%)	3.5 (0.2%)	128 (8.5%)

¹⁾ Percentage shares are based on the average number of employees for the Group, apart from the Board and Executive Management Group.



Reliable business

Being a reliable partner – regardless of who we are dealing with, where or when – is fundamental to us. Bonava's responsible business includes compliance, collaboration with suppliers and contributing to society through tax revenues. Bonava undertakes to openly report its initiatives and progress.

COMPLIANCE

Developing homes and neighbourhoods involves contacts with a series of stakeholders, and Bonava is dependent on its

stakeholders' trust to be able to operate on the market. Impropriety by Bonava would have extensive consequences, including financial ones.

Our values are the starting point of all our conduct. Initiatives to disseminate and strengthen our corporate culture group wide helps us do the right things in the right way.

Processes and training

Bonava's internal regulations and processes are defined in the company's Code of Conduct and business management systems. During the year, we launched a new compliance program, Our Foundation. Our Foundation contains support for compliance with Bonava's Code of Conduct in the form of advice, training and routines. All Bonava's

white-collar employees undertook an e-training course in Our Foundation during the year.

Reporting non-compliance

Our whistleblowing function, Bonava's Speak Up System supports compliance with laws and internal regulations. It enables employees and people outside the company to report suspected breaches anonymously via the internet or phone. The system was launched in June. No breaches were reported during the year. There were no incidents of corruption to report, nor any legal action against anti-competitive behaviour or significant sanctions for breaches of applicable laws and regulations.



**Our ambition is to establish more direct collaborations
to improve control over procurement.**

**RESPONSIBLE SUPPLY CHAIN
MANAGEMENT**

Ensuring the goods and services Bonava purchases are produced and delivered responsibly is one of the company's most important issues. During the year, we began the creation of a central procurement organisation. We also started to design a framework of supplier standards. Bonava has a total of approximately 14,000 suppliers, of which around 3,100 provide contractor services and 1,600 deliver construction and/or installation materials. Procurement from our remaining suppliers primarily consists of consulting services and indirect purchasing.

Previously, Bonava managed about one-half of its purchasing volumes through NCC's supply chain. Our ambition is to establish more direct collaborations to

improve control over our procurement. At present, this is primarily achieved by competitive tenders in our Nordic markets. In connection with competitive tenders, we review our suppliers' environmental work, health and safety conditions, quality and financial stability. Coincident with competitive tender processes, we began the audit of 260 suppliers in this way during the year.

TAX

Bonava contributes to society by paying taxes such as corporation tax, property tax and transaction tax, VAT and employer's contributions. These tax revenues are crucial for social progress on the markets where Bonava operates, and ultimately facilitates the creation of homes and happy neighbourhoods.

These undertakings mean that Bonava:

- Complies with the applicable tax legislation in all countries where it operates
- Conducts itself in accordance with OECD's transfer pricing guidelines
- Maintains open relationships with tax agencies in all countries where we operate
- Does not avoid taxation through artificial and aggressive tax schemes

TRANSPARENCY

Each year, Bonava reports on its activities and performance in accordance with the principles of the Global Compact as well as the Global Reporting Initiative's Sustainability Reporting Guidelines, version 4, Core option. The scope of the Sustainability Report is stated in the GRI-index on pages 70–77.

Bonava's markets

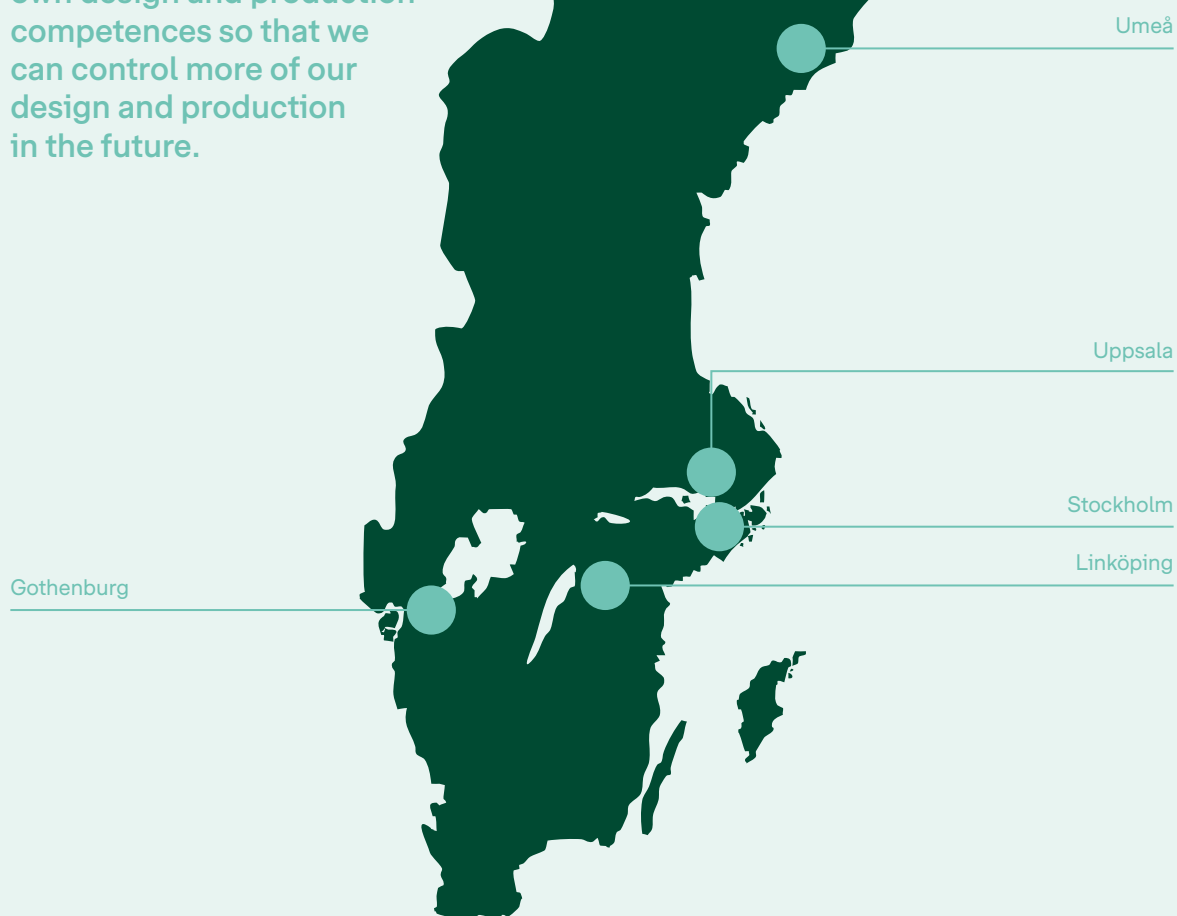
Bonava is a leading residential development company in northern Europe. Our operations are concentrated on selected markets in Sweden, Germany, Finland, Denmark, Norway, St. Petersburg, Estonia and Latvia. We focus on large cities and regions with favourable demographic and macro-economic factors. At year-end 2016, Bonava had a total of 9,113 housing units in production.



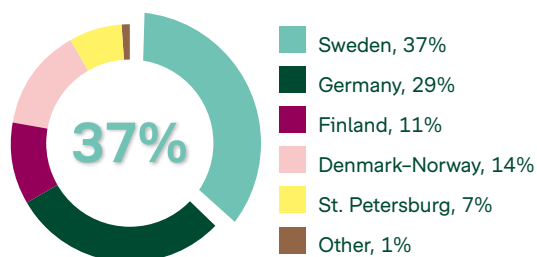
Drabæk Huse, Blovstrød, Denmark.

Sweden

During the year, we started building up our own design and production competences so that we can control more of our design and production in the future.



Net sales per segment, 2016



	2016	2015
Key financial figures		
Net sales, SEK M	5,040	4,639
Operating profit, SEK M	920	706
Operating margin, %	18.3	15.2
Capital employed at period end, SEK M	4,350	4,978
Return on capital employed, %	19.3	13.9
Building rights		
Building rights at period end, number	7,200	7,600
of which off-balance sheet building rights, number	3,300	2,500

OUR OFFERING IN SWEDEN

In Sweden, Bonava's offering focuses on consumers and investors. The consumer markets are Stockholm, Gothenburg, Linköping, Uppsala and Umeå. The investor business focuses on some 15 Swedish cities. Within our single-family housing business, we limit our offering to a small number of products so we can increase the industrialisation of the construction process. For multi-family housing, we use a building system that is based on long-term experience. This building system is in continuous improvement, and will be progressively updated to better address our strategic priorities. In Sweden, we are transitioning from Sweden Green Building certification to the Nordic Swan Ecolabelling system. All new investments from 2017 onwards will be to deliver Nordic Swan Ecolabelled buildings.

STRATEGIC PRIORITIES

During the year, we started building up our own in-house design and production competences so we can control more of our design and production in the future. This will mean that we can keep developing our building system, and thus reduce our production expenses and an enhanced cus-

tomers offering. We also want to develop our project portfolio and grow the investor business.

SIGNIFICANT EVENTS

In 2016, Bonava closed agreements with the first National Swedish Pension Fund housing company Willhem on the sale of leasehold apartment projects. Two projects, consisting of 352 apartments, were sold in May for a value of SEK 595 million. These projects are located in Linköping and Karlstad. In November, Bonava sold two projects in Malmö, consisting of 178 apartments, with a sales price of SEK 391 million. In December, Bonava also acquired land in Täby outside Stockholm for the development of 450 housing units.

In December, Bonava Sweden relocated its head office to new premises at Kungsholmen in Stockholm.

The launch of the Bonava brand began with a new digital platform and website, as well as campaigns.

CUSTOMER EVENT IN CENTRAL STOCKHOLM

About 200,000 people cross Stockholm city centre square Sergels torg every day,

which makes it one of the most vibrant spaces in Stockholm. In September, we laid 2,000 m² of lawn in the square, to mark the sales start of five new neighbourhoods.

FINANCIAL RESULTS

We increased the number of housing units handed over to consumers in Sweden, simultaneous with average pricing increasing. Net sales and margins on projects to consumers increased. Net sales were SEK 5,040 million (4,639) and operating profit was SEK 920 million (706). SEK 257 million (253) of year-2016 operating profit was sourced from land sales.

OUTLOOK

Bonava possesses a portfolio of attractive projects in different phases. Based on the National Swedish Board of Building, Planning and Housing's predicted pressing need for new housing, we view the market as remaining attractive, with strong demand. However, housing price growth may be restricted somewhat by the various regulations that are being implemented to reduce household borrowing.



ON TRACK

Neighbourhood: Älvsjö station, Stockholm, Sweden

Housing category/number of housing units:

Multi-family housing, 157 apartments

Status: Residents move in in December 2017

A MEETING PLACE FOR ACTIVE PEOPLE

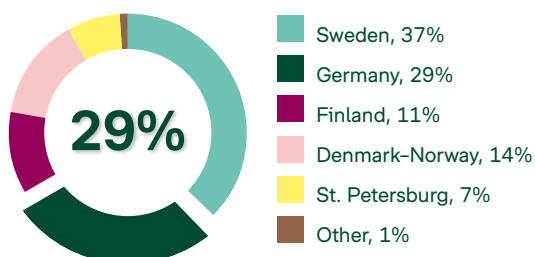
Area-efficient and smart planned apartments, mainly studios and one-bed apartments, as well as a small number of two-bedroom apartments. Specifically developed for modern urban people that live active lives. The attractive courtyard with running track, outdoor gym, barbecue space and garden offers great potential to let energy flow.

Germany



The yearly Real Estate Brand Value Study (EUREB) ranked the Bonava brand as the strongest in the residential sector in Germany.

Net sales per segment, 2016



	2016	2015
Key financial figures		
Net sales, SEK M	3,907	3,471
Operating profit, SEK M	477	422
Operating margin, %	12.2	12.1
Capital employed at period end, SEK M	2,163	1,361
Return on capital employed, %	25.4	30.7
Building rights		
Building rights at period end, number	6,400	5,700
of which off-balance sheet building rights, number	2,700	3,600

OUR OFFERING IN GERMANY

Bonava operates in the Berlin, Hamburg, Baltic sea, Saxony, Rhine/Ruhr, Cologne/Bonn, Rhine/Main and Rhine-Neckar/Stuttgart regions. Our offering is for consumers and investors, consisting of single-family and multi-family housing.

Bonava has established a building platform system which enables an efficient production process including planning phase. This building system, continuously being improved, has been applied for over 20 years.

STRATEGIC PRIORITIES

Based on the good profitability of these operations and the scale of the German market, we see good potential for organic growth through hiring employees, and purchasing land for future projects.

SIGNIFICANT EVENTS

The Bonava brand was launched in 2016, with all signage and brand-related products updated. The brand-building process gained recognition when we received a brand value award in Germany. The yearly Real Estate Brand Value Study (EUREB) ranked the Bonava brand as the strongest in the residential sector in Germany. Our investor business is strong, with seven deals with a total of 645 living units sold to several German core investors.

FINANCIAL RESULTS

Net sales and earnings in 2016 increased mainly because more housing units were recognised in the Income Statement.

Net sales increased to SEK 3,907 million (3,471), and operating profit increased to SEK 477 million (422).

OUTLOOK

Demand on the German market remains high, and the production of housing has to increase to meet this need. Demand from investors for rental apartments and from private consumers for condominiums and single-family homes remains positive, although there are geographical variations.



MAGNOLIENGÄRTEN

Region: Hamburg

Housing category/number of housing units: 11 multi-family houses comprising 251 condominiums and rental apartments

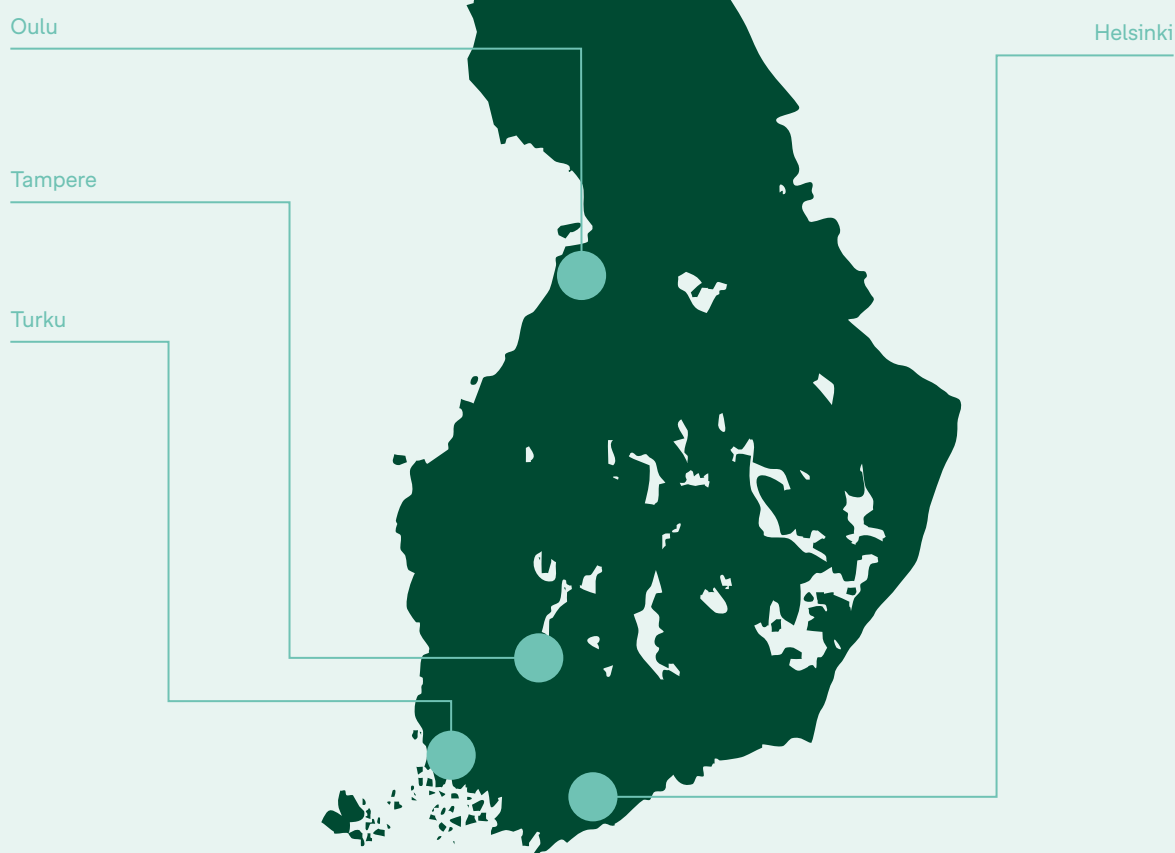
Status: Project start in the first quarter of 2017

GREEN LIVING CLOSE TO THE CITY

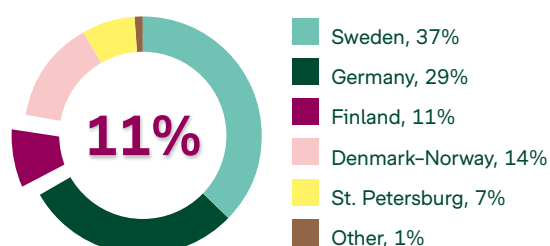
Modern living for people in all life stages in a vibrant neighbourhood and even though close to nature. The city center of the attractive district Hamburg-Bergedorf is only 3 km away.

Finland

After several years of poor growth, the Finnish economy is starting to look stronger, with GDP forecast to grow going forward. Pricing is also progressing in a positive direction.



Net sales per segment, 2016



	2016	2015
Key financial figures		
Net sales, SEK M	1,516	1,791
Operating profit, SEK M	92	187
Operating margin, %	6.1	10.5
Capital employed at period end, SEK M	1,092	1,114
Return on capital employed, %	7.1	12.5
Building rights		
Building rights at period end, number	7,300	8,400
of which off-balance sheet building rights, number	4,200	4,800

OUR OFFERING IN FINLAND

In Finland, we operate in Helsinki, Esbo, Vantaa, Turku, Tampere and Oulu. Our offering is for consumers and investors, mainly multi-family housing. Historically, we built housing using a building system that is standard in the Finnish industry based on prefabricated concrete components.

STRATEGIC PRIORITIES

Similar to Sweden, Bonava Finland has a close partnership with NCC, and now needs to build up design and production competences to control more of our design and production in the future. The development

of our building system will lead to reduced production costs, and an enhanced customer offering.

SIGNIFICANT EVENTS

The development of a neighbourhood in Oulu, with a total of 550 apartments, began during the year. In November, Bonava Finland relocated to a new office in Helsinki.

FINANCIAL RESULTS

Net sales decreased in Finland because no projects for investors were recognised for profit in 2016. Net sales amounted to SEK 1,516 million (1,791) and operating profit

was SEK 92 million (187). The profit from land sales for the full year 2016 amounted to SEK 4 million (2).

OUTLOOK

After several years of poor growth, the Finnish economy is starting to look stronger, with GDP forecast to grow going forward. Pricing is also progressing in a positive direction.



UKONKIVI

Region: Oulu

Housing category/number of housing units:

Multi-family housing with 50 apartments

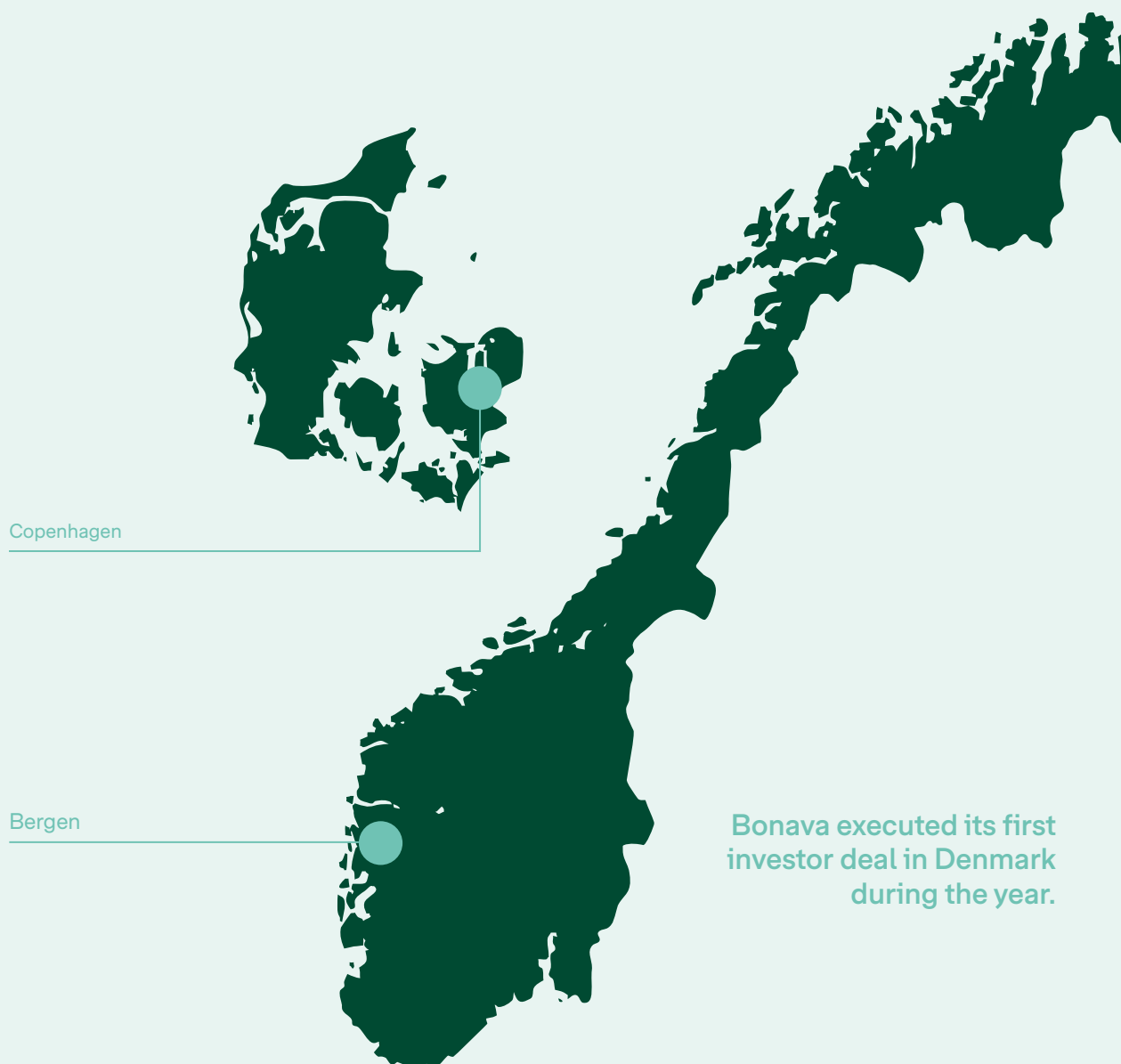
Status: Project start was in the fourth quarter of 2016

WHERE EVERYONE HAS GREAT QUALITY OF LIFE

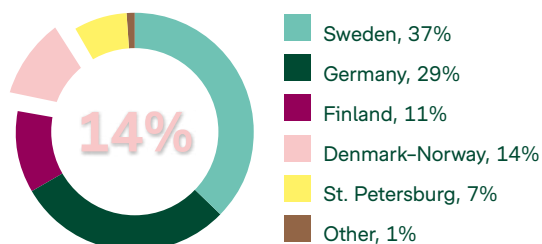
Affordable housing for singles, couples and families.

Walking distance to schools, supermarkets and green spaces.

Denmark–Norway



Net sales per segment, 2016



	2016	2015
Key financial figures		
Net sales, SEK M	1,931	1,760
Operating profit, SEK M	194	–3
Operating margin, %	10.0	–0.2
Capital employed at period end, SEK M	736	1,076
Return on capital employed, %	16.0	–0.2
Building rights		
Building rights at period end, number	900	1,300
of which off-balance sheet building rights, number	300	100

OUR OFFERING

Bonava operates in Copenhagen in Denmark and Bergen in Norway. Our offering encompasses multi-family and single-family housing targeting consumers and investors.

STRATEGIC PRIORITIES

The strategic orientation in Denmark and Norway is to continue to build up our production organisation and develop proprietary building systems, firstly for semi-detached houses, where we have already begun our first projects, and secondly for multi-family housing.

SIGNIFICANT EVENTS

Bonava executed its first investor deal in Denmark during the year with the sale of leasehold housing units in Copenhagen. This project consists of 74 apartments, which were acquired by Balder. Operations in Stavanger and Oslo were exited as part of strategic prioritisation onto selected locations.

FINANCIAL RESULTS

Net sales in Denmark and Norway increased as a result of more housing units being handed over to consumers. Net sales increased to SEK 1,931 million (1,760) and operating profit was SEK 194 million (-3). The profit from land sales amounted to SEK 18 million (-4).

OUTLOOK

The outlook on both markets, Copenhagen and Bergen, is good, while price growth is positive.



FÆLLEDUDSIGTEN

Region: Ørestad, Copenhagen

Housing category/number of housing units:

Multi-family housing, 117 apartments

Status: First phase launched in June 2015

The first and second phases are currently under construction.

URBAN AND GREEN

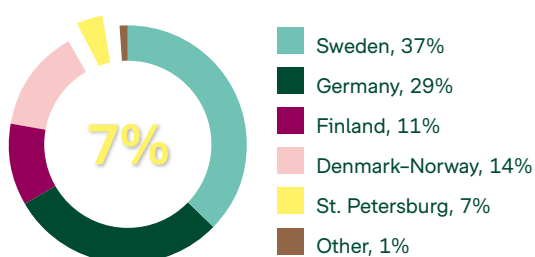
Fælledudsigten is part of the new Ørestad District of Copenhagen, and is next to other semi-detached housing and extensive green spaces. Schools, day-care, shopping and the subway are all within walking distance. The initial phase of this project will be sold to consumers, and the second is Bonava's first investor sale in Denmark.

St. Petersburg

St. Petersburg

The St. Petersburg housing market is showing signs of stabilising.

Net sales per segment, 2016



Key financial figures

	2016	2015
Net sales, SEK M	915	773
Operating profit, SEK M	178	197
Operating margin, %	19.4	25.5
Capital employed at period end, SEK M	1,277	802
Return on capital employed, %	16.5	24.4

Building rights

Building rights at period end, number	4,400	4,700
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OUR OFFERING

On the Russian market, Bonava is only present in St. Petersburg. It focuses exclusively on multi-family housing, for consumers and investors.

STRATEGIC PRIORITIES

We want to improve our cost positioning by developing our building system and working more strategically on procurement.

SIGNIFICANT EVENTS

Michael Björklund became the new Business Unit President of Bonava St. Petersburg in October. Björklund has been working for

Bonava since 2011, serving in positions including Marketing Manager in St. Petersburg, Business Unit President for the Baltics, as well as heading up the Swedish single-family homes business.

FINANCIAL RESULTS

Net sales in St. Petersburg increased because of more housing units for consumers being recognised for profit and one project for investors being recognised for profit. Net sales increased to SEK 915 million (773) and operating profit reduced to SEK 178 million (197).

OUTLOOK

The St. Petersburg housing market is showing signs of stabilising. The market for new housing is stable, and in 2016, total sales on the market were comparable with 2013. Economic conditions appear to be improving somewhat, even if there is still some uncertainty surrounding factors including the progress of oil prices, which have a major impact on the Russian economy.



SKANDI KLUBB

Region: The Petrogradsky district, St. Petersburg

Housing category/number of housing units:

Multi-family housing, 1,213 apartments

Status: This neighbourhood is scheduled for completion in the fourth quarter of 2020

SUSTAINABLE FOCUS ON A HISTORIC SITE

Skandi Klubb is a neighbourhood being developed in central St. Petersburg. Close to communications, schools and sports facilities, and notably, to the historical parts of the city. Skandi Klubb is the first construction project in Russia to be accredited in accordance with the country's national sustainability standard – Green Zoom.

Capital structure and financing

BONAVA AS AN INDEPENDENT COMPANY

Bonava has a central Treasury Department responsible for managing the Group's liquidity, financing and financial risks. Bonava's operations are financed in local currencies through banks, or with internal loans from Bonava's Treasury Department. The Group's financial risks are regulated by a Finance policy. The management of these risks is centralised and is largely effected through the use of financial instruments. More information about financial risk management can be found on page 52 and in note 23.

In the period up until Bonava's spin-off from NCC and listing on Nasdaq Stockholm on 9 June 2016, Bonava's operations were financed by NCC Treasury.

BONAVA'S FINANCING

Bonava's primary sources of liquidity are cash flow from operating activities and borrowing from external lenders.

Long-term financing

In May 2016, Bonava entered into a credit agreement with AB Svensk Exportkredit for fixed-term loans totalling EUR 30 million over a term of four years, and of EUR 30 million over a term of five years. Interest is calculated on the basis of 3-month EURIBOR plus a margin. The loans will be repaid in full at the end of the term.

In April 2016, Bonava entered into a credit agreement with Danske Bank, SEB, Handelsbanken and Swedbank regarding a multi-currency revolving credit facility (RCF). The original term of the credit facility is five years, with a total amount of SEK 2.7 billion. Bonava can draw down credit when required, and utilisation during the year varied

between SEK 1.7 billion and SEK 0 as of 31 December 2016. The terms of the RCF are contingent on observance of two financial variables relating to the equity/assets ratio and interest cover.

Working capital financing

Bonava's cash flow is subject to seasonal variations, which the company offsets by utilising overdraft facilities (term of less than one year) with banks, which totalled SEK 405 million as of 31 December 2016. Bonava also has access to credit lines with banks for overnight or weekly borrowing.

CONSTRUCTION FINANCE FOR TENANT-OWNERS ASSOCIATIONS AND HOUSING COMPANIES

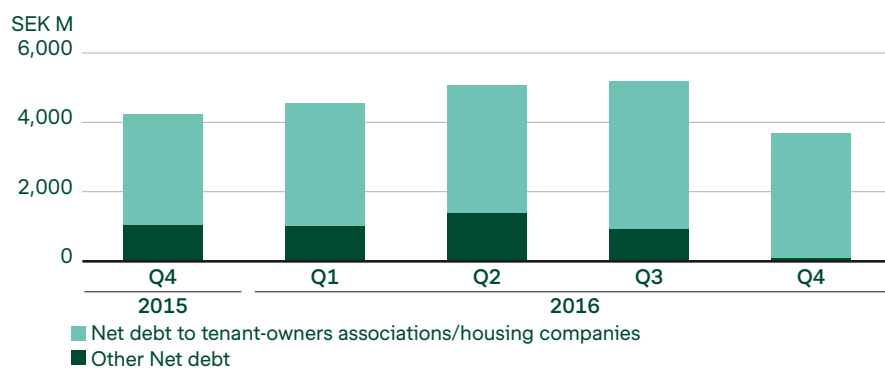
In Sweden Bonava sells housing in tenant-owners associations and in Finland in housing companies. As Bonava starts new projects it establishes tenant-owners associations in Sweden and housing

companies in Finland. The funding of these projects is usually secured in the form of project finance from banks, where loans are drawn down at a pace with the construction process generating costs. The tenant-owners associations or housing companies act as borrowers. These loans are reported in Bonava's Balance Sheet.

INTEREST-BEARING LIABILITIES

Operations are highly seasonal, which is reflected in Bonava's debt. In the first three quarters of the year, borrowing normally increases as multiple projects are started and there are many housing units in production. In the fourth quarter, many housing units are handed over to customers, generating substantial cash flows which are used to reduce debt. The figure below illustrates the variations in net debt between quarters, and the percentage of debt raised by tenant-owners associations and housing companies respectively.

Net debt



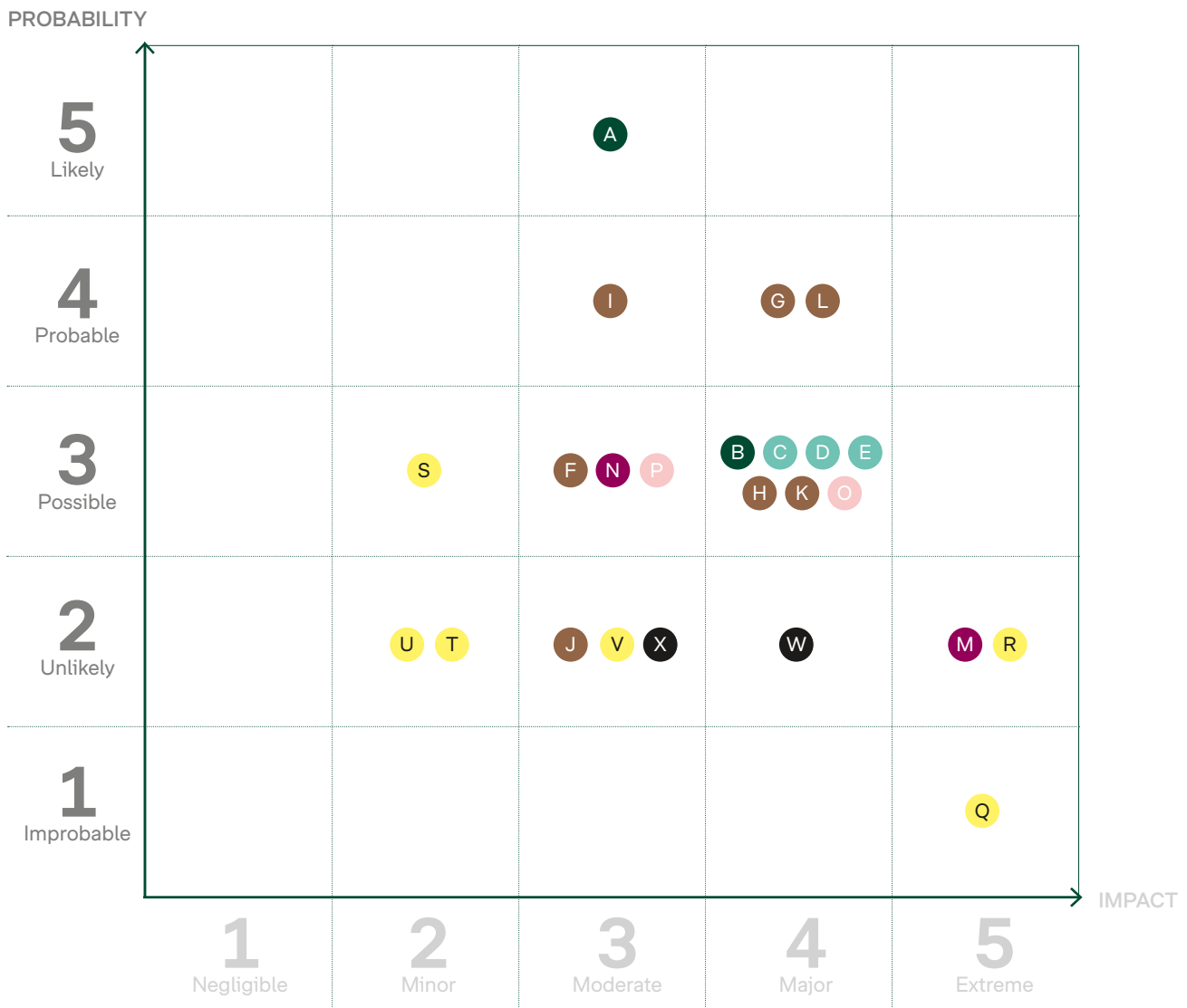
Risks and risk management

Bonava is exposed to risks with varying degrees of impact on the Group. The risks can be attributable to events or decisions beyond Bonava's control, but may also be the result of bad decisions or mistakes by management. Through its structured and proactive risk management, Bonava aims to reduce its risks or change them to opportunities as far as possible.

The Board of Directors and Audit Committee review Bonava's internal control annually. Potential risks are identified and measures taken to manage the relevant risks. The Audit Committee is tasked with monitoring Bonava's internal control, including its risk management. The Board of Directors assumes ultimate responsibility for internal control.

The risk management process has identified and evaluated a number of general risk and specific risks on the basis of probability, impact on operations and Bonava's efforts to manage the relevant risks. The following presentation and illustration ranks these risks in terms of probability and impact.

Risk matrix



PROBABILITY OF RISK OCCURRING (See illustration on page 49 for overview)		IMPACT IF RISK OCCURS (See illustration on page 49 for overview)	
EXOGENOUS RISK			
RISK AREA	DESCRIPTION		MITIGATING FACTORS
Macro-economic progress	<ul style="list-style-type: none">Demand for Bonava's housing units may be negatively affected by adverse developments of macroeconomic factors such as the general state of the economy, level of employment, the rate of new housing production, changes in infrastructure, demographic trends and population growth, consumer optimism as well as inflation and interest rates.	5	3 <ul style="list-style-type: none">Bonava focuses on expansion in growth markets, while macroeconomic risk is managed by continuously analysing trends and drivers on the respective markets. Bonava operates in eight different national markets and the target groups for its various housing development projects vary. Accordingly, the risk is not concentrated to a particular country, region or target group.
Political and regulatory risk	<ul style="list-style-type: none">Changes to planning regulations and construction guidelines can generate cost increases or delay construction projects. Legislative changes relating to tax and borrowing can influence housing demand and property prices. Sustainability-related regulatory progress can imply risks as well as opportunities.	3	4 <ul style="list-style-type: none">Ongoing dialogue with stakeholders that are able to influence the political agenda, alongside external analysis aimed at identifying the drivers, trends and ongoing changes to legislation and regulatory frameworks. Bonava's sustainability project includes an analysis of regulatory developments relating to sustainability, which means that the company is prepared for future directives. When significant regulatory changes occur, Bonava continuously adjusts its processes and decisions and, where necessary, its strategy.
STRATEGIC RISK			
Risk relating to the building rights portfolio	<ul style="list-style-type: none">Bonava may fail to acquire suitable land or building rights. There are risks relating to costs, delays and loss of goodwill if important sustainability-related factors are misjudged.	3	4 <ul style="list-style-type: none">Bonava's Board of directors and management regularly review and update the company's strategy regarding the markets where Bonava is active and acquires building rights. Bonava pursues a clearly defined process at business unit and Group level for analysis, due diligence and review of investment proposals from a range of perspectives, including financial calculations, cash flow analysis, market analysis, sustainability analysis, physical inspections and risk analysis. Bonava's definition of sustainability also includes social aspects.
Shifts in the value chain (towards joint construction projects)	<ul style="list-style-type: none">In the Nordics, major efforts are underway to ensure that more projects are completed as build-only divided contract. This requires the establishment of new internal functions with increased capacity and entirely new competences in order to tender for and manage these projects. On a relatively overheated market, Bonava may experience difficulties in procuring the timely internal competences required to control the construction risk in terms of price, quality and health and safety. Shortcomings in the internal organisation could delay the transition towards joint design-and-build projects, which could reduce project margins or complicate the control of such projects, generating problems with lead times, quality or project margins.	3	4 <ul style="list-style-type: none">Bonava pursues a structured approach to securing the required internal competences and organisation in Sweden, Finland, Denmark and Norway, and to ensuring that the extensive and solid expertise and structural capital from Bonava Germany is assimilated.
Market position and brand awareness	<ul style="list-style-type: none">As a new company, Bonava may struggle to retain the brand recognition it enjoyed while part of the NCC Group. A weaker market position could reduce demand for the Group's housing units and increase costs associated with marketing and sales, which could have a negative impact on Bonava's operations, profit and financial position.	3	4 <ul style="list-style-type: none">Bonava has made extensive and successful efforts to position its brand. These efforts are continuing to strengthen and establish the Bonava brand across all markets and in relation to all the company's stakeholders.
OPERATIONAL RISK			
Project development	<ul style="list-style-type: none">Price changes in purchasing, increased project engineering costs and delays caused by revoked permits from public authorities could occur in the project development process. Misjudging the constitution of acquired land or infrastructure costs could increase the costs of a project significantly.	3	3 <ul style="list-style-type: none">Operational risks are managed as part of the internal corporate governance process established by Bonava. Bonava evaluates and manages these risks through operational systems and specific processes and procedures such as pre-project and detailed project engineering processes, and centralised procurement.
Changes to housing prices during project development	<ul style="list-style-type: none">Changes in macroeconomic conditions can influence housing prices in the period from land acquisition until a project can be sold.	4	4 <ul style="list-style-type: none">Bonava's project portfolio includes a range of products aimed at different target groups in eight countries, which reduces exposure to fluctuations on individual markets. Furthermore, Bonava seeks to obtain insight into its customers' needs in order to optimise its housing units and offset price fluctuations.

PROBABILITY OF RISK OCCURRING (See illustration on page 49 for overview)		IMPACT IF RISK OCCURS (See illustration on page 49 for overview)			
OPERATIONAL RISK, cont.					
H	Environmental and climate risk	<ul style="list-style-type: none">Property operations and utilisation of properties have an impact on the environment and are regulated by extensive environmental legislation regarding factors such as building materials, noise and pollution. Claims could be directed against Bonava for soil remediation in accordance with the provisions of applicable environmental legislation.	3	4	<ul style="list-style-type: none">Bonava's internal corporate governance on each market adopts specific procedures and support structures to ensure compliance with national and local directives. Bonava has access to internal local resources and/or employs external experts to plan and carry out soil remediation and planning in close dialogue with local authorities for project engineering and dimensioning of remedial measures that incorporate future variations in weather conditions. Bonava has Group-wide routines and systems for raising the alarm and communication regarding accidents or serious incidents, as well as a group-wide professional sustainability network.
I	Suppliers	<ul style="list-style-type: none">Bonava has many different suppliers and there is a risk that suppliers fail to comply with Bonava's principles regarding human rights, working conditions, environmental responsibility and anti-corruption, or deliver goods that fail to correspond to Bonava's commitment to customer value or environmental certification of Bonava's products.	4	3	<ul style="list-style-type: none">Bonava has established a centralised procurement organisation and produced a framework for the selection and auditing of its suppliers, in order to increase central control and synchronise its work.
J	Production risk	<ul style="list-style-type: none">Shortcomings in the planning and implementation of the production of housing units could lead to increased costs or unsatisfactory quality, resulting in increased guarantee cost and damage to the company's reputation.	2	3	<ul style="list-style-type: none">Bonava seeks to increase the industrialisation of its production. Increased repetition and intra-Group knowledge exchange through the various segments' operational systems reduce the risk of repeating errors.
K	Regulatory risk	<ul style="list-style-type: none">Bonava's operations could be adversely affected if members of staff fail to comply with its Code of Conduct, or otherwise breach applicable legislation and regulations.	3	4	<ul style="list-style-type: none">Bonava has implemented a comprehensive compliance program ("Our Foundation") to manage compliance risk. Key elements of the program include direct and online training programs, extensive advisory services, a whistle-blower function and regular internal reporting and communication.
L	Personnel	<ul style="list-style-type: none">Bonava's operations could be adversely affected if the company fails to recruit or retain personnel, particularly in areas such as design, production and procurement, which are partly under construction.	4	4	<ul style="list-style-type: none">Bonava adopts a structured recruitment process and its branding work strongly emphasises employer branding. Bonava offers competitive employment terms.
HEALTH AND SAFETY					
RISK AREA		DESCRIPTION		MITIGATING FACTORS	
M	Customers	<ul style="list-style-type: none">The health and safety of Bonava's customers and other citizens may be at risk if Bonava designs housing where risks arise, such as the risk of road traffic accidents or unsafe and hazardous environments in socially vulnerable areas. Direct risk of injury in buildings may arise in connection with fire or if installations or building elements are damaged, and indirect risk includes an unhealthy indoor environment, due to the design of the building and the choice of construction materials.	2	5	<ul style="list-style-type: none">When planning housing, Bonava works closely with local authorities and other stakeholders to create safe environments. When legislative requirements fail to provide adequate guidance, Bonava works alongside sector organisations or independent external environmental certification agencies to identify procedures that ensure that the precautionary principle is adhered to, such as choosing non-hazardous materials and ensuring a healthy indoor environment.
N	Occupational health and safety	<ul style="list-style-type: none">The health and safety of Bonava's employees is exposed to risk if the company fails to ensure safe working conditions and efficient routines for minimising occupational health and safety risk, where the most serious risks arise on construction sites and in the context of transport. A high proportion of the work on Bonava's construction sites is carried out by contractors, and a risk of injury may arise if Bonava's procedures are not followed.	3	3	<ul style="list-style-type: none">Bonava makes no distinction between its employees and contractors' staff. The company adheres to a policy of "zero harm," with the ultimate objective of eliminating all injuries. The main strategy focuses on health and safety awareness planning at an early stage. In its first year as an independent Group, Bonava has established organisational structures and procedures to synchronise and govern work across the Group. Bonava follows crisis management plans, and has Group-wide routines and systems for raising the alarm and communication regarding accidents or serious incidents, as well as a Group-wide health and safety network.
CUSTOMER-RELATED RISKS					
O	Price and product offering	<ul style="list-style-type: none">Changes in customer behaviour influence demand for housing units and the profitability of projects.	3	4	<ul style="list-style-type: none">Bonava carries out structured insight surveys and continuously monitors housing trends.
P	Customer service	<ul style="list-style-type: none">There is a risk that Bonava's customer service fails to live up to the customers' expectations, thereby affecting confidence in Bonava.	3	3	<ul style="list-style-type: none">Bonava actively seeks out its customers' views on project design in order to ensure that its projects match customer expectations right from the idea stage, and to rationalise its internal processes.

PROBABILITY OF RISK OCCURRING (See illustration on page 49 for overview)			IMPACT IF RISK OCCURS (See illustration on page 49 for overview)		
FINANCIAL RISKS ¹⁾					
Q	Refinancing risk	<ul style="list-style-type: none">Refinancing risk is defined as the risk of Bonava being unable to secure financing at a specific point in time, or of its creditors having difficulty fulfilling their obligations.	1	5	<ul style="list-style-type: none">Bonava seeks to diversify its financing over different sources and to pursue a maturity structure that spans several years.
R	Liquidity risk	<ul style="list-style-type: none">Liquidity risk is the risk of the company being unable to meet its payment obligations on the due date without incurring significantly increased funding costs.	2	5	<ul style="list-style-type: none">Bonava has stipulated specific levels relating to its payment capacity. The company also continuously monitors and forecasts Group liquidity in order to ensure optimum financing and liquidity at all times.
S	Interest rate risk	<ul style="list-style-type: none">The Group is exposed to interest rate risk insofar as interest rate fluctuations impact the Group's profit and cash flow or the fair value of financial assets and liabilities negatively.	3	2	<ul style="list-style-type: none">Bonava's Finance policy stipulates a specific level for the average interest-fixing period in the debt portfolio and that interest roll-over structure should be diversified over time.
T	Currency risk	<ul style="list-style-type: none">Exchange rate risk pertains to the risk of fluctuations in exchange rates having an adverse impact on Bonava's Income Statement, Balance Sheet and Cash Flow.	2	2	<ul style="list-style-type: none">Bonava's exchange rate risk is limited because the business units' payments are mainly denominated in local currency. Exchange rate risk in the form of currency fluctuations is managed centrally by the Treasury Department, and is widely hedged in accordance with the Finance policy.
U	Credit risk	<ul style="list-style-type: none">The risk that Bonava's customers will not fulfil their obligations is a credit risk.	2	2	<ul style="list-style-type: none">Customers are assessed by a range of credit reporting agencies. For large customers, the credit risk is limited by various forms of security such as bank guarantees, the ability to freeze construction credits and recourse indemnities.
V	Insurance	<ul style="list-style-type: none">Bonava's operations could be adversely affected in the event that its insurable risk were not covered by adequate insurance corresponding to legislative requirements.	2	3	<ul style="list-style-type: none">A centralised insurance function assumes responsibility for Group-wide insurance for non-life and third party indemnity insurance, mainly property and construction related.
LEGAL RISKS					
RISK AREA		DESCRIPTION	MITIGATING FACTORS		
W	Tax	<ul style="list-style-type: none">Bonava carries out operations in several countries. There is a risk that the company's interpretation and application of applicable tax legislation, tax treaties and regulations, as well as the practices of courts and tax authorities, are not entirely correct. There is also a risk of future changes to tax legislation and legal practice.	2	4	<ul style="list-style-type: none">Bonava pursues a structured process for compliance with applicable legislation and practice. Bonava actively monitors legal developments in the area of taxation, both in terms of the application of legislation, and proposals and decisions regarding future changes to tax regulations.
X	Disputes	<ul style="list-style-type: none">Bonava is party to disputes within the framework of its normal business operations and risks becoming the subject of civil law claims in, for example, proceedings pertaining to defects or deficiencies in sold housing units. Bonava's operations could be adversely affected if such disputes are not handled efficiently and professionally.	2	3	<ul style="list-style-type: none">Bonava adopts a careful, structured and validated process for reporting and evaluating disputes and other exposure. Extensive or other wise serious exposure is reported to the CEO, CFO and General Counsel on an ongoing basis, as well as regular reporting to the Board of Directors. Bonava proactively seeks to prevent disputes, particularly at segment level.

¹⁾ For more information about financial risk management, see note 23, financial instruments and financial risk management.

Bonava's owners and the share

The Bonava share was listed on 9 June 2016 on Nasdaq Stockholm, Large Cap.

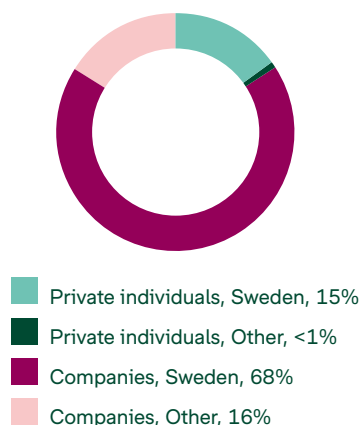
ABOUT THE SHARE

Bonava has two share classes, series A and series B. Each share of series A in the company entitles the holder to ten votes at General Meetings and each share of series B in the company entitles the holder to one vote. The total number of shares as of 31 December 2016 was 108,435,822, of which 14,374,838 series A shares and 94,060,984 series B shares, corresponding to a total of 237,809,364 votes.

OWNERS AND OWNERSHIP STRUCTURE

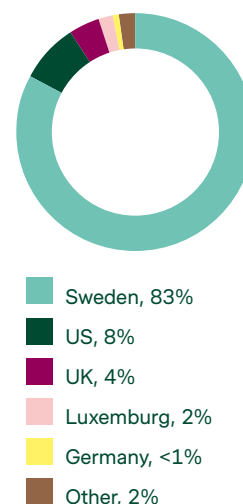
As of 31 December 2016, Swedish businesses, mutual funds and private individuals held 83.3 per cent of the share capital. Foreign ownership is mainly divided over US shareholders, with 8.1 per cent of the shares, corresponding to 4.0 per cent of the votes.

Ownership categories¹⁾



¹⁾ Source: Euroclear Sweden, as of 31 December 2016.

Ownership by country¹⁾



QUICK FACTS

Marketplace:	Nasdaq Stockholm	Market cap:	SEK 15.2 Bn
Segment/sector:	Financials/Real Estates	ISIN code, series B:	SE0008091581
Share class:	Series A and series B	ISIN code, series A:	SE0008091573
No. of shares:	108,435,822	Ticker symbols	
of which series A:	14,374,838	Nasdaq:	BONAV B
of which series B:	94,060,984	Bloomberg:	BONAVA:SS
		Reuters:	BONAVb.ST

Largest shareholders	No. of series A shares	No. of series B shares	Holding, %	Votes, %
Nordstjernan AB	10,700,000	10,023,759	19.1	49.2
AMF – Försäkring och Fonder	–	7,907,171	7.3	3.3
Swedbank Robur Fonder	–	5,678,475	5.2	2.4
Lannebo Fonder	200,000	5,331,397	5.1	3.1
SEB Investment Management	–	5,505,842	5.1	2.3
The Fourth Swedish National Pension Fund (Fjärde AP-fonden)	3,343	3,772,055	3.5	1.6
Carnegie Fonder	–	2,750,000	2.5	1.2
Handelsbanken Fonder	–	2,647,353	2.4	1.1
Norges Bank	3,239	2,243,769	2.1	1.0
Länsförsäkringar Fondförvaltning AB	–	1,770,485	1.6	0.7
Subtotal, 10 largest shareholders	10,906,582	47,630,306	53.9	65.9
Other	3,468,256	46,430,678	46.1	34.1
Total no. of shares	14,374,838	94,060,984	100.0	100.0

Source: Euroclear Sweden, as of 31 December 2016.

Share capital performance

Date	Event	Change in share capital, SEK	Change in no. of shares	Share capital after change, SEK	No. of shares after change
8 Apr. 2013	New formation	N/A	N/A	50,000	1,000
3 Feb. 2016	New issue	+ 450,000	+ 9,000	500,000	10,000
	Merger of shares (10000:1)	N/A	–9,999	500,000	1
	Share split (1:108435822)	N/A	+ 108,435,821	500,000	108,435,822
26 Apr. 2016	Bonus issue	+ 409,500,000	N/A	410,000,000	108,435,822
18 May 2016	Bonus issue	+ 23,743,288	N/A	433,743,288	108,435,822

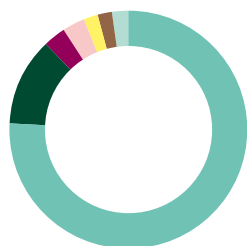
DEVELOPMENT DURING THE YEAR

From the date of the IPO on 9 June, Bonava's series B share increased by 32.6 per cent against OMXSPI, which rose by 11.1 per cent in the same period.

The closing price was SEK 139.60 per series A share and SEK 141.20 per series B share as of 30 December 2016, corresponding to a market capitalisation of SEK 15.2 billion.

SHARE TURNOVER AND TRADING

Share turnover for the series B share was 47,038,919 during the year, corresponding to an average daily turnover of 324,406 shares. Bonava's series B shares were traded on more than six different marketplaces, of which Nasdaq Stockholm represented 76 per cent of turnover.

Market share (trading)

Nasdaq OMX, 76%
BOTC, 12%
LSE Group, 3%
ITG, 3%
Bats Europe, 2%
BOAT, 2%
Other, 2%

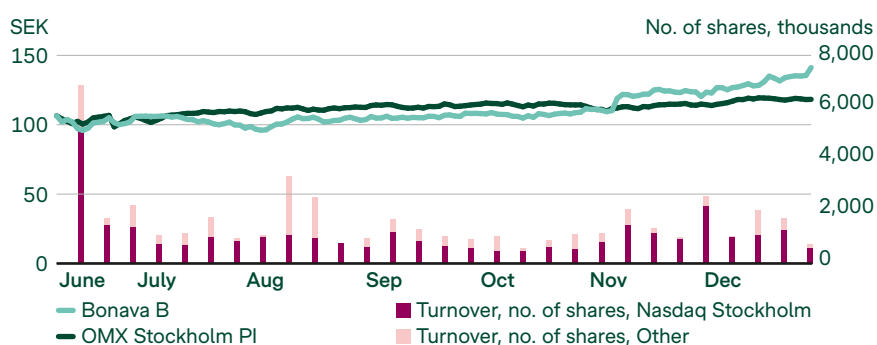
Source: Euroclear Sweden, as of 31 December 2016.

RETURN

Total return in the period was 36.2 per cent based on the proposed dividend of SEK 3.80 per share for 2016. The dividend yield was 2.7 per cent based on the proposed dividend of SEK 3.80 per share for 2016. The highest closing price for series B shares during the year was SEK 141.20 on 30 December, 2016, and the lowest closing price for series B shares was SEK 95.90 on 16 June.

VOLATILITY

Bonava's series B shares have volatility of 26.4 per cent compared to the average for OMXSPI of 16.3 per cent. The monthly beta value of series B shares is 0.9, implying that Bonava is less sensitive to market fluctuations than average listed companies.

Share price performance

Source: SIX, Fidessa.

Average daily turnover on Nasdaq Stockholm**2016**

Series A	7,537
Series B	324,406

Trading in series B**2016**

Share turnover, million	47.0
Value of share turnover, as of 30 December	SEK 5.14 Bn
Average daily turnover	SEK 35.5 M

DIVIDEND AND DIVIDEND POLICY

Bonava's dividend policy is to distribute a minimum of 40 per cent of profit after tax for the year. For 2016, the Board of Directors proposes dividends of SEK 3.80 per share, divided into two payments and totaling 41 per cent of profit for the year after tax. The first payment of SEK 1.90 per share is proposed for disbursement on 11 April 2017 and the second payment of SEK 1.90 per share on 11 October 2017.

BUY-BACK OF TREASURY SHARES

The Extraordinary General Meeting on 26 September 2016 authorised the Board of Directors' proposal to buy back treasury shares of series B. In 2016, 354,400 series B shares were repurchased, corresponding to 0.3 per cent of the number of registered shares with a total value of approximately SEK 45.0 million.

CONVERSION OF SHARES

According to Bonava's Articles of Association, owners of series A shares are entitled to conversion to series B shares. In 2016, a total of 148,727 series A shares were converted to series B shares. As of 31 December 2016, the number of votes was 237,809,364.

Analysts who cover the Bonava share

ABG Sundal Collier	Tobias Kaj	tobias.kaj@abgsc.se
Carnegie Investment	Erik Granström	erik.granstrom@carnegie.se
Handelsbanken Capital	Albin Sandberg	alsa06@handelsbanken.se
HSBC	Tobias Loskamp	tobias.loskamp@hsbc.de
Nordea Markets	Niclas Höglund	niclas.hoglund@nordea.com
SEB Equities	Stefan E Andersson	stefan.e.andersson@seb.se
Swedbank	Jan Ihrfelt	jan.ihrfelt@swedbank.se

Per share data¹⁾**2016**

Share price, series A, SEK	139.6
Share price, series B, SEK	141.2
High, series B, SEK	141.2
Low, series B, SEK	95.9
Share price performance, %	32.6
Equity per share, SEK	2.81
Dividend, SEK ²⁾	3.80
Total return ³⁾ , %	36.2
Dividend yield ³⁾ , %	2.7
Earnings per share ⁴⁾ , SEK	9.26
Cash flow, SEK per share	6.54
P/E ratio	15.2
No. of shares	108,435,822
No. of shareholders	41,189

¹⁾ At year end 31 December 2016.

²⁾ Proposed dividend.

³⁾ Based on proposed dividend.

⁴⁾ There is no dilution effect.

LTIP 2016

Bonava introduced a long-term performance based incentive program during the year (LTIP 2016). The program encompasses 25 employees, including Group management and other key executives in the Bonava Group. For more information, see note 3.

Bonava on the capital market

All Bonava's communication with the capital markets aims to increase the market's understanding of the company, optimise the supply of capital and reduce share price volatility. Accordingly, Bonava's Investor Relations seeks to provide the capital markets with transparent, timely and relevant information.

Bonava's information should be relevant to its target audience, published within a reasonable period of time and reach the company's stakeholders in a manner that provides up-to-date information about the company at all times.

Bonava arranged Investor Relations activities on a continuous basis throughout the

year. These took the form of presentations in conjunction with quarterly reports, capital markets days, roadshows, investor and analyst meetings as well as General Meetings.

Key dates for Bonava's shareholders	2017
Annual General Meeting	4 April
Interim Report Jan-Mar	27 April
Capital Markets Day in Berlin	16 May
Interim Report Jan-Jun	18 July
Interim Report Jan-Sep	24 October

FOR MORE INFORMATION, CONTACT
Ann-Sofi Danielsson, CFO and Head of IR
ann-sofi.danielsson@bonava.com
Tel: +46 (0)8 409 544 00
Tel: +46 (0)706 740 720

Rasmus Blomqvist, Investor Relations
rasmus.blomqvist@bonava.com
Tel: +46 (0)737 739 845



Corporate Governance Report

Since 9 June 2016, Bonava is a Swedish public limited liability company listed on Nasdaq Stockholm. Bonava complies with the Swedish Corporate Governance Code ("the Code"). It is intended to ensure efficient and value-creating decision-making by clearly defining the professional responsibilities and roles of the owners, the Board of Directors and Group management. This transparency is a pre-requisite for quick and appropriate responses to new business opportunities.

Chairman's comments



CARL ENGSTRÖM, CHAIRMAN

LISTING ON THE STOCKHOLM STOCK EXCHANGE

2016 was an exciting year for Bonava. We launched our new brand, production started more than 5,500 housing units, sold more than 6,000 housing units, recruited over 350 new members of staff and presented our best results ever. In the midst of all this, we also listed Bonava on Nasdaq Stockholm. The listing on 9 June was preceded by a year of intense preparation, and I would once more like to thank all of Bonava's outstanding employees for their hard work.

NEW BOARD OF DIRECTORS IN A RENEWED COMPANY

As part of the spin-off from NCC, an independent Board of Directors was appointed for Bonava in December 2015. As a business area within NCC, Bonava has been part of a listed group for many years and has a solid foundation to build on. While the spin-off creates new opportunities it also generates risks, as we are now in the process of establishing new functions, ERP systems, working methods and relationships. As part of our work during the year, the Board has focused sharply on the listing process and

risk management in an independent Bonava. We have done this by establishing the structures, processes and instructions required for positive and sound corporate governance in compliance with the Companies Act, Bonava's Articles of Association and the Swedish Code of Corporate Governance. The Board visited several housing projects on Bonava's two main markets in Sweden and Germany during the year. As a rule, each Board meeting also began with a presentation by one of the company's senior executives in order to provide the Board with deeper insight into the organisation, the different areas of responsibility and ongoing issues. Some of the areas discussed include Bonava's new brand, customer segments and sales channels, HR, IT platforms, sustainability, health and safety as well as strategy and procurement.

SOLD, COMPLETED AND DELIVERED

During the year, the Board of Directors decided to establish a separate Audit Committee in order to address the relevant questions in more depth. A key issue for the Board has been how to improve the communication with the stock market in

order to increase the understanding of Bonava's Income Statement and accounting principles. According to Bonava's principles, a housing unit is recognised for profit until it is sold, completed and handed over to the customer. Although this policy is conservative and safe, it also means that Bonava's profit or loss can fluctuate between quarters depending on when housing units are handed over.

A PASSION FOR AFFORDABLE HOUSING UNITS

Bonava's strategy continues to focus on affordable and sustainable housing units through cost leadership and efficient allocation of capital. The aim is to generate good returns for shareholders by creating great homes and vibrant neighbourhoods for our customers. This is something that all of Bonava's employees feel strongly about, and I am glad to say that this enthusiasm has spread to the Board room. Finally, I would like to take the opportunity to extend a warm welcome to all our new and existing shareholders.

Carl Engström
Chairman

Corporate Governance Report

Bonava is a Swedish public limited liability company listed on Nasdaq Stockholm on 9 June 2016 following a spin-off from NCC. NCC AB has been listed on the Stockholm Stock Exchange for a number of years. Bonava's Corporate Governance is based on Swedish law, the Articles of Association, Nasdaq Stockholm's Rule Book for Issuers and regulations and recommendations issued by relevant organisations. In the countries where Bonava conducts operations, the company complies with local legislation and other regulations. Bonava also complies with accepted securities market practice, which includes the application of the Swedish Corporate Governance Code.

Since listing in June 2016, Bonava has not departed from the Code. There have been no instances of non-compliance with from Nasdaq Stockholm's Rule Book for Issuers or accepted securities market practice.

This Corporate Governance Report has been prepared by the Board of Directors and is presented in compliance with the Annual Accounts Act and the Code, presenting Bonava's corporate governance in 2016.

SHAREHOLDERS' MEETINGS

Pursuant to the Swedish Companies Act, Shareholders' Meetings are the company's highest decision-making body, where the shareholders make decisions relating to the company.

Notices convening Shareholders' Meetings are made available on the company's website and through announcements in the

Swedish Official Gazette (Post- och Inrikes Tidningar). Confirmation that the notice has been issued is published simultaneously in Swedish daily broadsheets Dagens Nyheter and Svenska Dagbladet.

Shareholders' Meetings in 2016

The Extraordinary General Meeting (EGM) in Bonava on 25 January 2016 resolved on a new share issue, increasing the company's share capital to SEK 500,000.

The Annual General Meeting (AGM) 2016 was held on 22 April 2016, before Bonava was listed. In addition to electing the Board of Directors and other customary matters, the AGM authorised a bonus issue that increased Bonava's share capital to SEK 410,000,000.

The EGM on 18 May 2016 authorised a bonus issue that increased Bonava's share capital to SEK 433,743,288, thereby raising the quotient value of the share to SEK 4.00.

The EGM on 26 September 2016 authorised the introduction of a share-based incentive program for Group management and specified key executives.

Annual General Meeting 2017

Bonava's AGM 2017 will be held on 4 April 2017 in Stockholm, Sweden. Shareholders are entitled to raise matters at the AGM subject to submitting a written request by no later than 14 February 2017. The request should be addressed to the Board of Directors. Bonava always seeks to ensure that the Board of Directors, management, the Nomination Committee and the Auditor are present at

General Meetings. For more information about the AGM, see page 128 or Bonava's website, <http://www.bonava.com/en/general-meeting/annual-general-meeting-2017>.

SHARES AND SHAREHOLDERS

Bonava's share was listed on Nasdaq Stockholm on 9 June 2016. At year end, the number of shares in the company was 108,435,822. On the same date, the share capital totalled SEK 433,743,288, with a quotient value per share of SEK 4.00.

At year end, Bonava had 41,489 shareholders. The company's five largest shareholders at year end were Nordstjernan AB, AMF Försäkring och Fonder, Swedbank Robur fonder, Lannebo fonder and SEB Investment Management.

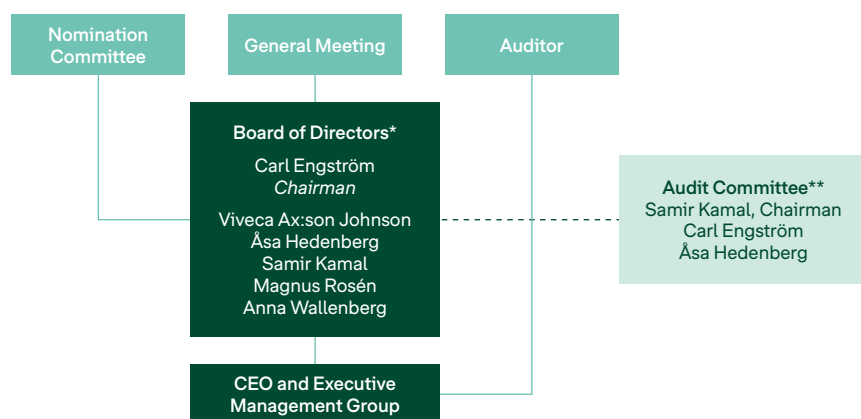
For more information about Bonava's shares and shareholders, see Bonava's owners and share on pages 53–55.

ARTICLES OF ASSOCIATION

Bonava's Articles of Association were adopted by the AGM 2016 and are available in full at bonava.com. The Articles of Association stipulate that the company, directly or indirectly through subsidiaries, develops and invests in residential properties and engages in real estate trading operations, and conducts other operations related to the above. The company also undertakes certain activities common to the Group as a whole, such as the provision of staff services. The registered office is in Solna, Sweden¹⁾. The company is prohibited from making any decisions that contravene the

¹⁾ A proposal to change the location of the company's registered office to Stockholm was presented ahead of the AGM 2017.

Bonava's Corporate Governance



* In 2016, the Audit and Remuneration Committees' tasks were carried out by Bonava's Board of Directors.

** From 1 January 17, Bonava has established a dedicated Audit Committee.

Contact the Board of Directors
at ir@bonava.com

Articles of Association without first referring such matters to the Shareholders' Meeting for a decision and potentially amending the Articles of Association. The Articles of Association do not contain any special stipulations regarding the appointment and discharge of Board members or amendments to the Articles of Association.

NOMINATION COMMITTEE

The AGM 2016 adopted instructions for the Nomination Committee's work. Coincident with this resolution, the AGM also adopted differing instructions for the period until the 2017 AGM, because the AGM 2016 was held prior to Bonava's listing on Nasdaq Stockholm.

Prior to the 2017 AGM, the instruction is as follows: On the basis of statistics as of the last banking day of the month in which the company's share was included for trading on Nasdaq Stockholm, the Chairman of the Board will contact the three largest shareholders in terms of voting rights, and each of these will be entitled to appoint one member to the Nomination Committee. If none of the three largest shareholders wish to utilise their right to appoint a member to the Nomination Committee, the next largest shareholder shall be offered the right to appoint a member. In the event that several shareholders relinquish their right to appoint members of the Nomination Committee, the Chairman is not required to contact more than a maximum of eight shareholders, unless it is deemed necessary in order to establish a Nomination Committee with a minimum of two members. Unless otherwise agreed between the members, the Chairman of the Nomination Committee represents the largest shareholder. However, the Chairman of the Board may never simultaneously hold the position of Chairman of the Nomination Committee.

The work of the Nomination Committee

According to the instructions, the Nomination Committee's task is to propose to the AGM the number of Board members and the composition of the Board, including the Chairman as well as proposals relating to remuneration to the Board, including any special fees for committee work. The Nomination Committee also proposes the Chairman of the AGM and, where applicable, Auditors

and their remuneration. Where required, the Nomination Committee also proposes any changes to the applicable regulations governing the Nomination Committee.

Ahead of the AGM 2017, the Nomination Committee held three meetings where minutes were taken, and also communicated by phone and email between meetings. The Chairman of the Board of Directors reported to the Nomination Committee on the Board's work during the year, and the Nomination Committee also met with and interviewed all Board members. The Nomination Committee concluded that the composition of the Board of Directors is satisfactory in terms of diversity and gender division. The Nomination Committee then evaluated the company's needs and the expedient composition of the Board with regard to existing Board members' backgrounds and competences. Against the background of this evaluation, the required competences for new Board members was produced, and the Nomination Committee identified, interviewed and evaluated potential candidates. The Nomination Committee also evaluated Directors' fees and addressed the matter of remuneration for committee work. All decisions taken by the Nomination Committee were unanimous.

Nomination Committee proposals

Shareholders have been invited to present their views and proposals to the Nomination Committee. Shareholders wishing to present a proposal to the Nomination Committee should do so by emailing ir@bonava.com.

No special remuneration was paid to the Chairman, or to any of the other members of the Nomination Committee.

The Nomination Committee's proposed Board members, Directors' fees and Auditors are presented in the Notice Convening the AGM and at bonava.com.

BOARD OF DIRECTORS

According to the Articles of Association, Bonava's Board of Directors shall have a minimum of three and a maximum of eight members. The AGM on 22 April 2016 resolved to re-elect Carl Engström, Viveca Ax:son Johnson, Åsa Hedenberg, Samir Kamal, Magnus Rosén and Anna Wallenberg

as Board members. For information on Board members and their assignments outside the Group, and their shareholdings in Bonava.

The Board of Directors safeguards the shareholders' long-term interests and assumes ultimate responsibility for the company's organisation and administration. The Board of Directors also determines Rules of Procedure for the Board and instructions for the CEO. The Board of Directors has decided on a number of overarching policies, guidelines and instructions relating to the company's operations, see below. These internal governing documents are reviewed at least once annually and are also updated continuously to comply with legislation as and when required.

The Board of Directors and non-affiliation

According to the Code, a majority of Board members elected by the AGM must be non-affiliated to the company and its management. At least two Board members must also be non-affiliated to the company's major shareholders. Bonava's Board of Directors was deemed to satisfy the requirements of non-affiliation as all six of the members elected by the AGM are non-affiliated to the company and management. All Board members, with the exception of Carl Engström and Viveca Ax:son Johnson, are deemed to satisfy the requirement for non-affiliation with regard to major shareholders (in both cases this relates to Nordstjernan AB).

Chairman

The Chairman of the Board is elected by Bonava's General Meeting and leads the Board's work. The AGM on 22 April 2016 elected Carl Engström as Chairman. The Chairman ensures that the Board carries out its work efficiently and fulfils its obligations, and that Board resolutions are implemented by the company and management. The Chairman ensures that the Board of Directors receives the information and supporting documentation required to make well-informed decisions.

Board work in 2016

In 2016, the Board held ten meetings, including the inaugural meeting following election. The agenda for every regular Board meeting includes a number of standing

Nomination Committee ahead of AGM 2017

Board members	Appointed by	Non-affiliated ¹⁾
Tomas Billing, Chairman	Nordstjernan AB	Yes/No
Tomas Risbecker	AMF – Försäkring och fonder	Yes/Yes
Johan Strandberg	SEB Investment Management	Yes/Yes
Carl Engström	The Board of Bonava AB (publ)	Yes/No

¹⁾ Independent in relation to the company and management / in relation to the largest shareholder in terms of votes.

Contact the Nomination
Committee at
ir@bonava.com

items: the CEO's summary of operations, divestments and investments, financial reporting, a summary of major exposure and reports on any potential health and safety and Code of Conduct incidents. Matters relating to the spin-off of Bonava as an independent company have been a standing item at Board meetings during the year. In 2016, the Board made resolutions on Bonava's strategy as well as a number of major divestments and investments. The Board also decided on a sustainability agenda and the company's long-term sustainability targets.

Committees

The Board currently has two Committees: the Audit Committee and the Remuneration Committee. In 2016, both committees' assignments were carried out by Bonava's Board of Directors. At the meeting on 7 November 2016, the Board established a dedicated Audit Committee effective from 1 January 2017.

The committees' assignments are regulated more closely in the annually revised committee instructions.

Audit committee

The Audit Committee works according to an agenda which is set annually. Its task is to monitor the company's financial reporting and the efficiency of the company's internal control and risk management. The Audit Committee also keeps itself continuously informed about the auditing of the Annual

Report and Consolidated Financial Statements. The committee's role includes to review and monitor the Auditor's independence and impartiality, and especially to follow up whether the Auditor provides services other than those included under the auditing assignment. The committee also recommends the Auditor to the Nomination Committee.

From 2017 onwards, the Audit Committee consists of Board members Samir Kamal (Chairman), Carl Engström and Åsa Hedenberg, none of whom is employed by the company.

The Audit Committee, consisting of the whole Board of Directors, held three meetings during 2016. The members of the Committee attended all meetings. Also Bonava's Auditor was present at all three meetings during the year. The meetings addressed matters such as the company's Interim Reports, the focus of its external auditing and the company's internal control of financial reporting.

Remuneration Committee

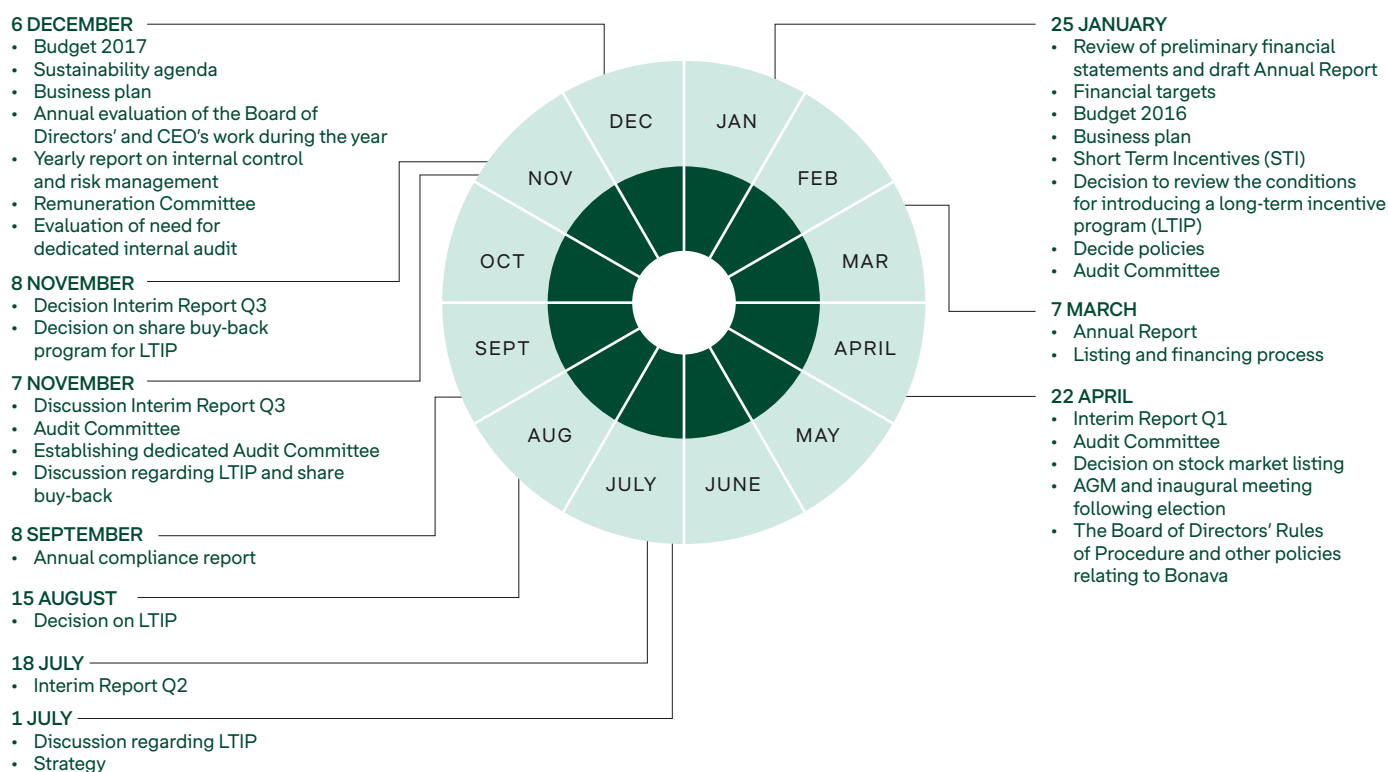
The task of the Remuneration Committee is to address matters relating to the principles governing remuneration to the CEO and senior executives, as well as individual remuneration to the CEO in accordance with the remuneration principles. The principles include the relationship between fixed and variable remuneration, and the correlation between performance and remuneration,

mainly the terms applying to potential bonuses and incentive programs, and the primary terms of non-monetary benefits, pension, termination of employment and severance pay. The whole Board determines the CEO's remuneration and other employment terms. Share-based incentive programs to Group management are decided by the AGM.

The Committee also assists the Board of Directors in monitoring the system for compliance with legislation, stock market regulations and the Code governing disclosure of information relating to remuneration to the CEO and other senior executives, as well as in producing, monitoring and evaluating ongoing programs, and programs terminated during the year, relating to variable remuneration to the CEO and other senior executives, application of the guidelines for remuneration to the CEO and other senior executives where an AGM resolution is a legislative requirement, and remuneration structures and remuneration levels.

The Remuneration Committee held one meeting (Board meeting) in 2016. All members were present at this meeting. The meeting addressed matters such as Bonava's remuneration guidelines for senior executives and remuneration to the CEO and other senior management, the share-based incentive program for senior executives resolved on in 2016, and the proposed basis for a potential share-based incentive program for senior managers for decision in 2017.

Board meetings 2016



Remuneration

The AGM on 22 April 2016 resolved to pay, in the period until the next AGM is held, annual fees of SEK 500,000 to the Chairman and SEK 260,000 to each of the other Board members, none of whom are employed by the company. No special fees were payable for committee work.

The AGM also authorised, provided it remains cost neutral to the company and following written agreement between the company and a Board member, invoicing of Board fees by companies wholly owned by Board members. In such cases, an amount corresponding to legislated social security contributions and sales tax must be added to the invoice.

Evaluating the Board of Directors and the CEO

In accordance with the Board of Directors' Rules of Procedure, the Chairman of the Board evaluates the Board's work annually. The evaluation for 2016 took the form of a questionnaire presented to Board members. The Chairman also had individual contacts with Board members. The purpose of the evaluation is to gather information about the views of Board members on the Board's work and what measures can be implemented to improve its efficiency, as well as to get an idea of the issues the Board of Directors considers should be given more prominence, and in which areas the Board may be in need of additional experience and competence. The results of the evaluation were presented to the Board of Directors, and the Chairman shared the results with the Nomination Committee.

THE CEO AND SENIOR MANAGEMENT

The CEO is appointed by the Board of Directors and is responsible for the daily management of the company and the Group's activities in accordance with the Board of Directors' instructions and regulations. The division of responsibilities between the CEO and the Board of Directors is defined in the Board's Rules of Procedure, and the instruction to the CEO is prepared by the Board of Directors. The CEO serves as the head of the Executive Management Group and makes decisions in consultation with other members of the EMG.

The EMG meets regularly on a monthly basis and as and when required. In 2016, the EMG met on nine occasions.

Guidelines for remuneration to senior executives

In accordance with the guidelines adopted by the AGM on 22 April 2016, Bonava applies the remuneration and employment terms required to recruit and retain management with a high degree of competences and the capacity to achieve the desired goals. The principles and forms of remuneration should motivate senior executives to do their utmost to secure the shareholders' interests.

Remuneration should be on market terms and competitive. The remuneration structure should also be simple, long-term and measurable. Remuneration to senior executives may include a fixed and a variable element. The fixed salary for senior executives should be on market terms and based on competence, responsibility and performance. All variable remuneration is related to fixed

salary, maximised and rewards the meeting of pre-determined targets, mainly of a financial nature. All variable remuneration in Bonava is designed to motivate and reward value-creating activities that support the company's long-term operational and financial objectives. For complete information on the guidelines for remuneration, see note 3.

As regards pension benefits, Bonava seeks to ensure a gradual transition to defined contribution solutions, which means that the company pays premiums that constitute a specified percentage of salary. Members of senior management active in Sweden and who are not covered by pension benefits under collective bargaining agreements (ITP plan), receive a maximum of 30 per cent of annual fixed salary as an annual defined-contribution pension provision. Members of senior management who are active in another country are covered by pension solutions in accordance with local practice. Severance pay and redundancy payments to senior executives may not exceed nine months' salary, or twelve months' salary for the CEO and CFO, upon notice of termination of employment from the company's side, and six months upon notice of termination of employment by senior executives. Senior executives are defined as the CEO, CFO and other members of Group management.

The Board of Directors is entitled to depart from the above guidelines for remuneration to senior executives in specific circumstances in individual cases.

The table in note 3 shows remuneration to the CEO and other senior executives in the financial year 2016.

Remuneration and attendance at Board meetings 2016

Members appointed by Shareholders' Meeting	Elected year	Board	Audit Committee ¹⁾	Remuneration Committee ²⁾	Non-affiliated, shareholders	Non-affiliated, company and management	Total annual fees, SEK
Total no. of meetings		10	3	1			
Chairman Carl Engström	2015	10	3	1	No	Yes	500,000
Viveca Ax:son Johnson	2015	10	3	1	No	Yes	260,000
Åsa Hedenberg	2015	10	3	1	Yes	Yes	260,000
Samir Kamal	2015	10	3	1	Yes	Yes	260,000
Magnus Rosén	2015	10	3	1	Yes	Yes	260,000
Anna Wallenberg	2015	10	3	1	Yes	Yes	260,000

¹⁾ In 2016, the Audit Committee's tasks were carried out by the Board of Directors.

²⁾ In 2016, the Remuneration Committee's tasks were carried out by the Board of Directors.

Share-based incentive program

The Extraordinary General Meeting on 26 September 2016 adopted the Board of Directors' proposal to introduce a share-based incentive program for Group management and selected key executives, in total 25 individuals. Participation in the program requires an independent shareholding in Bonava. The aim of the program is to link the interests of shareholders and Group management as well as specified key executives in order to ensure maximum long-term value creation. The EGM also resolved to authorise the Board of Directors to repurchase series B shares to ensure the implementation of the incentive program. The Board of Directors has decided to utilise this authorisation and has initiated a share buy-back program. To Bonava's future AGMs, the Board of Directors intends to propose long-term incentive programs based on similar principles to the program implemented in 2016.

AUDITOR

The company's financial statements and accounts and Group management's administration are reviewed and audited by the company's Auditor. The AGM on 22 April 2016 elected EY (Ernst & Young) as Auditor for the period until the AGM 2017. Authorised Public Accountant Mikael Ikonen was appointed Auditor in Charge. For more information about Mikael Ikonen, see page 65.

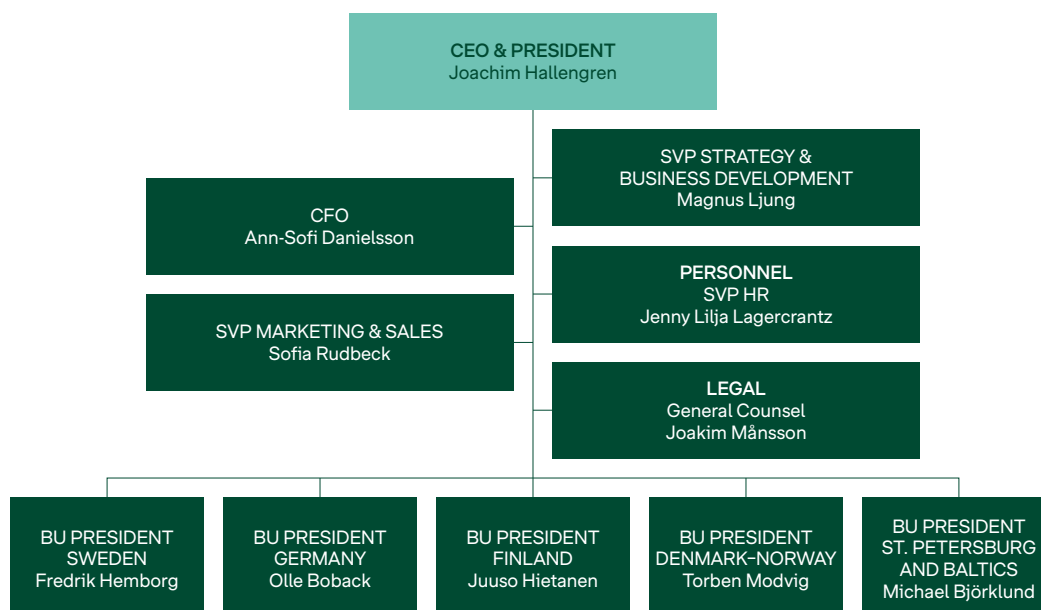
The Auditor reports any significant accounting discrepancies to the Audit Committee, and in case of any suspected irregularity. At last once annually, normally in connection with the year-end accounts, the Auditor reports his observations in connection with the audit review to the Board

of Directors as well as an evaluation of the company's internal control. The Auditor also participates at the AGM to present the Audit Report which describes the audit work and any observations made.

In addition to its auditing assignment, EY also provided additional services in 2016, mainly related to tax and accounting, as well as services relating to the share-based incentive program. Such services have always and exclusively been provided in compliance with the regulations contained in the Audit Act and The Swedish Institute for the Accountancy Profession's (FAR) regulations governing professional ethics for the impartiality and independence of auditors.

Audit fees in 2016	SEK M
Audit fees	7
Fees for audit-related consulting services	0
Fees for tax consulting services	0
Other fees	0

Share-based long-term incentive program	LTIP 2016
No. of employees invited to participate	25
No. of employees opting to participate	25

Organisational structure

Board of Directors



Carl Engström

Chairman since 2015
Born in 1977

Education: M.Sc. (Econ.), Stockholm School of Economics, and M.Sc. (Eng.), Royal Institute of Technology in Stockholm.
Professional status: Senior Investment Manager and member of senior management of Nordstjernan AB.
Previous experience: Management consultant at Bain & Co.
Other ongoing assignments: Chairman of Salcomp Oyj and Salcomp Holding AB.
Shareholding in Bonava AB: 0 shares.



Viveca Ax:son Johnson

Board member since 2015
Born in 1963

Education: Social science secondary education (three years).
Other ongoing assignments: Chairman of Nordstjernan AB and Axel and Margaret Ax:son Johnson Foundation for Public Benefit and FPG Media AB. Director of NCC AB, Rosti Group AB and Axel and Margaret Ax:son Johnson Foundation.
Shareholding in Bonava AB: 25,000 series A shares och 123,000 series B shares.



Åsa Hedenberg

Board member since 2015
Born in 1961

Education: M.Sc. (Eng.), Royal Institute of Technology in Stockholm.
Professional status: CEO of Specialfastigheter Sverige AB.
Previous experience: CEO of Huga Fastigheter AB, CEO of Uppsalahem AB, Market Area Manager of Stockholm Kommersiellt Innerstad AP Fastigheter.
Other ongoing assignments: Member of the Council, Stockholm Chamber of Commerce. Convening of the Election Committee, Byggherrarna.
Shareholding in Bonava AB: 2,210 series B shares.

The information about shareholdings in Bonava refers to shares owned directly, through related parties and companies as of 31 December 2016.



Samir Kamal

Board member since 2015
Born in 1965

Education: M.Sc. (Econ.), Stockholm School of Economics. B.Sc. (Eng.), Imperial College London.

Previous experience: Partner of EQT Partners, partner of IK Investment Partners, Project Manager at Carnegie Investment Bank and Analyst at SEB.

Other ongoing assignments: Board member of Scandi Standard AB, Save-by-Solar Sweden AB, Rimas Holding AB and Stiftelsen Industrifonden
Shareholding in Bonava AB: 3,000 series B shares.



Magnus Rosén

Board member since 2015
Born in 1962

Education: M.Sc. (Econ.), Linköping University, and MBA, Stockholm School of Economics.

Professional status: CEO elect of Nobina PLC (from 1 June 2017)

Previous experience: CEO of Ramirent PLC, CEO of BE-Group Sverige and CEO of Cramo Sverige and SVP of Cramo Skandinavien.

Other ongoing assignments: Director of Llentab AB and Corroventa AB.

Shareholding in Bonava AB: 3,000 series B shares.



Anna Wallenberg

Board member since 2015
Born in 1975

Education: M.Sc. (Econ.), Uppsala University.

Professional status: Operating and Sales Director, Kronans Apotek.

Previous experience: Assortment and Purchasing Manager Kronans Apotek, Business Area Manager at Oriola AB and Strategy Consultant at Accenture.

Other ongoing assignments: Board member of Occasion Euro Events AB.

Shareholding in Bonava AB: 0 shares.

Auditor

Mikael Ikonen

EY (ERNST & YOUNG AB)

Key Audit partner. Born in 1963.

Other significant assignment: Auditor of D. Carnegie AB, Corem Property Group, NCC AB, Hemsö Fastighets AB and Slättö Förvaltning AB.

The information about shareholdings in Bonava refers to shares owned directly, through related parties and companies as of 31 December 2016.

Executive Management Group



Joachim Hallengren

President and CEO

Born in 1964

Education: M.Sc. (Eng.), Chalmers University of Technology

Professional experience: CEO of NCC Housing 2012–2016 and a total of 16 years' experience of a range of positions in the NCC Group, including Business Area Manager of NCC Property Development and member of the senior management of NCC AB (publ). *Other ongoing assignments:* Director and owner of Aktiebolaget Phlebas, and directorships in other companies in the Phlebas Group. Chairman of Offside Press AB. Chairman of Centre for Management of the built environment (CMB), Chalmers.

Shareholding in Bonava: 10,000 series A shares and 43,400 series B shares.



Ann-Sofi Danielsson

CFO

Born in 1959

Education: M.Sc. (Econ.), Uppsala University. *Professional experience:* CFO, Financial Director and a total of 13 years' experience as a member of NCC AB's senior management. *Other ongoing assignments:* Board member of Pandox AB, Bulten AB and Bulten Holding AB.

Shareholding in Bonava: 12,470 series B shares.



Magnus Ljung

SVP Strategy & Business Development

Born in 1975

Education: M.Sc. (Eng.), the Institute of Technology at Linköping.

Professional experience: Experience from senior positions within strategy and business development at Eniro and EDSA, Management Consultant at Bain & Co, Booz & Co and Accenture.

Other ongoing assignments: Director and owner of Avidor AB.

Shareholding in Bonava: 2,539 series B shares.



Sofia Rudbeck

SVP Marketing & Sales

Born in 1974

Education: M.Sc. (Eng.), Lund Technical University.

Professional experience: Experience as Product and Brand Director at Fagerhult Retail and responsible for PMO and strategy at Fagerhult, various positions within innovation, brand and marketing at Electrolux as well as Management Consultant at McKinsey & Company.

Other ongoing assignments: Chairman of Centre for the Future of Places (KTH)

Shareholding in Bonava: 2,500 series B shares.



Jenny Lilja Lagercrantz

SVP HR

Born in 1972

Education: B.Sc. (Phil.), Stockholm University. *Professional experience:* Experience from senior positions within Human Resources at Skandia and Nasdaq OMX.

Other ongoing assignments: None.

Shareholding in Bonava: 2,300 series B shares.



Joakim Månsson

General Counsel

Born in 1967

Education: Master of Laws (LL.M.), Lund University. Zertifikat über Europäische Studien, Universität Saarbrücken.

Professional experience: General Counsel at NCC Housing since 2009. General Counsel at NCC Property Development. Legal Counsel at Skanska Sverige AB and Associate at Gernandt & Danielsson law firm.

Other ongoing assignments: None.

Shareholding in Bonava: 4,565 series B shares.

The information about shareholdings in Bonava refers to shares owned directly, through related parties and companies as of 31 December 2016.



Fredrik Hemborg

BU President Sweden
Born in 1972

Education: M.Sc. (Eng.), Royal Institute of Technology in Stockholm.

Professional experience: A total of 19 years of experience from various positions within the NCC Group, including as Regional Manager in NCC Property Development.

Other ongoing assignments: Chairman of the Board of Ursviks Exploaterings AB. Director of Tipton Fastighet I AB, Tipton Fastighet II AB, Tipton Fastighet III AB

Shareholding in Bonava: 4,787 series B shares.



Olle Boback

BU President Germany
Born in 1953

Education: Engineer, Rudbeckskolan in Örebro.

Professional experience: Responsible for the operations of NCC Housing in Germany since the start in 1994.

Other ongoing assignments: Director of Bauindustrieverband Berlin-Brandenburg e.V. Limited partner of GBS GmbH & Co. Zweite Schwalbenweg and GBS GmbH & Co. Dritte Schwalbenweg in Berlin-Schönfeld KG.

Shareholding in Bonava: 12,864 series B shares.



Juuso Hietanen

BU President Finland
Born in 1977

Education: M.Sc. (Eng.), Helsinki University of Technology (Aalto University), Real Estate Finance, Hanken School of Economics, Finland. Studies in financing, Budapest University of Technology, Hungary.

Professional experience: A total of 12 years from various positions within NCC in Finland, St. Petersburg and Estonia-Latvia. Responsible for NCC Housing's operations in St. Petersburg since 2008 and responsible for NCC Housing in Finland since 2015.

Other ongoing assignments: None.

Shareholding in Bonava: 3,428 series B shares.



Torben Modvig

BU President Denmark-Norway
Born in 1973

Education: M.Sc. (Eng.), Technical University of Denmark and BA and EMBA, Copenhagen Business School.

Professional experience: A total of nine years as responsible for NCC's housing development in Denmark. Experience as Director of the construction company Davidsen Partnere A/S and as Nordic Engineering Manager at Shell.

Other ongoing assignments: None.

Shareholding in Bonava: 6,474 series B shares.



Michael Björklund

BU President St. Petersburg and Baltics
Born in 1969

Education: M.Sc. (Eng.), Royal Institute of Technology, Stockholm, Bachelor of Economics, Stockholm University.

Professional experience: 5 years of experience from NCC Property Development and NCC Housing. Working experience as Property Director, Kingfisher Plc, Russia, Regional Manager Ikea Property Russia and Procurement Manager Skanska International

Other ongoing assignments: None

Shareholding in Bonava: 8,260 shares.

The information about shareholdings in Bonava refers to shares owned directly, through related parties and companies as of 31 December 2016.

Board of Directors' report on internal control

The Board of Directors' responsibility for the internal control is governed by the Swedish Companies Act and the Code. The Corporate Governance Report contains information about the most important aspects of the company's systems for internal control and risk management in connection with financial reporting and preparing the consolidated financial statements. This information is provided in the following section.

Internal control of financial reporting and risk management

Bonava's internal control regarding financial reporting is designed to manage risk and ensure a high degree of reliability in the processes surrounding the preparation of the financial statements, and to ensure compliance with applicable accounting standards and other requirements placed on Bonava as a listed company. In accordance with the Companies Act and the Code, the Board of Directors is responsible for the company's internal control regarding financial reporting. Bonava complies with the *Committee of Sponsoring Organisations of the Treadway Commission's* ("COSO") framework for evaluating a company's internal control over its financial reporting, "Internal Control—Integrated Framework." The Framework includes the following five components: control environment, risk assessment, control activities, information and communication, and follow-up. The process has been designed to ensure appropriate risk management, including reliable financial reporting in accordance with IFRS, applicable legislation and regulations as well as other stipulations with which companies listed on Nasdaq Stockholm are required to comply. This work involves the Board of Directors, Group management and other staff.

Control environment

The division and delegation of responsibilities have been documented and communicated in company policies that the Board of Directors and all other representatives of the company are regulated by.

The Board of Directors reviews and authorises the following policies annually.

- The Board of Directors' Rules of Procedure
- Instruction to the CEO
- Decision order
- Finance policy
- Code of Conduct
- Corporate Governance policy
- Insider policy
- Communication policy
- IT policy
- Environmental policy
- Health and safety policy
- HR policy
- Purchasing policy
- Information security policy

All policies are decided by the Board of Directors. Bonava also uses other types of binding governing documents. All governing documents are updated regularly in connection with changes to legislation, accounting standards or listing requirements, and as and when necessary.

All the Group's policies and other Group governing documents are available to all employees on the company's intranet.

The Board of Directors monitors and ensures the quality of the company's internal control in accordance with the Board's Rules of Procedure and instructions to the Audit Committee. The Board of Directors has also adopted a number of fundamental guidelines that govern risk management efforts and internal control activities. These guidelines include risk assessment, demands for control activities to manage the most material risks, and an annual plan for internal control work, as well as self-assessment and reporting. Bonava's control environment is comprised of responsibilities, powers and governing documents, alongside laws and regulations. All employees have a responsibility to ensure compliance with all governing documents.

Risk assessment

In accordance with the Rules of Procedure, the Board of Directors and the Audit Committee review the company's internal control annually. Existing potential risks are identified and measures implemented to reduce these risks. Group management performs the overarching risk analysis, which identifies risks in the following areas:

- Bonava's surrounding world
- Strategic
- Operational
- Health and safety
- Customer-related
- Financial
- Legal

The risks identified in each area are evaluated on the basis of the estimated probability and impact, as well as the effectiveness of existing measures to manage the relevant risk. The outcome of the risk analysis is presented to the Board of Directors. For more information about the Group's risks and risk management, see pages 51–54 and note 23.

Bonava's external Auditor is invited to participate at Board meetings and to present a report on internal control to the Audit Committee.

Control activities

Bonava's risk management is based on a number of control activities taking place at different levels throughout the business operations, in Shared Service Centers (SSC) and at staff function level. The control activities are intended to ensure that Bonava's processes are efficient and that the risks identified are managed effectively. For the business operations, ERP systems form the basis of the control structure, focusing on key stages of business operations such as investment decisions, production start and sales. Bonava places considerable emphasis on following up its projects.

Bonava has established several SSCs, including Bonava Business Services (BBS), which handles most of the Nordic operations' transactions, and Human Resources Operations (HRO) which handles pay roll for the Nordic countries. Additionally, Group IT

assumes central responsibility for all of Bonava's IT systems. All these functions stipulate that processes must include control activities that manage identified risks efficiently. SSC has considerable potential to achieve a high degree of maturity in terms of internal control.

Other control activities mainly include:

- Quarterly Board meetings are held in each business unit, which are all incorporated as separate legal entities. The reporting on and discussion of financial forecasts and results, the business units' structured risk assessment, disputes and exposure are some of the key factors addressed at these meetings.
- Bonava has also implemented a far-reaching compliance program ("Our Foundation"). The program aims to minimise risk relating to regulatory compliance and business ethics, and includes written guidelines on anti-corruption and competition legislation, central and local advisors on these issues, compulsory training in business ethics and a whistle-blower function.

Information and communication

Bonava has established an organisation to ensure correct and efficient financial reporting. The internal control documents specify the division of responsibilities, and the daily interaction between the affected individuals means that relevant information and communication reaches all the relevant parties.

Guidelines, instructions and manuals of significance to financial reporting are communicated to the relevant employees through the Group's intranet.

The Board of Directors regularly receives financial reports regarding the Group's financial position and earnings performance.

Group management receives weekly and monthly specific financial information about the progress of Bonava's sales, profit, review and follow up of ongoing and future investments, and liquidity planning.

The company's communication policy ensures that all external and internal information is accurate and is presented in a timely manner.

Bonava's employees are invited to participate, directly or indirectly, in the production of internal policies and guidelines, and have been involved in producing a number of these governing documents.

Follow-up and improvements

Follow-ups continuously take place at all levels of Bonava. The Board of Directors regularly evaluates the information provided by management and the Auditors. The company's Auditor also personally reports observations based on their review, as well as an assessment of internal control, directly to the Board of Directors.

The Board of Directors assesses the information provided by Group management on a continuous basis. Bonava's financial position, investments and its ongoing operations are discussed at each Board meeting. The Board of Directors is also responsible for monitoring and improving the internal control, and ensuring that measures are taken to address any weaknesses that emerge, as well as following up on proposals to address the issues highlighted in connection with the external audit.

Each year, the company carries out a self-assessment of its risk management and internal control activities. The process entails an annual self-assessment of the effectiveness of its control activities for every operational business process across the various reporting units. The Group's CFO is responsible for the self-assessment. The Board of Directors receives information about important conclusions drawn from this annual assessment, and about any measures to be taken relating to the company's internal control environment.

Evaluation of the need for a dedicated internal audit function

Bonava does not currently have an internal audit function. The Board of Directors has reviewed the matter and considers that existing structures for follow-up and evaluation are satisfactory. In conclusion, this means that it is currently not justified to establish an internal audit function. The matter is reviewed by the Board of Directors annually.

SUSTAINABILITY

The Board of Directors assumes ultimate responsibility for Bonava's sustainability agenda and work. The starting point for Bonava's sustainability agenda is compliance with the UN Global Compact and the OECD guidelines for multinational companies, and sustainability reporting in accordance with GRI. Read more about Bonava's sustainability work on pages 26–35 and 70–77.

More information on sustainability and the GRI-index

This is Bonava's first annual sustainability report. The sustainability report is included in Bonava's Annual Report and has been prepared in accordance with the Global Reporting Initiative's (GRI) guidelines, version G4 and reporting option Core. The sustainability report has not been reviewed by a third party. The period covered by the report is the full year 2016, based on a yearly reporting cycle. Prior to this, information on Bonava was included in NCC's Annual and Sustainability Reports up until the financial year 2015. The GRI-index on page 76 indicates where the sustainability information can be found.

SUSTAINABILITY ORGANISATION

The Board of Directors assumes ultimate responsibility for Bonava's sustainability agenda and work, with delegation to the CEO. Bonava's Head of Sustainability assumes operational responsibility, and reports to the company's SVP of Strategy and Business Development in the Executive Management Group, as well as coordinating the sustainability work with other heads of staff functions. The Head of Sustainability leads two teams in the Group: a steering committee and a forum for implementation and exchange of experience. Apart from the Head of Sustainability, the steering committee includes Bonava's CEO, CFO, Legal Counsel, SVP HR and SVP of Strategy and Business Development. The SVP of Marketing and Sales will also be included from 2017 onwards. The sustainability forum includes representatives from each business unit.

MEMBERSHIPS AND ORGANISATIONS

Bonava is a paid-up member of UN Global Compact. In Sweden, Bonava is a member of the Sweden Green Building Council. In Denmark, Bonava is a member of the Danish Green Building Council and in St. Petersburg of the Russian Green Building Council.

STAKEHOLDERS AND DIALOGUE

Bonava's key stakeholders are:

- Customers
- Investors and analysts
- Employees
- Suppliers
- Public authorities

Bonava collaborates with its customers, mainly in connection with housing projects, and carries out regular customer surveys. Interim reporting, General Meetings as well as separate meetings and presentations create the framework for ongoing contact with the company's investors and analysts. Bonava's capital markets days are also an important interface with investors and analysts. Bonava's corporate culture and employee surveys provide a structured con-

text where views on Bonava as a workplace can be expressed. Finally, Bonava works in close collaboration with public authorities and suppliers, including through dedicated supplier events.

THIS YEAR'S STAKEHOLDER ANALYSIS FOCUSES ON KEY ISSUES

The materiality analysis completed last year charted and analysed Bonava's stakeholders' preferences and expectations on the company's sustainability work and reporting.

Overall, the stakeholders' expectations on Bonava are increasing, particularly with regard to the company's sustainability performance and its openness to the surrounding world.

Customers

Bonava has two primary customer groups: consumers and property investors.

Extensive information on consumers' and property investors' preferences and expectations on Bonava are already available. Accordingly, this year's stakeholder analysis focused mainly on examining and summarising earlier surveys and dialogues.

Consumers are mainly interested in:

- Proximity to services, public transport and nature
- Low running and maintenance costs
- Safety ensured by the use of sustainable and non-hazardous materials
- Nordic Swan Ecolabelled housing, unquestionably the most recognisable environmental certification on the Nordic markets.

Investors are mainly interested in:

- Identifying and quantifying sustainability risks that could affect future cash flow
- Commitment to tenants, suppliers and wider society
- Third party verified sustainability certification of buildings.

Investors and analysts

When analysing this stakeholder group, Bonava examined reviews of published research and considered the experience of multiple advisors.

Investors and analysts are mainly interested in:

- Identifying and quantifying sustainability risks in connection with corporate analysis
- Environmental management, mainly in relation to resource management and the ability to control and limit emissions and waste
- Labour conditions
- Control and risk management at the supplier level.

Employees

This year's analysis of the employees' preferences and expectations on Bonava was based on interviews and a survey completed during the year, as well as on earlier employee surveys and available research.

Employees are mainly interested in:

- The company's ability to attract and develop talented employees
- Encouraging individual commitment to sustainability issues
- Labour conditions, especially health and safety, and flexibility
- Diversity.

Suppliers

Bonava used earlier investigations carried out by NCC to map the interests of suppliers.

Suppliers are mainly interested in:

- Clarity and dialogue in order to understand Bonava's requirements
- Forward planning in collaborative processes, particularly in connection with change
- Requirements based on external standards, to facilitate compliance with all customer requirements
- Follow-up of supplier performance and the consequences of underperformance.

Public authorities

Bonava's internal review showed that public authorities frequently pursues sustainability issues at an early stage. Therefore, Bonava focused on mapping regulatory development globally, at EU level, nationally, regionally and locally. The purpose is to foresee future directives affecting the housing sector on Bonava's markets.

REGULATORY TRENDS

Global: The UN's recently established Sustainable Development Goals and climate agreements largely provide the framework for global sustainability efforts. The seventeen Sustainable Development Goals also indicate the direction for potential policy development.

EU: A number of EU strategies and directives are particularly relevant to the housing sector on several of Bonava's markets. The transition to a green, low carbon and resource efficient economy has been identified as a key structural transformation required to achieve smart and sustainable growth. The overarching goals up until 2030 regarding greenhouse gas emissions, renewable energy and energy efficiency, are at the centre of the climate strategy. There is also a goal to reduce emissions by 80 per cent by 2050 compared to 1990 levels.

The housing and energy sectors are expected to make a more extensive contribution to these goals than other sectors.

Several of EU directives govern Bonava's sector, including energy, recycling and waste, and various forms of environmental directives.

National: The ambitions originate in global and intergovernmental agreements implemented on Bonava's markets, as well as national legislation and other government incentives. However, it is not uncommon for public authorities to impose standards at an earlier stage at regional and local level, both formally and through more informal incentives. Regulatory progress and the dynamic between various regulatory bodies varies across Bonava's markets. Accordingly, Bonava has mapped regulatory progress on each national market ahead of the materiality analysis.

On Bonava's Nordic markets, national regulatory frameworks for sustainability set the minimum standard. This legislation frequently originates from EU policies and directives. However, progress is often driven by municipalities' less formal expectations, which set the de facto standards, particularly regarding land directives. This applies to both social and environmental sustainability.

In Germany and St. Petersburg, the regional authorities impose their own formal regulatory frameworks for buildings and sustainability, which often include a more ambitious social agenda compared to national legislation.

In Estonia and Latvia, the implementation of EU policies and directives in national legislation are the main drivers for sustainability.

MATERIALITY ANALYSIS - METHODS AND PROCESS

During the year, Bonava completed an extensive materiality analysis aimed at mapping the company's surrounding world, the requirements of its stakeholders and their expectations on Bonava, as well as creating the appropriate framework for an ambitious and expedient sustainability agenda.

The materiality analysis and sustainability agenda are founded on Bonava's adherence with the UN Global Compact and the OECD Guidelines for Multinational Enterprises, and sustainability reporting in accordance with GRI's guidelines.

The materiality analysis included the following steps:

- **Business intelligence:** Initially, Bonava completed an extensive review of external factors affecting its business, including relevant megatrends and their potential consequences for Bonava. Results incorporated in Business environment and trends chapter on pages 8–11.
- **Internal interviews:** Bonava interviewed key executives on all the company's markets. The aim was to examine their view of Bonava and sustainability considerations.
- **External interviews:** Interviews were completed with property and sustainability experts. The purpose was to map the regulatory framework and its potential consequences on Bonava's markets.
- **Internal survey:** A survey of 77 individuals from different markets and functions in Bonava was completed. The purpose was to prioritise various sustainability aspects.

- **Workshop:** A comprehensive workshop that included participants from Bonava's various national markets and Group staff functions, reviewed the overall results, including the stakeholder analysis, and collated them into a set of sustainability priorities. The prioritisation was made on the basis of relevance from a sustainability perspective and from the perspective of Bonava's business benefit.

This process formed the basis for Bonava's sustainability agenda, which was developed during the year. The process was headed by the company's sustainability steering committee, and the end result, the sustainability agenda and content for the sustainability report, were validated by Bonava's Executive Management Group and Board of Directors.

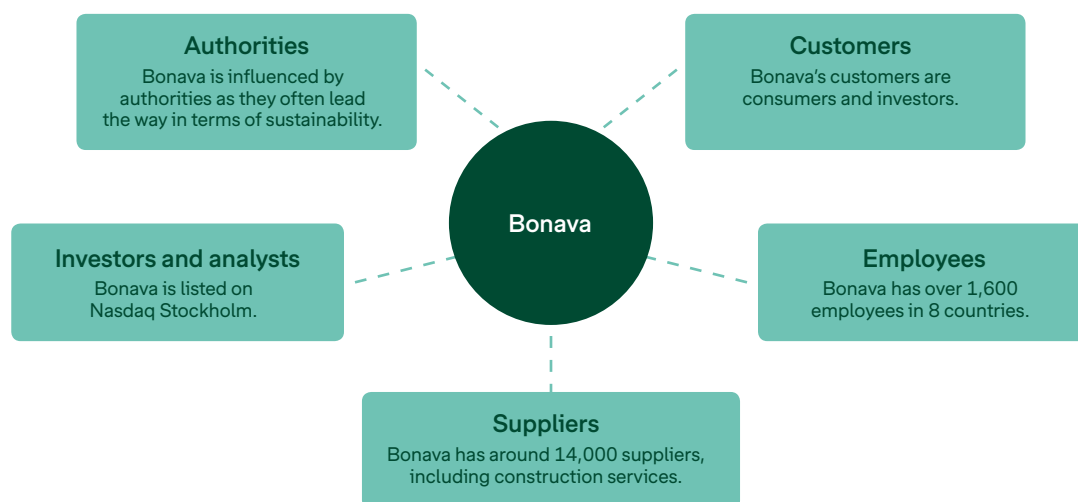
BOUNDARIES

The most significant sustainability aspects identified have their main impact outside of Bonava. Aspects that primarily impact the Group internally include ensuring that labour conditions support Bonava's values, and compliance. A circular production model, health and safety, and diversity have a significant impact both within the organisation and externally.

The reported indicators cover all of Bonava's units and for the full year 2016 unless otherwise specified.

*For more information about Bonava's sustainability reporting, contact Bonava's Head of Sustainability: Anna Hamnö Wickman
anna.wickman@bonava.com
+46 (0) 8 409 544 00*

Bonava's key stakeholders



ABOUT THE DATA COLLECTION

During the year, Bonava has replaced or developed new information management systems, following the phasing out of systems owned by NCC. New systems for HR, payroll and new routines for health and safety and environmental incidents reporting were implemented during the year. This means that part of the data collection for the year's reporting was completed locally in each business unit, and has been compiled centrally to improve comparability. From 2017 onwards, the scope of Bonava's automated central data collection process will be improved further.

ADDITIONAL INFORMATION ON ENVIRONMENTAL PERFORMANCE

This page provides more detailed information on central aspects of Bonava's environmental performance. The following tables contain information about the environmental performance of buildings and housing units, and is divided into production starts and completed housing units. Because production times vary, the level of ambition for production starts of housing units indicates the relevant strategic decisions and goals for the year. For the environmental performance report, the definition of production starts of housing units also applies to housing units

in projects with approved production documentation. Completed housing units are defined as housing units in projects that have left the production phase administratively in Bonava's information system, with the exception of Russia. In Russia, Bonava reports housing units that have been registered as completed even if the units remain in the production phase administratively.

Environmental ambition of production starts of housing units

	Sweden		Germany		Finland		Denmark	
	2016	2015	2016	2015	2016	2015	2016	2015
Housing units with environmental certification ¹⁾	1,084 (69.7%)	1,242 (78.6%)	0	1 (0.1%)	0	0	72 (28.1%)	53 (28.5%)
	<i>of which Nordic Swan Ecolabelled housing: 394</i>	<i>of which Nordic Swan Ecolabelled housing: 387</i>						
	<i>of which Sweden Green Building Council certification: 690</i>	<i>of which Sweden Green Building Council certification: 855</i>						
Improved energy efficiency ²⁾	27%	28%	34%	45%	6%	6%	20%	17%
Reporting rate	100%	100%	100%	100%	54%	100%	100%	54%

Environmental performance for completed housing units

	Sweden		Germany		Finland		Denmark	
	2016	2015	2016	2015	2016	2015	2016	2015
Housing units with environmental certification ¹⁾	734 (56.1%)	343 (49.4%)	1 (0.1%)	0	0	0	64 (100.0%)	95 (60.5%)
	<i>of which Nordic Swan Ecolabelled housing: 91</i>	<i>of which Nordic Swan Ecolabelled housing: 15</i>						
	<i>of which Sweden Green Building Council certification: 643</i>	<i>of which Sweden Green Building Council certification: 328</i>						
Improved energy efficiency ²⁾	30%	32%	25%	44%	10%	5%	42%	22%
Reporting rate	100%	100%	100%	100%	66%	100%	100%	73%

¹⁾ For housing units with environmental certification, the share of the total number of production starts of housing units is shown in brackets.

²⁾ Improved energy performance is defined as the increase in overall energy use per year compared to a scenario where all buildings comply with applicable legislation and building codes. For Germany, the share of housing units with improved energy performance is reported, on average around 15 per cent below regulatory energy use requirements.

N/A = Not applicable.

COMMENTS ON CERTIFICATION AND ENERGY

In 2016, a total of 1,228 housing units with environmental certification started production. This corresponds to 19 per cent of all production starts of housing units during the year, and is 3 percentage points below the 2015 figure. The highest share (70 per cent) of housing units with environmental certification can be found in Sweden. During the year, Bonava in Sweden made a decision to realign from the Sweden

Green Building Council certification: to offer Nordic Swan Ecolabelled housing. From 2017 onwards, all new projects in Sweden are required to have Nordic Swan Ecolabelling. A total of 1,360 housing units with environmental certification were completed during the year. In Norway, 101 housing units with Nordic Swan Ecolabelling were handed over to customers at the end of 2016. These units are still in the administrative production phase in our internal information management systems, and will be

included in the 2017 review of completed housing units. Read more about environmental certification on the various national markets on page 30.

The energy directives on Bonava's markets have gradually become more stringent, restricting Bonava's margins in relation to legislative requirements despite its improved energy efficiency performance.

Norway		St. Petersburg		Estonia		Latvia		Total	
2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
0	N/A	72 (9.0%)	0	0	0	0	N/A	1,228 (19.0%)	1,295 (24.0%)
0%	N/A	55%	17%	8%	17%	34%	N/A	N/A	N/A
100%	N/A	100%	100%	100%	100%	100%	N/A	92%	98%

Norway		St. Petersburg		Estonia		Latvia		Total	
2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
0	0	562 (25.8%)	0	0	0	N/A	0	1,361 (22.4%)	438 (10.0%)
0%	2%	44%	35%	28%	27%	N/A	35%	N/A	N/A
100%	100%	100%	100%	100%	100%	N/A	100%	94%	99%

ADDITIONAL INFORMATION ABOUT OUR EMPLOYEES

All figures, with the exception of personnel turnover, are given for the average number of employees. A full time employee who has worked for a period of six months is indicated as a half, with the exception of Germany, where the number of employees at year end applies.

In total, 68 per cent of our staff are covered by collective bargaining agreements. All our staff in Sweden, 93 per cent of staff in Germany and 49 per cent in Finland are also party to collective agreements. There are no collective agreements on other national markets.

COMMENTS ON DIVERSITY AND HEALTH AND SAFETY

At year end, Bonava employed 1,662 people. The majority of Bonava's staff are employed in Germany and Sweden. 35 per cent of Bonava's employees are women and 65 per cent men. The most even gender distribution is found amongst Bonava's white-collar employees in Sweden.

Bonava's Board of Directors consists of three women and three men. The Executive Management Group consists of three women and eight men. Total sickness absenteeism in Bonava was five per cent, occupational injuries amounted to 19 and the rate of occupational injuries was 7.0. Germany diverges unfavourably from the rest of the company with sickness absenteeism of 7.9 per cent, occupational injuries of 17 and a rate of occupational injuries of 13.7. This is mainly due to the fact that Germany is the country where we have most blue-collar workers employed.

Our employees

Employees by professional category	White-collar employees		Blue-collar workers	
	Women	Men	Women	Men
Sweden	102.5	82	N/A	N/A
Germany	222	390	N/A	230
Finland	69	35	N/A	N/A
Denmark and Norway	16.5	36	N/A	N/A
St. Petersburg	89	110	9.5	61.5
Estonia and Latvia	16.5	23	0.5	12
Total	515.5	676	10	303.5

Employment type	Permanent		Temporary	
	Women	Men	Women	Men
Sweden	102	82	0.5	N/A
Germany	209	608	13	12
Finland	63	33.5	6	1.5
Denmark and Norway	16	35.5	0.5	0.5
St. Petersburg	82	152	17	19.5
Estonia and Latvia	16	23.5	0.5	11.5
Total	488	934.5	37.5	45

Health and safety

Bonava's employees	Sickness absentee rate ¹⁾		Work-related injuries ²⁾		Work-related injury frequency ³⁾	
	2016	2015	2016	2015	2016	2015
Sweden	1.80%	2.08%	1	0	2.3	0.0
Germany	7.90%	8.65%	17	11	13.7	9.8
Finland	1.13%	1.07%	0	1	0.0	6.3
Denmark and Norway	2.77%	1.70%	0	0	0.0	0.0
St. Petersburg	N/A	N/A	1	0	2.0	0.0
Estonia and Latvia	0.24%	0.29%	0	0	0.0	0.0

¹⁾ Number of sickness absence hours in relation to total hours worked.

²⁾ Work-related injuries leading to sickness absenteeism.

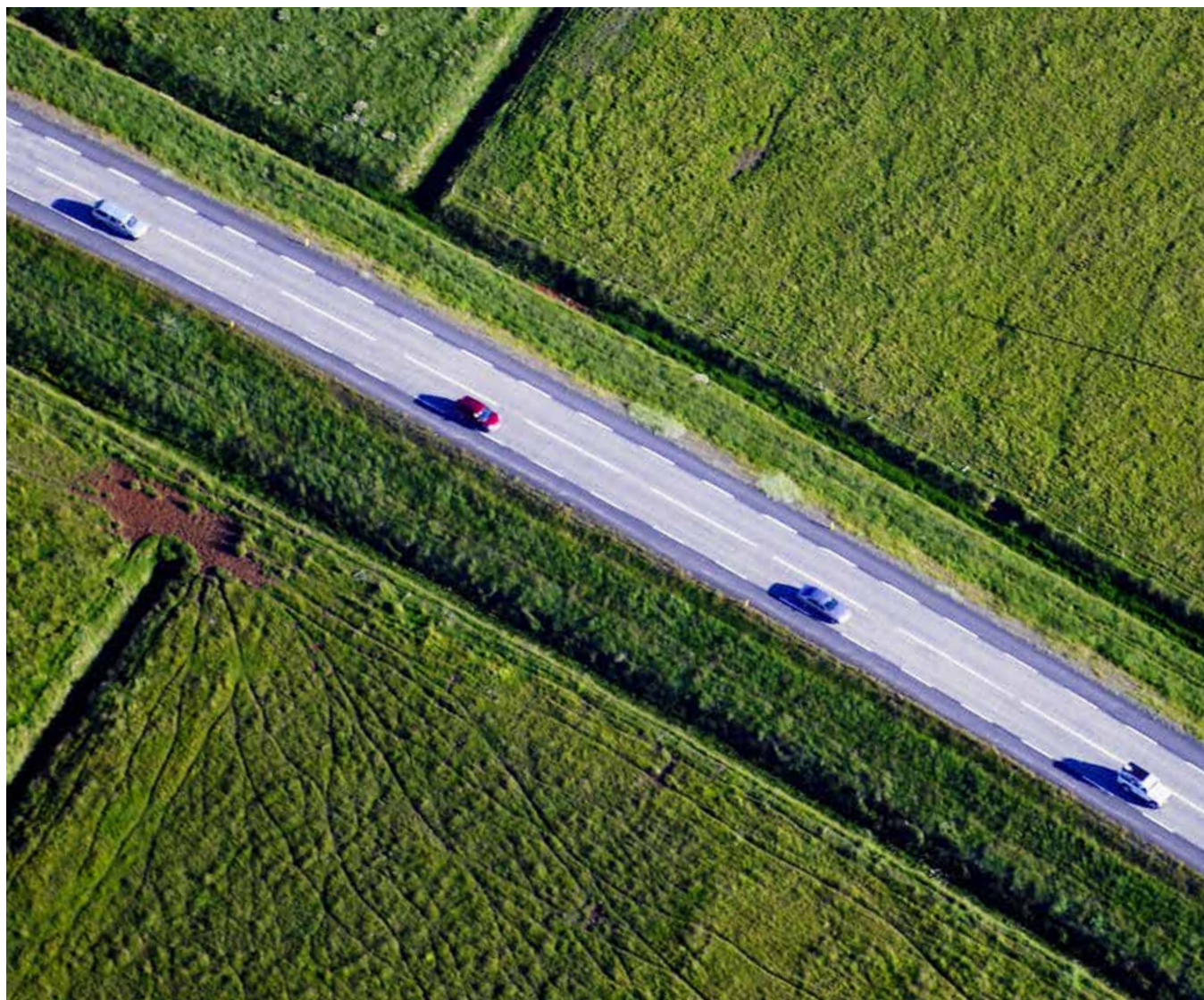
³⁾ Number of work-related injuries per million hours worked.

N/A = Not applicable.

Our diversity

	White-collar employees					
	<30		30-50		> 50	
	Women	Men	Women	Men	Women	Men
Board	0	0	1 (17%)	1 (17%)	2 (33%)	2 (33%)
EMG	0	0	2 (18%)	6 (55%)	1 (9%)	2 (18%)
Sweden	6.0 (3.3%)	1.5 (0.8%)	73.5 (39.8%)	53.5 (29.0%)	23 (12.5%)	27.0 (14.6%)
Germany	41.0 (4.9%)	55.0 (6.5%)	134.0 (15.9%)	211.0 (25.1%)	47.0 (5.6%)	124.0 (14.7%)
Finland	9.0 (8.7%)	3.5 (3.4%)	44.5 (42.8%)	19.5 (18.7%)	15.5 (14.9%)	12.0 (11.5%)
Denmark and Norway	1.5 (2.8%)	1.5 (2.8%)	10.0 (18.9%)	31.0 (58.5%)	5.5 (10.4%)	3.5 (6.6%)
St. Petersburg	32.0 (11.9%)	24.0 (8.7%)	53.0 (19.6%)	77.0 (28.5%)	4.0 (1.5%)	9.0 (3.4%)
Estonia and Latvia	2.0 (4.0%)	1.5 (2.9%)	13.5 (25.8%)	21.0 (41.6%)	1.0 (1.9%)	0 (0%)

N/A = Not applicable.



Blue-collar workers					
<30		30-50		>50	
Women	Men	Women	Men	Women	Men
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	-	N/A
0 (0%)	17.0 (2.0%)	0 (0%)	97.0 (11.5%)	0 (0%)	116.0 (13.8%)
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
0 (0%)	8.0 (3.0%)	6.0 (2.3%)	45.0 (16.5%)	3.5 (1.3%)	9.0 (3.3%)
0	1.5 (3.1%)	0.5 (0.7%)	7.0 (14.0 %)	0 (0%)	3.0 (6.0%)

GRI-index

General Standard Disclosures		Page
G4-1	Statement from the CEO and Board of Directors	6-7, 58
G4-2	Key impacts, risks and opportunities	8-11, 49-52, 70-71
G4-3	Name of the organisation	130
G4-4	Primary brands, products and services	22-25
G4-5	Location of headquarter	130
G4-6	Countries where the organisation operates	Insert
G4-7	Nature of ownership and legal form	53-56
G4-8	Markets served	Insert, 36-47
G4-9	Scale of the organisation	2-3
G4-10	Employment data	74-75
G4-11	Coverage of collective bargaining agreements	74
G4-12	Description of supply chain	35
G4-13	Significant changes during the reporting period	57-69, 70-71
G4-14	Adressing the precautionary principle	27, 30
G4-15	Endorsement of external charters, principles or initiatives	27, 70-71
G4-16	Memberships in associations	70
G4-17	Entities included in the organization's consolidated financial statements	63, 118
G4-18	Process for defining report content and aspect boundaries	27, 70-71
G4-19	Material aspects identified	28-35, 70-71
G4-20	Aspect boundaries within the organisation	71
G4-21	Aspect boundaries outside the organisation	71
G4-22	Explanation of the effect of any re-statements of information provided in previous reports	70
G4-23	Significant changes in the scope and aspect boundaries	70-71
G4-24	List of stakeholder groups	70-71
G4-25	Identification and selection of stakeholders	70-71
G4-26	Approach to stakeholder engagement	70-71
G4-27	Key topics and concerns raised through stakeholder engagement	70-71
G4-28	Reporting period	71
G4-29	Date of most recent previous report	70
G4-30	Reporting cycle	70
G4-31	Contact point for questions regarding the report	56, 71
G4-32	GRI-index	76-77
G4-33	Policy and current practice with regarding external assurance	70
G4-34	Governance structure	59, 70
G4-56	Values, principles, standards and Code of Conduct	4-5, 27, 76

UN GLOBAL COMPACT

Human Rights

- Principle 1*
(p. 34-35) Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2*
(p. 34) make sure that they are not complicit in human rights abuses.

Labour

- Principle 3*
(p. 74) Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4*
(p. 34-35) the elimination of all forms of forced and compulsory labour;
- Principle 5*
(p. 34-35) the effective abolition of child labour; and
- Principle 6*
(p. 33) the elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7*
(p. 27, 30) Businesses should support a precautionary approach to environmental challenges;
- Principle 8*
(p. 29-30) undertake initiatives to promote greater environmental responsibility; and
- Principle 9*
(p. 70) encourage the development and diffusion of environmentally friendly technologies.

Antikorrupption

- Principle 10*
(p. 33-35) Businesses should work against corruption in all its forms, including extortion and bribery.

Specific Standard Disclosures	Indicator		Page
ASPECTS ACCORDING TO BONAVA'S FOCUS AREAS AND GRI			
HAPPY NEIGHBOURHOODS FOR THE MANY			
Affordable housing			
Indirect economic impact	G4-EC8	Significant indirect economic impact	28
Area for happy neighbourhoods and community development for sense of belonging			
Local social engagement	G4-SO1	Percentage of operations with implemented local community engagement	28
Product and service labelling	G4-PR5	Surveys measuring customer satisfaction	28
PROTECTING OUR PLANET			
Circular production model			
Materials	G4-EN1	Materials used	29
Sustainable use of land			
	Bonava's indicator	Biodiversity	29
Land degradation, contamination and remediation	CRE5	Land remediation	29
Efficient buildings			
Energy	CRE1	Building energy intensity	29, 72-73
Sustainable and non-hazardous materials			
Product and service labelling	CRE8	Sustainability certification	29-30, 72-73
PASSIONATE WORKPLACE			
Labour conditions supporting our values			
	Bonava's indicator	Procedures for evaluating employee satisfaction and our values, including results from employee surveys	31-32
Employment	G4-LA1	Total number and rate of new recruitments and employee turnover	31-32, 74-75
Training and education	G4-LA11	Percentage of employees receiving regular performance and career development reviews	31-32
Health and safety			
Occupational health and safety	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities	32-33, 74-75
Diversity			
Diversity and equal opportunities	G4-LA12	Composition of governance bodies and breakdown of employees	33, 74-75
RELIABLE BUSINESS			
Compliance			
System for managing viewpoints and grievances	G4-SO11	Number of grievances about impacts on society, including environmental impacts (G4-EN34), human rights (G4-HR12) and labour law (G4-LA12) resolved through formal guidance mechanisms.	34
Anti-corruption	G4-SO4	Communication and training on anti-corruption policies and procedures	34
Anti-corruption	G4-SO5	Confirmed incidents of corruption and actions taken	34
Anti-competitive behaviour	G4-SO7	Total number of legal actions for anti-competitive behaviour	34
Compliance	G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations, including environmental impact (G4-EN29) and products (G4-PR9)	34
Responsible supply chain management			
Supplier assessment for impacts on society	G4-SO9	Percentage of new suppliers screened using criteria for impacts on society, including environmental impact (G4-EN32), labour law (G4-LA14) and human rights (G4-HR10)	35
Tax			
	Bonava's indicator	Tax payments	35, 84

Financial Reporting

CONTENTS FINANCIAL REPORTING

Report of the Board of Directors	80	Parent Company	
Group		Parent Company Income Statement	113
Consolidated Income Statement	84	Comments on the Income Statement and Balance Sheet	113
Consolidated Statement of Comprehensive Income	84	Parent Company Balance Sheet	114
Comments on the Consolidated Income Statement	85	Parent Company Changes in Shareholders' Equity	115
Consolidated Balance Sheet	86	Parent Company Cash Flow Statement	116
Comments on the Consolidated Balance Sheet	87	Comments on the Cash Flow Statement	116
Consolidated Statement of Changes in Shareholders' Equity	88	Parent Company notes	117
Specification of reserves in shareholders' equity	89	Note 1 – Accounting policies	117
Consolidated Cash Flow Statement	90	Note 2 – Employees, personnel expenses and fees to the Board and Auditors	117
Comments on the Consolidated Cash Flow Statement	91	Note 3 – Depreciation/amortisation	117
Notes for the Group	92	Note 4 – Fees and compensation to audit firms	117
Note 1 – Significant accounting policies	92	Note 5 – Profit from shares in Group companies	118
Note 2 – Reporting by operating segment	97	Note 6 – Interest expenses etc.	118
Note 3 – Number of employees, personnel expenses and remuneration of senior executives	98	Note 7 – Intangible assets	118
Note 4 – Depreciation/amortisation	100	Note 8 – Shares in Group companies	118
Note 5 – Remuneration and fees to Audit firms	100	Note 9 – Tax on profit/loss for the year, deferred tax assets and liabilities	119
Note 6 – Operating expenses distributed by cost type	100	Note 10 – Interest-bearing liabilities	119
Note 7 – Net financial items	100	Note 11 – Accrued expenses and prepaid income	119
Note 8 – Intangible assets	100	Note 12 – Transactions with related parties	119
Note 9 – Tangible fixed assets	101	Note 13 – Pledged assets and contingent liabilities	120
Note 10 – Participations in joint arrangements	101	Note 14 – Information about the Parent Company	120
Note 11 – Long-term receivables and other receivables	101	Note 15 – Appropriations of profits	120
Note 12 – Tax on profit/loss for the year, deferred tax assets and deferred tax liabilities	102	Proposed appropriations of profits	121
Note 13 – Housing projects	103	Audit Report	122
Note 14 – Share capital	104	Financial key ratios	125
Note 15 – Interest-bearing liabilities	104	Housing units	126
Note 16 – Provisions	104	Definitions	127
Note 17 – Other liabilities	105	Annual General Meeting 2017	128
Note 18 – Accrued expenses and prepaid income	105		
Note 19 – Leasing	105		
Note 20 – Transactions with related parties	105		
Note 21 – Pledged assets and contingent liabilities	106		
Note 22 – Cash flow statement and cash equivalents	106		
Note 23 – Financial instruments and financial risk management	106		

Report of the Board of Directors

The Board of Directors and Chief Executive officer of Bonava AB (publ.), corporate identity number 556928-0380, with its registered office in Solna, Sweden, hereby present the Annual Report and Consolidated Financial Statements for the financial year 2016.

OPERATIONS

Bonava is a leading developer of residential housing in northern Europe, developing and selling affordable and sustainable homes to consumers and investors on selected markets in Sweden, Germany, Finland, Denmark, Norway, St. Petersburg, Estonia and Latvia. Bonava is active end to end in the process from purchasing land until homes are handed over to customers, to ensure customer focus right through the value chain.

Bonava's origins are within construction group NCC, and it has been creating homes and neighbourhoods since the 1930s. Bonava currently has 1,662 employees. In 2016, sales were SEK 13.5 Bn.

Market

The demand for housing from consumers and investors in Sweden was high during the year. Generally, pricing in Sweden increased somewhat for the full year. On the German market, demand remained positive from consumers, while the investor market was also strong. In Finland, demand was comparable to the corresponding period of the previous year, and after several years of poor economic conditions, positive growth is anticipated. Demand in Denmark and Norway was high, with prices rising around year-end. In St. Petersburg, the housing market showed signs of stabilising.

GROUP PERFORMANCE

Net sales

Net sales amounted to SEK 13,492 M (13,070). The increase was sourced from more housing units being handed over to consumers with higher average prices, while revenues from investors and land sales were lower than the previous year. 4,371 (3,968) housing units for consumers, and 407 (1,768) housing units for investors, were recognised for profit during the year. The average price per housing unit for consumers was SEK 2.7 M (2.4).

In the previous year, the sale of a German property portfolio of 321 housing units was recognised for profit, with revenues of SEK 480 M. Exchange rate fluctuations had a negative impact of SEK 16 M on consolidated net sales in year-on-year terms.

In Sweden, the number of housing units handed over to consumers increased, and with the average price increasing. Revenues from investors and land sales decreased in Sweden. Net sales in Germany were up on the previous year as more housing units for consumers were recognised for profit, while revenues from investor deals decreased.

Net sales in Finland was reduced because no projects for investors were recognised for profit in 2016. Revenues from consumers increased.

Net sales in Denmark-Norway increased as a result of more housing units being handed over to consumers.

In St. Petersburg, net sales increased as a result of more housing units for consumers, and one project for investors, being recognised for profit.

Operating profit

Operating profit for the year was SEK 1,562 M (1,377). Profit from projects for consumers improved, mainly in Sweden, Germany and Finland, where more housing units were recognised for profit. Profit in Denmark-Norway was charged with impairment losses on projects in the previous year. Profit from projects for investors decreased as fewer projects were recognised for profit in 2016. In the previous year, there was a SEK 51 M positive impact on operating profit from the sale of a German property portfolio.

Profit from land sales amounted to SEK 188 M (220), including a SEK -91 M loss on land sales in Latvia. Exchange rate fluctuations exerted a SEK 7 M negative impact on profit compared to the corresponding period of the previous year. In Sweden, net sales and margins on projects for consumers increased. The profit from land sales amounted to SEK 257 M (253).

In Germany, profit improved as more projects for consumers were recognised for profit, with improved margins. The profit on projects for investors decreased.

Profit in Finland reduced due to no housing units for investors being recognised for profit. The profit on housing units for consumers improved, and profit from land sales was SEK 4 M (2).

In Denmark-Norway, profit improved due to more projects for consumers being recognised for profit, with higher margins. In the previous year, profit was charged with impairment losses totalling SEK -60 M on a project in Stavanger, Norway. The profit from land sales amounted to SEK 18 M (-4).

In St. Petersburg, profit improved as a result of more housing units being handed over to consumers and one project for investors being recognised for profit. Profit was charged with impairment losses of SEK 18 M on properties held for future development.

Organisational changes relating to becoming an independent company generated non-recurring costs of SEK 85 M (57) during the year.

Net financial items, tax and profit for the period

Net financial items were SEK -279 M (-345). The improvement was due to lower net debt. Profit after financial items for the period was SEK 1,283 M (1,033).

Tax on profit for the period was SEK -278 M (-235), corresponding to a tax rate of 22 per cent (23).

Profit for the period after tax was SEK 1,004 M (768).

FINANCIAL POSITION, INVESTMENTS AND CASH FLOW

Total assets

Total assets were SEK 16,770 M (15,506), with the increase primarily due to a higher volume of ongoing housing projects. For a description of the financial risks, see Risks and risk management on page 49. Bonavas Finance policy is described in note 23 on page 106.

Net debt

Net debt amounted to SEK 3,699 M (4,216), of which net debt in Swedish tenant-owner associations and Finnish housing companies amounted to SEK 3,624 M (3,177). Net debt was lower due to strong cash flow in the fourth quarter. Net debt excluding Swedish tenant-owner associations and Finnish housing companies amounted to SEK 75 M (1,039).

Capital employed and return on capital employed

Return on capital employed was 14.6 per cent (12.5). The improvement is due to higher operating profit and lower average capital employed. Capital employed amounted to SEK 10,134 M (9,811) at the end of the period. Capital employed increased due to higher volumes of ongoing housing projects and properties held for future development.

In Sweden, properties held for future development and ongoing production were at the same level as in the previous year, while the share of interest-free financing increased and capital tied-up was lower than the previous year. The combination of lower capital tied-up and improved profit increased return on capital employed in Sweden.

In Germany, properties held for future development and ongoing housing projects increased as part of the current expansion process. Capital tied-up was restricted by increased customer advances

and interest-free financing of land purchases. The return on capital employed decreased because of higher capital tied-up.

In Finland, ongoing housing projects increased, which was countered by lower other current assets and capital tied-up was unchanged. The return on capital employed decreased due to lower profit.

A high number of projects were completed in Denmark–Norway during the year, and capital tied-up decreased. The return on capital employed increased due to improved profit and lower capital tied-up.

In St. Petersburg, the value of housing projects decreased in local currency, but total assets increased in Swedish krona terms. Capital tied-up increased due to reduced interest-free financing of housing projects. The return on capital employed decreased due to higher capital tied-up and lower profit.

Equity/assets and debt/equity ratios

As of 31 December 2016, the equity/assets ratio was 33.7 per cent (30.5). Bonava's equity/assets ratio is affected by seasonal fluctuations as the company's assets increase in the first three quarters of the year and then decrease in the fourth quarter, when a large number of housing units are handed over to customers and recognised for profit. The debt/equity ratio was 0.7 (0.9).

Cash flow

Cash flow before financing was SEK 536 M (1,437). Improved earnings generated higher cash flow from operating activities before changes in working capital. Investments in land and ongoing housing projects increased to a greater extent during the year than sales, generating a negative impact on cash flow from housing projects compared to the previous year, mainly in Germany and Finland. Other changes in working capital improved somewhat thanks to a higher inflow of accounts receivable. Investing activities generated lower cash flow than the previous year due to investments in new IT systems.

Seasonal effects

Bonava recognises revenues and earnings from housing sales when sold and completed units are delivered to customers. Bonava's operations are affected by seasonal variations due to the company's cyclical production year, the cold weather and a high share of annual production being completed and delivered to customers in the fourth quarter. Accordingly, earnings are usually stronger in the fourth quarter than in other quarters.

HOUSING SALES, HOUSING STARTS AND BUILDING RIGHTS

Housing sales and housing starts

Bonava sold a total of 4,311 (4,542) housing units to consumers and 1,922 (1,773) housing units to investors in the period. The number of housing starts was 4,041 (4,452) for consumers and 1,791 (1,904) for investors.

Housing units in ongoing production as of 31 December 2016

At the end of the period there were 6,158 (6,432) housing units for consumers and 2,955 (2,346) housing units for investors in production. The total number of housing units in production was higher than in the previous year. As of 31 December 2016, the sales rate was 63 per cent (60) for housing units for consumers and 100 per cent (94) for housing units for investors. At the same date, the completion rates were 49 per cent (46) and 40 per cent (69) respectively.

Building rights, 31 December 2016

There were 28,000 (29,100) building rights, of which 17,500 (18,100) are recognised in the Balance Sheet. The decrease relates to active portfolio management, where land on non-prioritised markets has been divested.

Unsold, completed housing units at year-end

The number of unsold completed housing units at period end was 180 (156). All these housing units were for consumers.

ORGANISATION AND EMPLOYEES

The Group's average number of employees was 1,482 (1,331) in the period.

Legal structure

Effective 9 June 2016, NCC distributed all the shares in Bonava AB to shareholders. NCC AB remains a minority owner of Bonava Deutschland GmbH, but Bonava holds the option to acquire NCC AB's participations in 2021. According to a profit sharing agreement, NCC AB will waive dividend and receive annual compensation of EUR 1.3 M until the agreement is cancelled, which may occur five years from entering the agreement at the earliest. The agreed profit sharing, representing a debt of SEK 57 M to NCC AB, has been reported at an amount corresponding to the fair value of five years' payments.

Changes to executive management

Michael Björklund was appointed as new Business Unit President for Bonava St. Petersburg in October 2016, and has been a member of Bonava's Group Management since. Michael Björklund has been working for Bonava since 2011, holding positions including Marketing Manager for St. Petersburg, Business Unit President for Bonava in the Baltics and has headed up the Swedish single-family homes business. Michael Björklund will continue in his role as Business Unit President for Bonava in the Baltics. Juuso Hietanen, previously Business Unit President of Bonava in St. Petersburg and Bonava Finland, will continue as Business Unit President of Bonava Finland and be a member of Group Management.

THE SHARE AND SHAREHOLDERS

Bonava has two classes of share, class A and class B. The closing price on 30 December 2016 was SEK 139.60 per class A share and SEK 141.20 per class B share, corresponding to market capitalisation of SEK 15.2 Bn.

Bonava's share capital was SEK 433,743,288 on the reporting date, divided between 108,435,822 shares and 237,809,364 votes. As of 31 December 2016, Bonava had 14,374,838 class A shares and 94,060,984 class B shares. Each class A share carries 10 votes and each class B share one vote.

Bonava had 41,189 shareholders at the end of the quarter. Bonava's largest shareholder was Nordstjernan AB. As of 30 December, the ten largest shareholders controlled 53.9 per cent of the capital and 65.9 per cent of the votes.

NOMINATION COMMITTEE

Bonava's nomination committee for the AGM 2017 has the following members: Tomas Billing, Chairman of the Nomination Committee Nordstjernan AB), Tomas Risbecker, (AMF—Insurance & Mutual Funds), Johan Strandberg, (SEB Investment Management) and Carl Engström (Nordstjernan AB) as co-opted member of the Nomination Committee in his capacity as Chairman of the Board.

REMUNERATION

The Board of Directors' proposed guidelines for determining basic and variable remuneration to the CEO and other members of management (Group Management).

The Board has evaluated the application of its guidelines for determining basic and variable remuneration for the CEO and other members of management (Group Management) approved by the AGM 2016, and the applicable compensation structures and

compensation levels of the company. As a result of this evaluation of the overall compensation package for the company's Group Management, the Board of Directors is proposing to the AGM 2017 that the applicable guidelines should be retained for 2017. These guidelines cover the Group Management including the CEO, 11(10) people, and senior managers that are not members of Group Management, but report directly to the CEO, 1 (1) person, at present a total of 12 (11) people. Bonava applies compensation levels and employment terms that are necessary to enable the hiring and retention of a management possessing high competence and the ability to achieve the targets set.

The principles and structures of compensation should motivate senior managers to do their utmost to safeguard shareholders' interests. Accordingly, compensation should be on market terms and competitive. It should be straightforward, long-term and measurable. Compensation to senior managers should consist of a basic and a variable portion.

Basic compensation

The basic salary of senior managers should be on market terms and based on competence, responsibility and performance. Basic remuneration will be reviewed yearly.

Short-term variable compensation

The basic salary of senior managers should be on market terms and based on competence, responsibility and performance. In 2017, the short-term variable compensation of the CEO was maximised at 50 per cent of basic salary, and for other members of Group Management, maximised at 30 or 40 per cent of basic salary. The short-term variable compensation is reviewed yearly. At maximum levels, the company's obligations to the affected people would cost the company an estimated maximum of SEK 10.0 M excluding social security contributions.

Pension and other benefits

Bonava is endeavouring to achieve a gradual migration to defined-contribution solutions, which means that Bonava pays premiums of a specific portion of the employee's salary. The members of Bonava's management that serve in Sweden and are not covered by pension benefits pursuant to the ITP plan (Supplementary Pensions for White-collar employees) should receive a maximum of 30 per cent of annual basic salary in a yearly defined-contribution pension provision. The members of Bonava's management that serve in other countries have pension Solutions that are consistent with local practice. Bonava is endeavouring to harmonise the retirement age of members of Group Management at 65.

Other benefits

Bonava provides other benefits to members of Group Management pursuant to local practice. The aggregate value of these benefit benefits should equate to a limited value, and correspond to what, in principle, is customary on the market.

Notice periods and severance pay

The dismissal pay and severance pay of a senior manager should not exceed nine months' salary, or 12 months for the CEO and CFO, on termination by the company, and six months on termination by the senior manager. In this context, senior manager means the CEO, CFO and other members of Group Management. The Board of Directors is entitled to depart from the above guidelines of remuneration to senior managers if there are special reasons in an individual case.

Share-based incentive program

An Extraordinary General Meeting (EGM) on 26 September 2016 approved the Board of Directors' proposal to introduce a share-based incentive program for Group Management and certain key individuals, totalling 25 people. Participation in the program requires a shareholding in Bonava. The purpose of introducing this program is to align the interests of shareholders, Group Management and certain key individuals to ensure maximum long-term value creation. The EGM also authorised the Board of Directors to repurchase class B shares to ensure implementation of the incentive program. The Board has decided to utilise this authorisation and has initiated a repurchase program.

The Board of Directors is proposing that the AGM decides to implement a long-term performance-based incentive program for senior managers and key individuals within the Bonava Group (LTI 2017). Essentially, this proposal is consistent with the long-term performance-based incentive program previously adopted for 2016. The Board of Directors' view is that incentive programs of this type benefit the company's long-term progress. LTI 2017 is proposed to address a total of some 50 participants within the Bonava Group. More detail on the proposal and previous long-term incentive programs is available at bonava.com. See also note 3, number of employees, personnel expenses and remuneration of senior managers.

PARENT COMPANY

Net sales and profits

The parent company's invoicing was SEK 69 M (14). Profit after financial items was SEK 24 M (-217). The average number of employees was 43. In the previous year, there were no employees until November, when 27 people were hired.

ENVIRONMENTAL IMPACT

Bonava does not conduct any operations subject to permits under the Swedish Environmental Code ("Miljöbalken") within the parent company or subsidiaries. For more information on the environment and sustainability, see pages 26–35 and 70–77.

CORPORATE GOVERNANCE REPORT

The Corporate Governance Report is a separate part of Bonava's annual report 2016 and is not part of the formal Annual Accounts documentation. Please refer to the corporate governance section on pages 57–69.

FUTURE MARKET

Demand for housing remains positive on our largest markets, Sweden and Germany, from consumers and investors. In Denmark and Norway, we are seeing signs of stronger markets with higher demand. We anticipate positive growth in Finland after what has been a poor economy for several years, and in St. Petersburg, we are seeing indications that the housing market is stabilising.

PROPOSED DIVIDEND

The Board of Directors is proposing a dividend of SEK 3.80 per share, paid in two rounds. The first payment of SEK 1.90 per share is proposed for disbursement on 11 April 2017, and the second payment of SEK 1.90 per share is proposed for disbursement on 11 October 2017.

AMOUNTS AND DATES

Unless otherwise stated, amounts are stated in millions of Swedish kronor (SEK M). The relevant period is 1 January–31 December for income statement-related items, and 31 December for balance sheet-related items. Rounding errors may occur.



Consolidated Income Statement

SEK M	Note	2016	2015
	1, 10, 20		
Net sales	2	13,492	13,070
Production costs	3, 4, 8, 9, 13, 19	-11,235	-11,016
Gross profit		2,257	2,054
Selling and administrative expenses	3, 4, 5, 8, 9	-610	-583
Non-recurring costs ¹⁾		-85	-57
Other operating expenses			-36
Operating profit	2, 6	1,562	1,377
Financial income		13	11
Financial expenses		-292	-356
Net financial items	7	-279	-345
Profit after financial items		1,283	1,033
Tax on profit for the year	12	-278	-235
Net profit for the year		1,004	798
Attributable to:			
Bonava AB's shareholders		1,003	767
Non-controlling interests		2	31
Net profit for the year		1,004	798
Per share data before and after dilution			
Earnings per share, SEK		9.26	7.36
Cash flow from operating activities, SEK		6.54	13.37
Shareholders' equity, SEK		52.25	43.08
Number of shares at end of year, million		108.3	108.4

¹⁾ Activities relating to Bonava becoming an independent company.

There is no dilution effect.

Consolidated Statement of Comprehensive Income

SEK M	Note	2016	2015
Net profit for the year		1,004	798
Items that may be reclassified to profit or loss			
Translation differences during the year in translation of foreign operations		98	-59
Hedging of currency risk in foreign operations		-73	41
Cash flow hedges			33
Tax related to items that may be reclassified to profit or loss	12	16	-16
		41	-2
Items that will not be reclassified to profit or loss			
Revaluation of defined-benefit pension plans			-8
Tax related to items that will not be reclassified to profit or loss	12		2
		0	-6
Other comprehensive income for the year		41	-8
Comprehensive income for the year		1,045	790
Attributable to:			
Bonava AB's shareholders		1,042	759
Non-controlling interests		4	31
Total comprehensive income for the year		1,045	790

Comments on the Consolidated Income Statement

NET SALES

Net sales amounted to SEK 13,492 M (13,070). The increase was sourced from more housing units for consumers with higher average prices, while revenues from investors and land sales were lower than the previous year. 4,371 (3,968) housing units for consumers, and 407 (1,768) housing units for investors, were recognised for profit during the year. The average price per housing unit for consumers was SEK 2.7 M (2.4).

In the previous year, the sale of a German property portfolio of 321 housing units was recognised for profit, with revenues of SEK 480 M. Exchange rate fluctuations had a negative impact of SEK 16 M on consolidated net sales in year-on-year terms.

GROSS PROFIT

Gross profit includes impairment of housing projects totalling SEK 18 M (2).

OPERATING PROFIT

Operating profit for the period was SEK 1,562 M (1,377). Profit from projects for consumers improved, mainly in Sweden, Germany and Finland, where more housing units were recognised for profit. Profit in Denmark-Norway was charged with impairment losses on projects in the previous year. Profit from projects for investors decreased as fewer projects were recognised for profit in 2016. In the previous year, there was a SEK 51 M positive impact on operating profit from the sale of a German property portfolio.

Profit from land sales amounted to SEK 188 M (220), including a SEK -91 M loss on land sales in Latvia. Exchange rate fluctuations exerted a SEK 7 M negative impact on profit compared to the corresponding period of the previous year.

NET FINANCIAL ITEMS

Net financial items were SEK -279 M (-345). The improvement was due to lower average net debt.

TAX

Tax on profit for the period was SEK -278 M (-235), corresponding to a tax rate of 22 per cent (23). See also note 12 tax on net profit, as well as deferred tax assets and deferred tax liabilities.

Consolidated Balance Sheet

	Note	2016	2015
ASSETS	1, 10, 20		
Fixed assets			
Goodwill	8	22	22
Other intangible assets	8	149	62
Real estate used in business operations	9	68	50
Machinery and equipment	9	120	61
Other non-current shareholdings		4	4
Non-current receivables	11	228	236
Deferred tax assets	12	342	338
Total fixed assets	23	933	773
Current assets			
Housing projects			
Properties held for future development	13	5,035	4,737
Ongoing housing projects	13	7,898	7,043
Completed housing units	13	733	599
Housing projects		13,666	12,378
Materials and inventories		8	5
Taxes receivables		8	20
Accounts receivable		535	623
Pre-paid expenses and accrued income		351	326
Other receivables	11	651	793
Cash and cash equivalents	20, 22	619	585
Total current assets	23	15,836	14,732
TOTAL ASSETS		16,770	15,506
SHAREHOLDERS' EQUITY			
Share capital	14	434	0
Other capital contributions		4,569	5,003
Reserves		55	15
Profit/loss brought forward incl. comprehensive income for the year		592	-346
Shareholders' capital		5,648	4,672
Non-controlling interests		5	60
Total shareholders' equity		5,652	4,732
LIABILITIES			
Non-current liabilities			
Non-current interest-bearing liabilities	15	2,245	2,033
Other non-current liabilities	17	271	487
Deferred tax liabilities	12	23	
Other provisions	16	780	357
Total non-current liabilities	23	3,319	2,877
Current liabilities			
Current interest-bearing liabilities	15	2,236	3,046
Accounts payable		861	677
Tax liabilities		196	152
Accrued expenses and deferred income	18	1,119	840
Other current liabilities	17	3,387	3,180
Total current liabilities	23	7,799	7,896
Total liabilities		11,117	10,773
TOTAL EQUITY AND LIABILITIES		16,770	15,506

Comments on the Consolidated Balance Sheet

NON-CURRENT ASSETS

Non-current assets increased on the previous year, primarily due to investments in new IT systems and equipment for new offices.

CURRENT ASSETS

Properties held for future development increased on the previous year because investments in land increased mainly in Germany.

Ongoing housing projects

The value of ongoing housing projects increased in Germany and Finland, while the value in Denmark–Norway decreased because many projects were completed during the year.

Completed housing units

The value of completed housing units increased somewhat in Denmark–Norway and St. Petersburg. The number of completed housing units was 373 (429). Previous year there was a higher number of completed housing units, mainly in St. Petersburg, but with a lower average value.

Accounts receivable and other receivables

Accounts receivable and other receivables decreased somewhat in Sweden and Finland.

NON-CURRENT LIABILITIES

Non-current interest-bearing liabilities

Non-current liabilities to credit institutions increased on the previous year, see note 15 interest-bearing liabilities.

Other provisions

Other provisions increased mainly due to reclassification of project undertakings from non-current liabilities to provisions.

CURRENT LIABILITIES

Current interest-bearing liabilities

Current liabilities relating to Swedish tenant-owner associations and Finnish housing companies increased due to more ongoing projects.

Other current liabilities

Other current liabilities increased due to higher advance payments from customers.

Consolidated Statement of Changes in Shareholders' Equity

SEK M	Shareholders' equity attributable to Bonava					Non-controlling interests	Total shareholders' equity
	Share capital	Other capital contributions	Reserves	Earnings brought forward	Total		
Opening shareholders' equity, 1 January 2015	0	0	17	277	294	44	338
Net profit				767	767	31	798
Other comprehensive income			-2	-6	-8		-8
Total comprehensive income	0	0	-2	761	759	31	790
Shareholders' contribution		5,003			5,003		5,003
Transactions with shareholders				-1,393	-1,393	-3	-1,396
Transactions with shareholders regarding taxation				112	112		112
Performance-based incentive program				1	1		1
Dividend				-104	-104	-12	-116
Total transactions with shareholders	0	5,003	0	-1,384	3,619	-15	3,604
Closing shareholders' equity, 31 December 2015	0	5,003	15	-346	4,672	60	4,732
Net profit				1,003	1,003	2	1,004
Other comprehensive income			39		39	2	41
Total comprehensive income			39	1,003	1,042	4	1,045
Bonus issue	434	-434					
Transactions with shareholders				-12	-12		-12
Transactions with non-controlling interests				5	5	-59	-54
Performance-based incentive program				2	2		2
Dividend				-15	-15		-15
Purchases of treasury shares				-45	-45		-45
Total transactions with shareholders	434	-434	0	-65	-65	-59	-124
Closing shareholders' equity, 31 December 2016	434	4,569	55	592	5,648	5	5,652

Specification of reserves in shareholders' equity

	2016	2015
Translation reserve		
Opening translation reserve, 1 January	16	44
Translation differences for the year on translation of foreign operations	96	-59
Gain/loss on hedging of currency risk in foreign operations	-73	41
Tax attributable to hedging of currency risk in foreign operations	16	-10
Closing translation reserve, 31 December	55	16
Hedging reserve		
Opening hedging reserve, 1 January	-1	-27
Changes in the fair value of cash flow hedges during the year	1	33
Tax attributable to cash flow hedges		-7
Closing hedging reserves, 31 December	0	-1
Total reserves		
Opening reserves, 1 January	15	17
Translation reserve	39	-28
Hedging reserve	1	26
Closing reserves, 31 December	55	15

CHANGE IN SHAREHOLDERS' EQUITY

The change in shareholder's equity mainly consists of comprehensive income for the year, transactions attributable to the majority shareholder as part of presenting overall financial statements for Bonava, as well as dividends to, and contributions from, shareholders.

OTHER PAID-UP CAPITAL

Shareholders' equity paid up by shareholders.

TRANSLATION RESERVE

The translation reserve includes all currency differences from 1 January 2013 onwards that arise on the translation of financial statements of foreign operations that have prepared their financial statements in a currency other than the currency Bonava's financial statements are presented in, which in Bonava's case,

is SEK. The translation reserve also consists of currency differences that arise on the revaluation of liabilities and currency forwards entered as hedging instruments for a net investment in a foreign operation.

HEDGING RESERVE

The hedging reserve includes the effective portion of the accumulated net change in fair value of a cash flow hedging instrument attributable to hedging transactions that have not yet occurred.

RETAINED EARNINGS INCLUDING COMPREHENSIVE INCOME FOR THE YEAR

This item includes accrued earnings in Bonava and also includes transactions with majority shareholders and dividends.

Consolidated Cash Flow Statement

SEK M	Note	2016	2015
OPERATING ACTIVITIES			
Profit after financial items		1,283	1,033
Adjustments for items not included in cash flow:			
- Depreciation and amortisation	4	40	42
- Impairment and reversed impairment	13	25	
- Exchange rate differences		-139	65
- Changes in provisions		75	-53
- Other		2	-2
Total items not included in cash flow		2	52
Tax paid		-197	-125
Cash flow from operating activities before changes in working capital		1,087	959
Cash flow from changes in working capital			
Sales of housing projects		10,807	10,075
Investments in housing projects		-11,538	-9,842
Other changes in working capital		352	258
Cash flow from changes in working capital		-379	491
CASH FLOW FROM OPERATING ACTIVITIES		708	1,450
INVESTING ACTIVITIES			
Acquisition of buildings and land		-5	-4
Sale of financial fixed assets			44
Acquisition of property, plant and equipment and intangible assets		-170	-52
Sale of property, plant and equipment and intangible assets		1	
Cash flow from investing activities		-173	-13
Cash flow before financing		536	1,437
FINANCING ACTIVITIES			
Capital contribution from NCC		5,051	
Repayment of loan to NCC		-6,012	
Borrowing		2,059	
Dividend paid		-15	-104
Purchase of treasury shares		-45	
Increase (+)/decrease (-) in interest-bearing financial liabilities		-1,724	-1,196
Increase (-)/decrease (+) in non-current interest-bearing receivables		52	-29
Increase (-)/decrease (+) in current interest-bearing receivables		108	29
Cash flow from financing activities		-525	-1,301
Cash flow for the year		10	136
Cash and cash equivalents at beginning of year	22	585	463
Exchange rate difference in cash and cash equivalents		23	-14
Cash and cash equivalents at end of year		619	585

Comments on the Consolidated Cash Flow Statement

Cash flow before financing was SEK 536 M (1,437).

Cash flow from operating activities was SEK 1,087 M (959). Improved profit resulted in increased cash flow from operating activities before changes in working capital.

Cash flow from changes in working capital amounted to SEK 708 M (1,450). Investments in land and ongoing housing projects increased to a greater extent than sales during the year during the year, exerting a negative impact on cash flow from housing projects compared to the previous year, primarily in Germany and Finland. Other changes in working capital improved somewhat thanks to a greater inflow of accounts receivable.

Cash flow from investing activities amounted to SEK -173 M (-13), resulting in a lower cash flow than the previous year, due to investments in new IT systems.

Cash flow from financing activities improved, amounting to SEK -525 M (-1,301). A capital contribution from NCC was received during the year, and all borrowings from NCC Treasury AB in place at the date for the initial public offering were repaid.

NET DEBT

Net debt amounted to SEK 3,699 M (4,216), of which the net debt in Swedish tenant-owner associations and Finnish housing companies amounted to SEK 3,624 M (3,177).

Net debt was lower thanks to strong cash flow in the fourth quarter.

Other changes in working capital	2016	2015
Increase (-)/decrease (+) in inventories	-2	1
Increase (-)/decrease (+) in receivables	250	-536
Increase in liabilities	104	793
Other changes in working capital	352	258

Net debt, SEK M	2016	2015
Non-current interest-bearing receivables	79	131
Current interest-bearing receivables	84	146
Cash and cash equivalents	619	585
Total	782	863
Non-current interest-bearing liabilities	2,245	2,033
Current interest-bearing liabilities	2,236	3,046
Total	4,481	5,079
Net debt	3,699	4,216

of which attributable to Swedish tenant-owner associations and Finnish housing companies

Interest-bearing liabilities	3,677	3,268
Cash and cash equivalents	53	90
Net debt	3,624	3,177
Net debt excl. tenant-owner associations/ housing companies	75	1,039

Notes for the Group

NOTE 1 Significant accounting policies

Bonava's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations made by the IFRS Interpretations Committee, as adopted by the EU, the Annual Accounts Act (1995:1554), RFR 1 Supplementary Accounting principles for Groups and its associated interpretations, which were published by the Swedish Financial Reporting Board. Information relating to previous years refers to combined financial statements presented in the prospectus "Admission to trading on Nasdaq Stockholm for shares of series A and series B in Bonava AB (publ)." For more information, see note 1, page 130 of the prospectus. The Annual Report and Consolidated Financial Statements were adopted by the Board of Directors on 10 March 2017. The Consolidated Income Statement and Balance Sheet and Parent Company Income Statement and Balance Sheet will be subject to approval by the Annual General Meeting on 4 April 2017.

New standards and interpretations that have not yet been applied by Bonava

There were no changes in IFRS that had an effect on Bonava's financial reporting in 2016. A number of standards and interpretations enter into force for financial years beginning after 31 December 2016 and have not been applied in the preparation of these financial statements. A preliminary assessment of the effects of those standards regarded as relevant for Bonava is presented below:

IFRS 9 "Financial instruments" addresses the classification, measurement and recognition of financial assets and liabilities. IFRS 9 replaces IAS 39, which addresses classification and measurement of financial instruments. IFRS 9 retains a mixed measurement approach, but simplifies measurement in certain respects. There will be three measurement categories for financial assets: accrued cost, fair value through other comprehensive income and fair value through profit or loss. How an instrument should be classified depends on the company's business model and the nature of the instrument. Investments in own equity instruments must be recognised at fair value through profit or loss, but it is also possible to recognise the instrument at fair value through other comprehensive income the first time it is recognised. In that case, there will be no reclassification to the income statement when the instrument is sold. The classification and measurement of financial liabilities do not change, except in cases where a liability is recognised at fair value through profit or loss based on the fair value option. The standard must be applied for financial years that begin on 1 January 2018 or later. Early adoption is permitted. The introduction of the new standard is expected to have no or only a minor impact on Bonava's financial reporting.

IFRS 15 "Revenue from Contracts with Customers" regulates how to recognise revenues. The principles that IFRS 15 is based on should provide users of financial statements with more usable information on the company's revenues. The expanded disclosure obligation means that information on types of revenues, settlement dates, uncertainties concerning revenue recognition and cash flow attributable to the company's contracts with customers must be provided. According to IFRS 15, revenue should be recognised when the customer gains control over the good or service sold and has the ability to use and receive the benefit from the good or service. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts, as well as their associated SIC and IFRIC interpretations. IFRS 15 comes into force for financial years that begin on 1 January 2018 or later. Early adoption is permitted. Bonava has investigated the effects of IFRS 15 on different types of revenue in different countries. The analysis does not presently indicate any material differences in revenue recognition from current principles.

IFRS 16 "Leases" is a new leasing standard that replaces IAS 17 Leases and its associated interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires assets and liabilities attributable

to all leases to be recognised in the balance sheet with a few exceptions. This recognition is based on the view that the lessee has a right to use an asset during a specific period and an obligation to pay for this right at the same time. The lessor's reporting will be essentially unchanged. The standard is applicable for financial years that begin on 1 January 2019 or later (not yet adopted by the EU). Early adoption is permitted provided that IFRS 15 "Revenue from Contracts with Customers" is applied. Bonava has yet to evaluate the effects of IFRS 16.

No other IFRS or IFRIC interpretations that have not yet come into effect are expected to have any material impact on Bonava.

CONSOLIDATED FINANCIAL STATEMENTS

Purchase method

Business combinations deriving from parties who are not under joint control are recognised by applying the purchase method. This method entails that the acquisition of a subsidiary is regarded as a transaction whereby Bonava indirectly acquires the subsidiary's assets and takes over its liabilities. The fair value on the date of acquisition of the acquired identifiable assets and assumed liabilities, as well as any non-controlling interests, is determined in the acquisition analysis.

In the event of a business combination in which transferred compensation, any non-controlling interests and the fair value of previously owned interests (in connection with step-by-step acquisitions) exceed the fair value of the acquired assets and assumed liabilities that are recognised separately, the difference is recognised as goodwill. When the difference is negative, what is known as a bargain acquisition, this is recognised directly in profit or loss. Acquired and divested companies are included in Bonava's Income Statement, Balance Sheet and Cash Flow Statement during the holding period. No business combinations were executed during the financial year encompassed by this Annual Report.

Subsidiaries

Companies in which Bonava has control, in practice through a direct or indirect holding carrying more than 50 per cent of the voting rights, are consolidated in their entirety. Control is defined as power over the investee, the right to variable returns from its involvement with the investee and the ability to exercise its power over the investee to affect the investor's returns.

Joint arrangements

Joint arrangements are defined as projects conducted in Bonava in forms similar to those of a consortium, meaning subject to joint control. This could take the form of, for example, jointly owned companies that are governed jointly. Joint arrangements are divided into joint ventures, which are recognised according to the equity method, or joint operations, which are consolidated according to the proportional method. For further information, see Note 10. Bonava has joint ventures, however, these are not of material importance to the periods and are not presented separately in the financial statements.

Non-controlling interests

In companies that are not wholly owned subsidiaries, non-controlling interests are recognised as the share of the subsidiaries' equity held by external shareholders. This item is recognised as part of Bonava's shareholders' equity. Non-controlling interests are recognised for profit or loss. Information about the share of profit attributable to non-controlling interests is disclosed in conjunction with the income statement. The effects of transactions with non-controlling interests are recognised in shareholders' equity if they do not give rise to a change in controlling influence.

NOTE 1 *Significant accounting policies, cont.***Foreign subsidiaries and joint arrangements**

Foreign subsidiaries/entities are recognised using the functional currency and are translated to the reporting currency. For Bonava, the functional currency is defined as the local currency used in the reporting entity's accounts. The reporting currency is defined as the currency in which the combined financial statements are reported, in Bonava's case SEK.

Elimination of intra-Group transactions

Receivables, liabilities, revenue and expenses, as well as unrealised gains and losses that arise when an entity within Bonava sells a good or service to another Group company, are eliminated in their entirety. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no impairment. The same applies to joint arrangements, to the extent this corresponds to Bonava's participating interest.

REVENUE

Bonava recognises revenues in profit or loss when significant risks and rewards associated with the ownership of the housing entity have been transferred to the buyer. Bonava's net revenues primarily comprise three income streams: housing entities sold to consumers, sales of housing projects to investors and, to a lesser extent, divestment of land. IFRIC 15 Agreements for the Construction of Real Estate is applied for the recognition of revenues and costs when a company undertakes to build properties. IFRIC 15 addresses both whether an agreement to construct a property should be recognised according to IAS 11 "Construction Contracts" using the percentage-of-completion method or according to IAS 18 "Revenue", as well as when to recognise income from construction. According to IFRIC 15, IAS 11 should be applied when a buyer is able to specify structural elements of the design of the property before construction begins, or specify major changes during construction. In other cases, IAS 18 must be applied.

If IAS 18 is applied, it must be determined first whether the agreement is an agreement for the provision of service or an agreement on the sale of goods. If it is a service, the percentage-of-completion model may be applied. If the Company must provide both services and building materials, this is an agreement for the sale of goods.

Housing projects for consumers

The fundamental principle for all Bonava entities is that revenues from housing projects for consumers are recognised on the transfer date, in other words when the end customer begins occupancy of the housing unit.

Bonava's business model in Germany, Denmark, Norway and St. Petersburg, as well as for single-family houses in Sweden, is that Bonava enters into an agreement to build a housing entity with each respective owner. During the construction of the housing entity, accrued costs are recognised in the asset class "housing projects". Income is recognised when the housing units are completed and the customer has begun occupancy of the home.

In Sweden and Finland, Bonava also develops housing projects by entering into construction contracts with a tenant owner association as the client in Sweden or a housing company in Finland. In Sweden, the end customer purchases a share in the association corresponding to an individual apartment.

In Finland, the customer purchases shares in the company corresponding to an individual apartment. Bonava's business model entails that material risks and rewards are transferred to the customer who acquires the housing unit when the customer takes possession of the housing entity. Since Bonava exercises control over both the tenant owner association and the housing company during construction up until the sale to the end customer, these entities are

consolidated. As a result, there is no contract with an external party to Bonava until the end customer signs an agreement. Revenue is based on the actual revenues for the housing project sold. Recognised revenue per housing entity is offset by a share of the housing entity's estimated cost when the project is completed.

Housing projects for investors

Sales of housing properties to investors is recognised at the time when material risks and rewards are transferred to the buyer. Depending on the wording of the contract and local laws and regulations, this may occur on the signing date, continuously during the production, or when the buyer takes possession of the housing entity.

In Sweden, Germany and Finland, transactions with investors are usually recognised as income on the date of occupancy. In Denmark-Norway and St. Petersburg, the extent of investor transactions is limited.

Sale of land

Bonava's net sales include revenues from sales of land. Sales of land are recognised on the date when significant risks and rewards are transferred to the buyer, which normally coincides when possession of the property is taken.

Divestment of land that has not undergone project development is normally recognised for profit or loss on the customer's date of taking possession of the land. For all revenue flows, estimated losses are recognised in their entirety in the income statement for the period.

DEPRECIATION/AMORTISATION

Straight-line depreciation according to plan is applied in accordance with the estimated useful life, with due consideration for any residual values at the close of the period, or after confirmed depletion of net asset value in those cases when the asset does not have an indefinite life. Goodwill that has an indefinite life is not amortised but subject to systematic impairment testing. Bonava applies component depreciation, whereby each asset with a considerable value is divided into a number of components that are amortised on the basis of their particular useful life.

Periods of depreciation/amortisation vary in accordance with the table below:

Software	1–5 years
Other intangible assets	3–10 years
Property, plant and equipment	
Real estate used in business operations	8–25 years
Machinery and equipment	3–20 years

IMPAIRMENT LOSSES

When there is an indication of an impairment requirement, Bonava tests the carrying amount of fixed assets. Impairment requirement arises when the recoverable amount is less than the carrying amount. The term impairment is also used in connection with a reduced valuation of Housing projects. Valuations of these properties are based on the lower of cost or market principle, meaning the lower of cost and net realisable value.

LEASING

In the consolidated financial statements, leasing is classified as either financial or operating leases. Financial leasing exists if the financial risks and rewards associated with ownership are essentially transferred to the lessee. All other cases are recognised as operational leases.

NOTE 1 *Significant accounting policies, cont.***Financial leases**

Assets leased under financial lease agreements are capitalised in Bonava's Balance Sheet as of the date on which the agreement was concluded and the asset delivered. Corresponding obligations are entered as long-term and current liabilities.

Operating leases

Operational leasing is recognised for profit or loss. Leasing fees are allocated straight line over the leasing term, which could differ from the leasing fee paid during the year in question. For further information on leasing, see Note 19.

TAXES

Income taxes comprise current tax and deferred tax. Tax is recognised for profit or loss, except when the underlying transaction is recognised in other comprehensive income or in equity, in which case the associated tax is recognised in other comprehensive income or in equity. Current tax is tax that is to be paid or received in the relevant year. This also includes adjustments of current tax attributable to prior periods. Deferred tax is recognised on the basis of temporary differences between recognised and taxable values of assets and liabilities. For information on tax on current-year profit and deferred tax assets and liabilities, refer to Note 12.

Deferred tax assets and liabilities are calculated on the basis of the tax rate determined for the following year in each particular country. When changes occur in tax rates, the change is recognised for profit or loss in Bonava's financial statements.

REPORTING OF OPERATING SEGMENTS

An operating segment is a part of Bonava that conducts business operations from which it generates revenues and incurs costs and for which independent financial information is available. Furthermore, the earnings of an operating segment are continuously monitored by the chief operating decision maker, who in Bonava's case is the CEO, in order to evaluate results and allocate resources to the operating segment. The reporting of operating segments concurs with the reports presented to the CEO, in Bonava's case on the basis of the countries in which Bonava conducts operations. See further in Note 2.

INTANGIBLE ASSETS

Intangible assets are recognised at acquisition costs less accumulated impairment losses and amortisation. Goodwill arises from acquisitions of companies and operations. Goodwill is not amortised but is instead impairment tested on an annual basis. Goodwill in foreign operations is measured in the particular functional currency and is converted from this functional currency to Bonava's reporting currency at the exchange rates prevailing on the balance-sheet date.

TANGIBLE FIXED ASSETS**Owner occupied properties**

Owner occupied properties are held for use in the Company's own operations for the purpose of production, the provision of services or administration. These properties are recognised at acquisition value less accumulated depreciation and any impairment losses.

Machinery and equipment

Machinery and equipment is recognised at acquisition value less accumulated depreciation and any impairment losses. See also note 9.

FINANCIAL FIXED ASSETS

Financial fixed assets are recognised at fair value or accrued acquisition value. Impairment losses are posted if the fair value is less than the acquisition cost. See also "Financial instruments" below.

CURRENT ASSETS**Housing projects**

Bonava's property holdings that are designated as housing projects are measured as current assets as the intention is to sell the properties and transfer them to the customer after completion. Property projects are measured at the lower of acquisition value (cost) and net realisable value.

Housing projects are defined as completed housing units, ongoing housing projects, undeveloped land and land held for future development.

Housing projects in Bonava are divided between:

- Properties held for future development
- Ongoing housing projects
- Completed housing units

For a distribution of amounts, see note 13 Housing projects. The reclassification from properties held for future development to ongoing projects occurs when construction on a project has started.

Properties held for future development

Properties held for future development are Bonava's holdings of land and building rights for future housing development and capitalised project development properties. Property with leased buildings is classified as property held for future development if the intention is to demolish or refurbish the property.

Properties held for future development are valued taking into consideration whether the properties will be developed or sold. The valuation of land and building rights for future development is based on a capital investment appraisal. This appraisal is updated with regard to the established sales price and cost trend when the market and other circumstances so require.

In those cases when a positive contribution margin from the development cannot be obtained taking into consideration normal contract profit, an impairment loss is recognised. Development expenditure is capitalised when it pertains to land or properties owned by Bonava or over which it has control.

Ongoing housing projects

In connection with the production start, the value of land and capitalised development expenses is reclassified to ongoing projects, together with costs incurred after the production start.

Completed housing units

Project costs for completed housing units are reclassified from ongoing housing projects to completed housing entities at the date of final inspection. Completed housing entities are measured at the lowest of acquisition value and net realisable value.

FINANCIAL INSTRUMENTS

Purchases and sales of financial instruments are recognised on the date of transaction, meaning the date on which the company undertakes to purchase or sell the asset. Financial instruments recognised on the asset side of the Balance Sheet, include cash and cash equivalents, loan receivables, accounts receivable, financial investments and derivatives. Accounts payable, loan payables and derivatives are recognised under liabilities. Financial guarantees such as sureties are also included in financial instruments.

A financial asset or financial liability is recognised in the Balance Sheet when the company becomes a party to the instrument's contractual terms and conditions. Accounts receivable are recognised in the Balance Sheet when invoices have been sent. Accounts payable are recognised when invoices have been received.

A financial asset is derecognised from the Balance Sheet when the contractual rights have been realised or extinguished. The same applies to portions of financial assets. A financial liability is derecognised from the Balance Sheet when the contractual obligation has been fulfilled or otherwise terminated. This also applies to part of the financial liability.

NOTE 1 *Significant accounting policies, cont.*

Financial instruments are classified in the following categories for measurement: financial assets measured at fair value through profit or loss, loan receivables and accounts receivable, financial liabilities measured at fair value through profit or loss (pertains to derivatives) and other financial liabilities. When entered for the first time, a financial instrument is classified on the basis of the purpose for which the instrument was acquired. This classification determines how the financial instrument is measured following the first reporting occasion, as described below.

Cash and cash equivalents comprise cash funds and immediately available balances at banks and equivalent institutions, as well as current investments with a maturity of less than three months at the date of acquisition and that are exposed to only a minor risk of value fluctuation. Bonava also classified its account in NCC AB's central cash pool during 2015 as cash and cash equivalents.

Financial assets measured at fair value through profit or loss

This category includes Bonava's derivative instruments with a positive fair value. Changes in fair value are recognised in net financial items in profit or loss. All instruments included in this category are intended for trading. A derivative instrument that functions as an identified and effective hedging instrument is not included in this category. For an account of hedging instruments, see Hedging of net investments and Cash flow hedges below.

Loans and accounts receivable

Loans and accounts receivable are measured at amortised cost, meaning the amount expected to be received less an amount for doubtful receivables, which is assessed on an individual basis. Since the expected maturity of an account receivable is short, a nominal value without discounting is recognised. Accounts receivable are measured on an ongoing basis. As soon as it is doubtful that an invoice will be paid, a provision is made for the amount. Although each invoice is measured individually, provisions are noted for invoices that are more than 60 days overdue unless special circumstances apply. Provisions are made for all invoices that are more than 150 days overdue if payment is not secured.

Financial liabilities measured at fair value through profit or loss

This category includes Bonava's derivative instruments with a negative fair value, with the exception of derivative instruments that function as identified and effective hedging instruments. Changes in fair value are recognised among net financial items.

Other financial liabilities

Loans and other financial liabilities, such as accounts payable, are included in this category. Liabilities are recognised at amortised cost.

Hedging of net investments

Hedge accounting is applied regarding net investments in foreign subsidiaries of Bonava. In the combined financial statements, exchange-rate differences on these hedging positions, after taking tax effects into account, are moved directly to other comprehensive income, to the extent they are matched by the year's translation differences within other comprehensive income. Any surplus amount, so-called ineffectiveness, is recognised in net financial items. Bonava uses currency forward contracts and foreign currency loans to hedge net investments.

Cash flow hedges

Hedge accounting is used to manage the interest-rate risk associated with one lease during 2015. However, this lease was terminated during 2015 and the hedge was closed. During previous and current periods, in which hedge accounting was used and when effectiveness was proven, value changes were recognised in other comprehensive income after taking tax effects into account. Any ineffectiveness has been recognised in net financial items.

By hedging interest rates, Bonava was able to transform variable interest portions in leases to fixed interest rates. Since the lease was terminated and the hedging instrument was settled, all changes in value in other comprehensive income have been reversed to profit or loss, since no future rent payments prevail.

Receivables and liabilities in foreign currencies

Receivables and liabilities in foreign currency are revalued at the exchange rates prevailing on the balance-sheet date. Exchange differences arising from the translation of operational receivables and liabilities are recognised in operating profit, while exchange differences arising from the translation of financial assets and liabilities are recognised in net financial items.

EMPLOYEE BENEFITS**Share-based payment**

The Bonava Group's share-based compensation program consists of shareholders' rights. The fair value of granted rights is recognised as a personnel expense with a corresponding increase to shareholders' equity. The fair value is measured at the grant date.

At each reporting date, Bonava AB judges the likelihood that performance targets will be achieved. Costs are measured based on the number of shareholders' rights expected to be settled at the end of the vesting period.

When shareholders' rights are to be settled, social security charges are paid for the value of employee benefits. These are different in those countries where Bonava operates. In the period when services are rendered, provisions are made for these estimated social security charges based on the fair value of the shareholders' rights at the reporting date. To fulfil Bonava AB's commitments pursuant to the long-term incentive program, Bonava AB has repurchased class B shares. These shares are recognised in treasury as a reduction in shareholders' equity. For a description of the Bonava Group's share-based payment program, see page 62 and note 3.

Post-employment remuneration

Bonava differentiates between defined-contribution pension plans and defined-benefit pension plans. Defined-contribution plans are defined as pension plans for which the Company pays fixed fees to a separate legal entity and does not assume any obligations for payments of additional fees, even if the legal entity lacks sufficient assets to pay benefits accrued for employment up to and including the balance-sheet date. Other pension plans are defined-benefit plans.

Within Bonava, primarily there are defined-contribution pension plans. The defined-benefit pension plan in Sweden was secured in NCC's pension foundation until November 2015, when the pension liability was replaced by an insurance with Alecta. Following this measure, Bonava has no defined-benefit pension obligations.

Bonava's disbursements relating to defined-contribution pension plans are recognised as expensed during the period in which the employees perform the services covered by the fee.

For white-collar employees in Sweden, the ITP 2 plan's defined-benefit pension obligations for retirement and family pensions are secured through insurance in Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 10 Recognition of ITP2 Pension Plan financed through insurance in Alecta, this constitutes a multi-employer defined-benefit plan. For the 2016 financial year, the company did not have access to information required for reporting its proportional share of the plan's commitment, plan assets and costs, which made it impossible to report the plan as a defined-benefit plan. The ITP2 Pension Plan that is secured through insurance in Alecta is therefore recognised as a defined contribution plan. The premium for the defined-benefit retirement and family pension is calculated on an individual basis and depends on factors such as salary, previously vested pension and anticipated remaining term of employment.

NOTE 1 *Significant accounting policies, cont.*

Anticipated fees during the next accounting period for ITP 2 insurance taken out with Alecta amount to SEK 16 M.

The collective solvency rate consists of the market value of Alecta's assets as a percentage of its insurance obligations, calculated in accordance with Alecta's actuarial accounting methods and assumptions, which do not comply with IAS 19. The collective solvency rate is normally allowed to vary between 125 and 155 per cent. If Alecta's collective solvency rate falls below 125 per cent or exceeds 155 per cent, measures must be taken to create conditions for returning the solvency rate to the normal interval. In the event of low solvency, one measure can be to raise the agreed price for new subscriptions and increase existing benefits. In the event of high solvency, one measure can be to introduce premium reductions. At the end of 2016, Alecta's surplus in the form of its collective solvency rate was 148 per cent (153).

Payments connected to employment termination

In conjunction with notice of employment termination, a provision is recognised only if the Company is contractually obliged to terminate an employment before the normal time, or when payments are made as an offering to encourage voluntary termination. For cases in which the Company implements personnel cutbacks, a detailed plan is prepared that covers at least the workplace concerned, positions, and the approximate number of affected employees and disbursements for every personnel category or position, as the time schedule for the plan's implementation. If severance payment requirements arising from personnel cutbacks extend beyond twelve months after financial year-end, such payments are discounted.

PROVISIONS

Provisions differ from other liabilities in that there is a degree of uncertainty concerning when payment will occur or concerning the size of the amount required to settle the provision. Provisions are recognised in the balance sheet when a legal or informal commitment exists due to an event that has occurred, and it is probable that an outflow of economic resources will be required to settle the commitment and the amount can be estimated reliably.

Guarantee commitments

Provisions for future costs arising due to guarantee commitments are recognised at the estimated amounts required to settle the commitment on the balance-sheet date. The estimation is based primarily on historical experience of comparable projects and calculations, as well as on senior management's assessment and experience of similar transactions.

BORROWING COSTS

Borrowing costs attributable to so-called qualifying assets are capitalised as a portion of the capitalised asset's acquisition value when the borrowing costs amounts to a significant amount. A qualifying asset is an asset that with necessity takes a substantial period of time to get ready for its intended use, which in Bonava's case is more than a year. For Bonava, the capitalisation of borrowing costs is most relevant in the construction of housing projects. Other borrowing costs are expensed on current account in the period in which they are incurred.

PLEDGED ASSETS

Bonava recognises collateral provided by the company or the Group as pledged assets for liabilities and/or obligations. These may be liabilities, provisions included in the balance sheet or obligations not

recognised in the balance sheet. The collateral may be tied to assets in the balance sheet or mortgages. Assets are recognised at the carrying amount and mortgages at nominal value. For type of collateral, see Note 21.

Deposit guarantees constitute collateral for investments and concession fees paid to tenant-owner associations formed by Bonava. Such guarantees are to be relinquished as soon as one year has passed after the final acquisition cost for the tenant-owner association's building has been established.

CRITICAL ESTIMATES AND JUDGEMENTS

The combined financial statements include certain assessments and assumptions about the future. These are based in part on historical experience and in part on expectations concerning future events and thus may, at a later date, be changed because of, for example, changes in factors in the business environment. Particular attention must be paid to this at times of economic conditions characterised by major uncertainty in terms of both the construction market and the global financial market, which has been the case during recent years. The assessments that are most critical to Bonava are described below.

Valuation of properties classified as current assets

Bonava's properties classified as current assets are recognised at the lower of acquisition value and net realisable value. The assessment of net realisable value is based on a series of assumptions such as sales prices, production costs, the price of land, rent levels and yield requirements as well as the possible timing of production start and/or sale. Bonava continuously monitors progress on the market and tests the assumptions made on an ongoing basis.

In some cases, the difference between the carrying amount and the estimated net realisable value is of a minor value. A change in the assumptions made could give rise to an additional impairment requirement.

SEK M	Book value at year-end, properties held for future development ¹⁾	Impairment during the year
2016	5,035	18
2015	4,737	

¹⁾ See note 13.

Guarantee commitments

At year-end, guarantee provisions amounted to SEK 357 M (242), see note 16. Provisions for future expenditure arising due to guarantee commitments are recognised at the estimated amounts required to settle the commitment on the balance-sheet date. This estimate is based on calculations, assessments by company management and experience gained from past transactions.

Surety and guarantee obligations, legal disputes, etc.

Within the framework of Bonava's regular business operations, Bonava occasionally becomes a party in legal disputes. In such cases, an assessment is made of Bonava's obligations and the probability of a negative outcome for Bonava. Bonava's assessment is made on the basis of the information and knowledge currently possessed by Bonava. In a number of cases, these are difficult assessments and the final outcome could differ from the estimation made. See also note 16.

NOTE 2 Reporting by operating segment

The business operations are divided into five operating segments based on the parts of the organisation monitored by the CEO, who is the chief operating decision maker. Each operating segment has a manager who is responsible for the daily operations and who regularly reports the results of the operating segment's performance to the CEO. The following segments were identified based on this

internal reporting procedure: Sweden, Germany, Finland, Denmark-Norway and St. Petersburg. The head office, Estonia-Latvia and adjustments and eliminations are included in "Other and eliminations". All segments develop and sell housing units. Sales between the segments are not material.

2016	Sweden	Germany	Finland	Denmark-Norway	St. Petersburg	Other and eliminations	Total
Net sales	5,040	3,907	1,516	1,931	915	182	13,492
Depreciation/amortisation		-19	-1		-2	-22	-44
Impairment losses					-18	-6	-25
Operating profit	920	477	92	194	178	-298	1,562
Net financial items							-279
Profit/loss after financial items							1,283
Capital employed ¹⁾	4,350	2,163	1,092	736	1,277	515	10,134

2015	Sweden	Germany	Finland	Denmark-Norway	St. Petersburg	Other and eliminations	Total
Net sales	4,639	3,471	1,791	1,760	773	636	13,070
Depreciation/amortisation	-4	-15	-1		-2	-20	-42
Impairment losses							0
Impairment of receivable on joint venture						-35	-35
Operating profit	706	422	187	-3	197	-132	1,377
Net financial items							-345
Profit/loss after financial items							1,033
Capital employed ¹⁾	4,978	1,361	1,114	1,076	802	481	9,811

	2016		2015	
	Net sales	Operating profit	Net sales	Operating profit
Other and eliminations				
Bonava's head office ²⁾	69	-227	14	-111
Sales of German property portfolio			480	51
Operations in Estonia and Latvia	176	20	129	-62
Sales of Latvian property portfolio	4	-91		
Adjustments and eliminations	-67		13	-10
Total	182	-298	636	-132

¹⁾ Capital employed is defined on page 127.

²⁾ The establishment of an independent Bonava generated costs of SEK 85 M (57), of which Head office accounted for SEK 55 M (12).

NOTE 3 Number of employees, personnel expenses and remuneration of senior executives

Average number of employees	2016		2015		Percentage women, %	2016	2015
	Number of employees	of which men	Number of employees	of which men	Distribution of company management by gender		
Sweden	184	81	153	74	<i>Total</i>		
Germany	809	600	745	562	Board of Directors		
Finland	104	35	76	23	Group executive management		
Denmark	44	30	30	18			
Norway	9	7	18	11			
St. Petersburg	276	168	254	152			
Estonia	25	15	17	12			
Latvia	31	21	38	30			
Total	1,482	957	1,331	882			

The term Group executive management refer to the individuals who, together with the CEO, constitute the Group executive management.

SALARIES AND OTHER REMUNERATION ALLOCATED BETWEEN THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES AS WELL AS OTHER EMPLOYEES

	2016			2015		
	Board of Directors and senior executives	Other employees	Total	Board of Directors and senior executives	Other employees	Total
Bonava	39	676	715	35	572	607
Social security expenses			218			240
– of which pension costs	5		64	5		84

CONDITIONS FOR AND REMUNERATION OF SENIOR EXECUTIVES

The Chairman of the Board and the other directors elected by the annual general meeting receive remuneration only in an amount resolved by the Annual General Meeting. No pensions are paid to the Board of Directors.

Remuneration of the CEO is proposed by the Chairman of the Board and decided by the Board of Directors. Remuneration of other senior executives in Bonava's senior management is proposed by the CEO and approved by the Chairman of the Board.

Remuneration for the CEO and other senior executives consists of a fixed salary, variable remuneration, share-based remuneration, other benefits and pensions. At the end of 2016, the number of senior executives was eleven. Of these, seven were employed by the parent company and four by subsidiaries.

VARIABLE REMUNERATION

The variable remuneration payable to CEO Joachim Hallengren was capped at 50 per cent of his fixed salary in 2016. The variable remuneration was based on financial targets established by the Board of

Directors. Remuneration regarding operations in 2016 was SEK 1.8 M (0.8).

PENSION TERMS FOR THE CEO

The CEO Joachim Hallengren has a defined-contribution pension plan with a premium amounting to 30 per cent of his fixed salary. Joachim Hallengren's retirement age is 65 years.

PENSION TERMS FOR OTHER SENIOR EXECUTIVES

Other senior executives employed in Sweden have, during 2016, shifted to a defined-contribution ITP plan with a retirement age of 65 years. One of the members of Group management is party to an agreement that states that the portion of occupational pension comprising ITP (i.e. for a proportion of salary up to 30 income base amounts), this shall be paid out in full if the member retires between ages 60 and 65.

For other senior executives employed in other countries, defined-contribution supplementary pension terms apply ranging from 0 to 30 per cent of pensionable salary depending on the country of employment.

REMUNERATION, PROVISIONS AND OTHER BENEFITS IN 2016

SEK 000	Total salary, remuneration and benefits ^{1) 3)}	of which benefits	of which variable remuneration ²⁾	of which provisions for share-based remuneration	Pension cost
CEO Joachim Hallengren	7,607	16	1,777	840	956
Chairman of the Board Carl Engström	348				
Director Åsa Hedenberg	181				
Director Magnus Rosén	181				
Director Anna Wallenberg	181				
Director Viveca Ax:son Johnson	181				
Director Samir Kamal	181				
Other senior executives, Group (ten individuals)	30,606	592	6,268	2,075	4,265
Total senior executives	39,466	608	8,045	2,915	5,221

¹⁾ Remuneration and benefits pertain to vacation compensation, reduced working hours, company vehicles and, when appropriate, severance pay.

²⁾ Variable remuneration pertains to the amounts expensed for each financial year.

³⁾ Directors fees have been allocated from the date of the Annual General Meeting 2016.

NOTE 3 *Number of employees, personnel expenses and remuneration of senior executives, cont.***REMUNERATION, PROVISIONS AND OTHER BENEFITS IN 2015**

SEK 000	Total salary, remuneration and benefits ¹⁾	of which benefits	of which variable remuneration ²⁾	of which provisions for share-based remuneration	Pension cost
CEO Joachim Hallengren	6,718		750	718	1,198
Chairman of the Board Carl Engström					
Director Åsa Hedenberg					
Director Magnus Rosén					
Director Anna Wallenberg					
Director Viveca Ax:son Johnson					
Director Samir Kamal					
Other senior executives, Group (ten individuals)	28,586	273	4,778	1,800	3,693
Total senior executives	35,304	273	5,528	2,518	4,891

¹⁾ Remuneration and benefits pertain to vacation compensation, reduced working hours, company vehicles and, when appropriate, severance pay.

²⁾ Variable remuneration pertains to the amounts expensed for each financial year.

In 2015, salary and other remuneration to the CEO of SEK 1.2 M (of which variable remuneration SEK 0.8 M) relates to the period in which the CEO has been employed by Bonava AB. In the period prior to this, remuneration totalling SEK 5.5 M was paid to the CEO by the NCC Group.

SEVERANCE PAY

The period of notice for Joachim Hallengren is six months. The period of notice from the company's perspective is twelve months. Severance pay amounts to twelve months. Other senior executives are subject to between nine and twelve months' notice from the company, or six months' notice if the senior executive resigns of his/her own accord. Severance pay for between nine and twelve months is payable if employment is terminated by the company. The severance pay will be reduced by an amount corresponding to any remuneration received from a new employer or own business. During the period of notice, senior executives may not take up a new position with another employer or conduct their own business activities without the company's written consent. Should the senior executive resign on his/her own accord, severance pay is not payable. When employment ends, the senior executive becomes subject to a prohibition on competing against or recruiting employees for a period of twelve and nine months, respectively.

LONG-TERM INCENTIVE PROGRAM

The Extraordinary General Meeting on 26 September 2016 adopted the Board of Directors' proposal to introduce a long-term performance-based incentive program for Group management and key executives in the Bonava Group (LTIP 2016). The purpose of the program is to link the shareholders' and Group management's interests to ensure maximum long-term value creation, to ensure a long-term Group-wide focus on profit performance and to facilitate the recruitment and retention of members of Group management and other key executives.

LTIP 2016 is a three-year performance-based program that implies members receive performance-based share rights at no cost, conferring entitlement to series B shares. Entitlement to participate in LTIP 2016 requires a personal shareholding in Bonava AB, termed investment shares, which are allocated to LTIP 2016. Participants can choose their level of investment freely: 25, 50, 75 or 100 per cent of the maximum investment.

Performance goals

Allocation of series B shares on the basis of the participants' holding of share rights is dependent on the extent to which specific pre-determined targets are met during the performance term, 1 July 2017–30 June 2019. These targets relate 70 per cent to Bonava's operating profit (EBIT) and 30 per cent to Bonava's average return on capital employed. In the event that the total return on the company's series B shares is negative in the period 26 September 2016 until the day including the day of publication of Bonava's Interim Report for the third quarter 2019, allocation of series B shares will be reduced to half.

Division

Participants are divided into three categories: the CEO, CFO and Business Unit Presidents and rest of Group management together with other key executives. The allocation value per investment share for the CEO is 6 share rights, for the CFO and Business Unit Presidents 5 share rights and for the rest of Group management and for other key executives 4 share rights.

Scope and cost of the program

Assuming a share price of SEK 96.35, the closing price on 5 August 2016, complete fulfilment of the performance targets and maximum participation, and maximum investment, the value of the share rights amounts to SEK 32.7 M.

Buy-back of treasury shares

In order to cover its undertaking in relation to LTIP 2016 for the delivery of series B shares, including social security expenses, Bonava AB has bought back 354,400 series B shares at a total value of SEK 45 M.

Share rights	Group	Parent Company
Outstanding at the beginning of the period	0	0
Allocated in the period	304,274	136,852
Outstanding at the end of the period	304,274	136,852

Fair value and assumptions	Group	Parent Company
Fair value at valuation date, SEK 000	820	369
Share price, SEK	107.76	107.76
Exercise price, SEK	0	0
Term of the share rights, years	2.75	2.75

Personnel expenses for share-related remuneration	Group	Parent Company
Share rights	1	
Social security expenses		
Total personnel cost for share-related remuneration	1	1

NOTE 4 Depreciation/amortisation

	2016	2015
Intangible assets	-18	-20
Owner-occupied properties	-4	-4
Machinery and equipment	-22	-18
Total depreciation/amortisation	-44	-42

NOTE 5 Remuneration and fees to audit firms

	2016	2015
Audit firms		
EY		
Auditing assignments	7	3
Total remuneration and cost compensation to auditors and audit firms	7	4

Auditing assignments are defined as the statutory audit of the annual accounts and the consolidated financial statements and of the bookkeeping as well as of the administration of the Board of Directors and the CEO, and also audit and other examinations conducted pursuant to agreement or contract. This includes other duties that the company's auditors are obliged to conduct and advice or other assistance required due to observations made during such examinations or during the performance of such other duties. All other work is defined as other assignments.

NOTE 6 Operating expenses distributed by cost type

	2016	2015
Production-related goods and services, plus raw materials and supplies	10,933	10,784
Change in inventories	-2	
Personnel costs	929	830
Depreciation/amortisation	44	42
Impairment losses	25	
Total cost of production and selling and administration costs	11,930	11,656

NOTE 7 Net financial items

	2016	2015
Financial income	13	11
Interest expense on financial liabilities measured at amortised cost	-171	-327
Interest expense on financial liabilities held for trading purposes	-72	
Net exchange-rate changes	-6	3
Other financial expenses	-44	-32
Financial expenses	-292	-356
Net financial items	-279	-345

NOTE 8 Intangible assets

2016	Goodwill	Other
Recognised cost on 1 January	67	86
Investments		111
Divestments and scrappage		-1
Reclassifications		-18
Translation differences during the year	2	1
Recognised cost on 31 December	69	179
Accumulated amortisation on 1 January		-24
Reclassifications		18
Amortisation according to plan during the year		-18
Accumulated amortisation on 31 December	0	-25
Accumulated impairment losses on 1 January	-45	0
Impairment during the year		-6
Translation differences during the year	-3	
Accumulated impairment losses on 31 December	-47	-6
Residual value on 1 January	22	62
Residual value on 31 December	22	149

2015	Goodwill	Other
Recognised cost on 1 January	67	58
Investments		27
Divestments and scrappage		3
Translation differences during the year		-2
Recognised cost on 31 December	67	86
Accumulated amortisation on 1 January		-5
Amortisation according to plan during the year		-20
Accumulated amortisation on 31 December	0	-24
Accumulated impairment losses on 1 January	-45	
Accumulated impairment losses at year end	-45	0
Residual value on 1 January	22	53
Residual value on 31 December	22	62

Impairment testing of goodwill has not been included for reasons of materiality. "Other" mainly relates to capitalised development costs for IT systems.

NOTE 8 *Intangible assets, cont.***AMORTISATION IS INCLUDED IN THE FOLLOWING LINES
IN THE INCOME STATEMENT**

	2016	2015
Production costs	-1	3
Selling and administrative expenses	-17	-23
Total	-18	-20

NOTE 9 **Tangible fixed assets**

2016	Owner-occupied properties	Machinery and equipment	Total
Recognised cost on 1 January	70	182	252
Investments	5	87	92
Divestment and scrappage		-9	-9
Reclassifications	12	-1	11
Translation differences during the year	6	9	15
Recognised cost on 31 December	92	269	361
Accumulated impairment losses and depreciation on 1 January	-19	-121	-140
Translation differences during the year	-2	-6	-8
Depreciation during the year	-4	-22	-26
Accumulated impairment losses and depreciation on 31 December	-24	-149	-173
Residual value on 1 January	50	61	111
Residual value on 31 December	68	120	187

2015	Owner-occupied properties	Machinery and equipment	Total
Recognised cost on 1 January	68	166	234
Investments	1	26	26
Increase through acquisitions	4	4	8
Divestment and scrappage		-9	-9
Reclassifications		2	2
Translation differences during the year	-3	-6	-9
Recognised cost on 31 December	70	182	252
Accumulated impairment losses and depreciation on 1 January	-16	-113	-128
Divestment and scrappage		7	7
Reclassifications		-2	-2
Translation differences during the year		4	4
Depreciation during the year	-4	-18	-22
Accumulated impairment losses and depreciation on 31 December	-19	-121	-140
Residual value on 1 January	52	53	106
Residual value on 31 December	50	61	111

NOTE 10 **Participations in joint arrangements**

The financial statements for Bonava include the items below that constitute interests in the associated companies' net sales, costs, assets and liabilities.

	2016	2015
Revenue	63	35
Expenses	-64	-43
Loss	-1	-8
Fixed assets	20	28
Current assets	455	287
Total assets	475	315
Long-term liabilities	228	204
Current liabilities	165	32
Total liabilities	393	236
Net assets	82	79

The joint arrangement category also includes partly owned contracts, for which Bonava has a contractual joint influence together with the other partners.

Specification of joint operations	Shareholding, %
Tipton Brown AB	33
NVB Beckomberga KB	25
Stora Ursvik KB	50
KB Öhusen	50
Sigtuna Stadsängar Exploaterings AB	53
Elinégårds Utvecklings AB	50
NVB Sköndalsbyggarna II AB	33
NVB Sköndalsbyggarna AB	33
NVB Sköndalsbyggarna II KB	33
NVB Sköndalsbyggarna KB	33

NOTE 11 **Non-current receivables and other receivables**

	2016	2015
Non-current receivables		
Receivables from joint ventures	81	94
Receivables from sold housing projects	66	74
Other non-current receivables	68	68
Non-current receivables	228	236
Other receivables classified as current assets		
Receivables from NCC		129
Receivables from joint ventures	57	5
Receivables from sold housing projects	161	54
Advance payments to suppliers	2	1
Other current receivables	431	605
Other receivables classified as current assets	651	793

NOTE 12 Tax on profit/loss for the year, deferred tax assets and deferred tax liabilities

	2016	2015
Tax on profit/loss for the year		
Current tax cost	-242	-188
Deferred tax revenue/cost	-36	-46
Total recognised tax on profit/loss for the year	-278	-235

Effective tax	2016		2015	
	Tax, %	Profit	Tax, %	Profit
Pre-tax profit		1,283		1,033
Tax according to company's current tax rate	-22	-282	-22	-227
Effect of other tax rates for non-Swedish companies	-2	-31	-3	-27
Amended tax rates in Norway 2016, and Norway and Denmark in 2015				-4
Non-tax-deductible costs	-3	-39	-1	-6
Non-taxable revenues	6	78	8	78
Tax effect resulting from non-capitalised tax loss carry-forwards	-2	-20	-5	-51
Tax effect resulting from previous non-capitalised tax loss carry-forwards	4	51	3	35
Tax effect of revaluation of loss carry-forwards	3	38		
Tax attributable to prior years	-5	-6	-2	-17
Other	-1	-8	-1	-15
Average tax rate/recognised tax	-22	-278	-23	-235

Current tax has been calculated based on the nominal tax prevailing in the country concerned. When the tax rate for future years has been amended, that rate is used for calculating deferred tax.

TAX ITEMS RECOGNISED DIRECTLY IN OTHER COMPREHENSIVE INCOME

	2016	2015
Current tax in hedging instruments	16	-9
Deferred tax on cash flow hedging		-7
Deferred tax attributable to the revaluation of defined-benefit pension plans		2
Total	16	-14

CHANGE IN DEFERRED TAX IN TEMPORARY DIFFERENCES AND TAX LOSS CARRY-FORWARDS

	2016	2015
Opening carrying amount, 1 January	338	289
Sales of subsidiaries	4	
Recognised tax on profit/loss for the year	-36	-46
Amended tax rates in Finland, Denmark, Norway		-4
Tax items recognised in other comprehensive income		-5
Transactions with shareholders regarding taxation		112
Translation differences	14	-7
Closing carrying amount	319	338

	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
Ongoing housing projects	100	286			100	286
Properties held for future development	12			-25	12	-25
Untaxed reserves			-24	-24	-24	-24
Provisions	13	12			13	12
Tax loss carry-forwards	207	124			207	124
Other	26		-17	-35	10	-35
Deferred tax asset/tax liability	360	422	-41	-84	319	338

Bonava has tax loss carry-forwards and interest deductions of some SEK 90 M (430) not included in the Balance Sheet.

NOTE 13 Housing projects

	Properties held for future development	Ongoing housing projects	Completed housing units	Total
2016				
Recognised cost on 1 January	4,953	7,059	607	12,619
Investment ¹⁾	2,459	9,000	54	11,513
Divestments	-584	-7,715	-2,076	-10,375
Decrease through divestments	-269	-267		-536
Reclassifications	-1,669	-430	2,087	-12
Translation differences during the year	336	290	67	693
Recognised cost on 31 December	5,226	7,935	739	13,900
Accumulated impairment losses on 1 January	-216	-16	-8	-240
Divestments		7		7
Reclassifications	28	-28	2	2
Translation differences during the year	-4	-1		-5
Accumulated impairment losses at year end	-192	-38	-6	-236
Residual value on 1 January	4,737	7,043	599	12,378
Residual value on 31 December	5,035	7,898	733	13,666

¹⁾ Investments pertain to investments in land held for future development, ongoing housing production and acquisitions of housing units that have been completed but that have not yet been taken over or sold.

	Properties held for future development	Ongoing housing projects	Completed housing units	Total
2015				
Recognised cost on 1 January	6,367	6,374	875	13,616
Investments ¹⁾	1,339	8,573		9,912
Divestments	-878	-7,733	-1,372	-9,983
Decrease through divestments	-427			-427
Reclassifications	-1,214	62	1,152	0
Translation differences during the year	-234	-217	-48	-499
Recognised cost on 31 December	4,953	7,059	607	12,619
Accumulated impairment losses on 1 January	-275	-13	-8	-296
Divestments	41	10		51
Reclassifications	14	-14		0
Translation differences during the year	4	1		5
Impairment losses for the year				0
Accumulated impairment losses on 31 December	-216	-16	-8	-240
Residual value on 1 January	6,092	6,361	867	13,320
Residual value on 31 December	4,737	7,043	599	12,378

¹⁾ Investments pertain to investments in land held for future development, ongoing housing production and acquisitions of housing units that have been completed but that have not yet been taken over or sold.

NOTE 14 Share capital

	Number of shares	Share capital, SEK 000s
Changes in share capital		
Number of shares, 1 January 2016	1,000	50
New issue	9,000	450
Reverse share split (10,000:1)	-9,999	
Share split (1:108,435,822)	108,435,821	
Bonus issue		409,500
Bonus issue		23,743
Number of shares, 31 December 2016	108,435,822	433,743

The shares are divided between 14,374,838 shares of series A and 94,060,984 shares of series B. Shares of series A entitle to ten votes each and shares of series B entitle to one vote each.

The quotient value per share is SEK 4.

In order to meet its commitments under the long-term incentive program LTIP 2016, Bonava AB has repurchased 354,400 series B shares.

NOTE 15 Interest-bearing liabilities

	2016	2015
Long-term liabilities		
Liabilities to credit institutions and investors	588	23
Financial lease liabilities	11	9
Liabilities pertaining to Swedish tenant-owner associations and Finnish housing companies	1,517	1,905
Liabilities to joint ventures	85	89
Other long-term loans	45	8
Total	2,245	2,033
Current liabilities		
Current portion of liabilities to credit institutions and investors		16
Liabilities pertaining to Swedish tenant-owner associations and Finnish housing companies	2,160	1,363
Liabilities to joint ventures	57	
Financial leasing, current portion	5	5
Other current liabilities	15	1,663
Total	2,236	3,046
Total interest-bearing liabilities	4,481	5,079

For repayment schedules and terms and conditions, see Note 23 Financial instruments and financial risk management.

NOTE 16 Provisions

2016	Guarantees	Other	Total
On 1 January	242	115	357
Provisions during the year	111	105	216
Reclassifications	3		2
Amount utilised during the year	-74	-102	-176
Reversed, unutilised provisions	-1	-14	-14
Reclassifications	62	316	378
Translation differences	12	4	17
On 31 December	357	423	780

2015	Pensions	Guarantees	Other	Total
On 1 January	50	194	120	364
Provisions during the year ¹⁾	-50	90	83	123
Reclassifications		2	-4	-2
Amount utilised during the year		-29	-85	-114
Reversed, unutilised provisions		-1	-2	-3
Reclassifications		-7	6	-1
Translation differences		-7	-4	-11
On 31 December	0	242	115	357

¹⁾ All changes in the pension liability have been net reported in the item "Provisions during the year".

PENSIONS

Until November 2015, Bonava had a defined-benefit pension plan in Sweden. The Swedish defined-benefit pension obligation was secured in NCC's Pension Foundation until November 2015, when the pension liability was replaced by an insurance with Alecta. Following this, Bonava has no defined-benefit pension obligations.

GUARANTEES

Guarantee provisions pertain to assessed future costs. To estimate a future guarantee cost, individual assessments are made per project. Standard percentage rates are used for the calculation of the size of the future cost, whereby the standard percentage is varied depending on the nature of the project. The guarantee cost is posted individually for each project. The longest maturity for a guarantee provision is ten years, while most of them have maturities of approximately two to three years.

OTHER

Bonava is also involved in other disputes, legal processes and tax audits that have arisen as part of the regular business operations. The assessment is that any liability to pay damages and others expenses in connection with such legal proceedings will not have a material impact on Bonava's business operations or financial position.

NOTE 17 Other liabilities

	2016	2015
Other long-term liabilities		
Liabilities to joint ventures	2	5
Liabilities, property acquisitions	237	90
Other long-term liabilities	32	392
Total	271	487
Other current liabilities		
Advances from customers	2,828	2,262
Liabilities to joint ventures		1
Liabilities, property acquisitions	333	267
Current liabilities, NCC		318
Current liabilities, other	226	332
Total	3,387	3,180

NOTE 18 Accrued expenses and prepaid income

	2016	2015
Payroll-related costs	142	139
Project-related costs	827	614
Administrative costs	147	78
Other expenses	3	9
Total	1,119	840

NOTE 19 Leasing

The company has framework agreements for the operational leases on vehicles, equipment and premises. The agreements are based on variable interest rates. A separate agreement is required for the acquisition of leased items and the extension of lease arrangements.

In December 2015, a sale-leaseback agreement was terminated with the German finance group HSH Nordbank pertaining to properties in the Sonnengarten area of Berlin.

OPERATIONAL LEASING	2016	2015
Operational lessee		
Future minimum leasing fees – lessee		
<i>Leasing contracts that expire:</i>		
Within one year	73	56
Later than one year but earlier than five years	175	67
Later than five years	15	42
The year's cost for operational leases amounts to	63	84

NOTE 20 Transactions with related parties

Transactions with NCC and other NCC companies are shown in the table below. Ahead of 2016, Bonava entered into agreements with NCC AB regarding certain administrative and IT-related services.

Transactions with related parties also include services performed within ongoing housing production (construction contracts) and transactions related to the financing operations.

The Nordstjernan group, companies in the Axel Johnson group and joint ventures and joint arrangements are also categorised as related parties. The transactions with the aforementioned parties were not material and are not specified below.

For Bonava's senior executives, see Note 3 Number of employees, personnel expenses and remuneration of senior executives.

	2016	2015
Transactions with NCC		
Sales	19	1
Purchases	3,314	3,690
Financial income		1
Financial expenses	87	269
Current receivables	1	187
Long-term interest-bearing liabilities	45	11
Current interest-bearing liabilities	12	1,676
Accounts payable	258	154
Other current liabilities		318
Contingent liabilities	76	
Cash and cash equivalents (NCC Treasury)		349

NOTE 21 Pledged assets and contingent liabilities

	2016	2015
Assets pledged		
<i>For own liabilities:</i>		
Property mortgages	1,699	859
Restricted bank funds	22	27
Total assets pledged	1,722	886
Contingent liabilities		
<i>Own contingent liabilities:</i>		
Deposits and concession fees ¹⁾	600	718
Other guarantees and contingent liabilities	118	
<i>Held jointly with other companies:</i>		
Liabilities in consortiums, trading companies and limited partnerships	23	24
Total guarantees and guarantee obligations	741	742

¹⁾ Deposit guarantees constitute collateral for investments and concession fees paid to tenant-owner associations formed by Bonava Sverige AB. Such guarantees are to be relinquished as soon as one year has passed after the final acquisition cost for the tenant-owner association's building has been established.

NOTE 22 Cash Flow Statement and cash equivalents

	2016	2015
Cash and cash equivalents		
Cash and bank balances	619	544
– of which funds pertaining to transactions with NCC Treasury		308
Current investments		41
– of which pertaining to transactions with NCC Treasury		41
Total according to Balance Sheet and Cash Flow Statement	619	585

The current investments have been classified as cash and cash equivalents based on the following considerations:

- They are subject to an insignificant risk of value fluctuation.
- They can easily be converted into cash funds.
- They have a maturity of not more than three months from the date of acquisition.

INFORMATION ABOUT INTEREST PAID

Interest received during the year amounted to SEK 13 M (11).
Interest paid during the year amounted to SEK 242 M (327).

NOTE 23 Financial instruments and financial risk management**FINANCE POLICY (PRINCIPLES FOR RISK MANAGEMENT)**

Bonava is exposed to financial risks through its business operations. These financial risks are defined as refinancing, liquidity, interest-rate, exchange rate, credit, counterparty and guarantee capacity risks. Bonava AB's Treasury Department assumed responsibility for compliance with the Finance Policy from 9 June 2016. The responsibility previously rested with NCC Treasury AB. Bonava's Finance Policy for managing financial risks has been decided by Bonava's Board of Directors and provides a framework of guidelines and regulations in the form of risk mandates and limits for the finance operations.

Within Bonava's decentralised organisation, the finance operations are centralised in the Group's Treasury Department, in part to monitor the Group's overall financial risk position but also to achieve cost efficiency, economies of scale, accumulate competence and protect Group-wide interests. The Group's internal bank handles Bonava's interest rate, currency, credit, refinancing, counterparty and liquidity risk. Customer credit risk is managed by the relevant business area. Bonava's Board of Directors has decided on a Finance Policy that governs the Group's financial risk management, effective from 1 January 2016.

REFINANCING RISK

The refinancing risk is defined as the risk that Bonava will not be able to obtain financing at a given time or that creditors will have difficulty in fulfilling their commitments. According to its Finance Policy, Bonava will strive to spread its risks among various sources of financing to secure its long-term access to borrowed capital.

Bonava's policy for refinancing risk is that the company's debt portfolio has a maturity structure that minimises exposure from the perspective of the refinancing risk. The debt portfolio consists of project financing and corporate debt. Project financing relates to construction by Finnish housing companies and Swedish tenant-owner associations and must be linked to individual housing projects and the term must reflect the projects' completion dates.

The maturity periods of the rest of the debt portfolio must be well-diversified over time and the weighted average remaining maturity must be at least 18 months.

As preparation for the future capital structure, Bonava has received an unconditional shareholders' contribution of SEK 5,003 million in December 2015. This was used to pay the remaining outstanding liabilities the company had to NCC AB as of 9 June 2016.

In relation to the financing of construction of Finnish housing companies and Swedish tenant-owner associations totalling SEK 3,677 M (3,628), capital tied up is linked to individual housing projects totalling 19 (18) months. As of 31 December 2016, capital tied up was 33 (3) months for the rest of the company's debt portfolio. Capital tied up for total interest-bearing liabilities was 22 (8) months.

NOTE 23 *Financial instruments and financial risk management, cont.***MATURITY STRUCTURE OF CAPITAL MATURITIES 2016
IN SEK M**

Matures	Interest-bearing liabilities	
	Amount	Proportion, %
2017	2,197	49
2018	826	19
2019	718	16
2020	287	6
2021	346	8
2022	6	0
2023–	101	2
Total	4,481	100

LIQUIDITY RISKS

To achieve adequate flexibility and cost-effectiveness, while ensuring that future financing requirements are satisfied, Bonava's Financial Policy states that access to funds must correspond to at least 10 per cent of annual sales, and that unutilised committed lines of credit must amount to at least SEK 800 M. Payment capacity is defined as cash and cash equivalents, short-term investments and unutilised committed lines of credit. Available cash and cash equivalents are to be invested in banks or in interest-bearing instruments with good credit ratings, and a liquid secondary market.

At 31 December 2016, Bonava's cash and cash equivalents, including short-term investments, amounted to SEK 619 M (585).

As of 31 December 2016, Bonava's payment capacity was 28 per cent (4) including available cash and cash equivalents of SEK 619 M and unutilised binding credit facilities of SEK 3,093 M.

The table below shows Bonava's financial liabilities (including interest payments) and net settled derivative instruments classified as financial liabilities. For financial instruments carrying variable interest rates, the interest rate pertaining on the balance-sheet date has been used. The amounts in the tables are the contractual undiscounted cash flows.

ANALYSIS OF MATURITIES (AMOUNTS INCLUDING INTEREST) IN SEK M

2016	Total	<3 months	3 months – 1 year	1–3 years	3–5 years	>5 years
Interest-bearing liabilities	846	4	154	47	641	
Interest-bearing liabilities in Finnish housing companies and Swedish tenant-owner associations ²⁾	3,755	76	2,019	1,542	5	113
Accounts payable	861	861				
Total	5,462	941	2,173	1,589	646	113
2015	Total	<3 months	3 months – 1 year	1–3 years	3–5 years	>5 years
Interest-bearing liabilities ¹⁾	6,922	5,339	1,425	34	37	87
Interest-bearing liabilities in Finnish housing companies and Swedish tenant-owner associations ²⁾	3,329	10	1,027	2,159	4	129
Accounts payable	677	677				
Total	10,928	6,026	2,452	2,193	41	216
Capital contributions	-5,003	-5,003				
Total	5,925	1,023	2,452	2,193	41	216

¹⁾ The maturity analysis pertains to interest-bearing liabilities outstanding (including interest payment), of which liabilities to companies within the NCC group accounted for SEK 6,798 million (excluding capital contributions), which was replaced by external financing on the date of listing.

²⁾ The due date for interest-bearing liabilities in unsold completed projects in Finnish housing companies is defined as the due date for the long-term loan agreements. However, the loans will be redeemed in pace with sales of the housing units.

NOTE 23 *Financial instruments and financial risk management, cont.*

The table below shows Bonava's gross settled derivatives. The amounts in the table are the contractual undiscounted cash flows. The currency forward contracts expire within 3 (3) months.

SEK M	2016	2015
Currency forward contracts		
- outflow	-1,162	-1,421
- inflow	1,178	1,407
Net flow from gross settled derivatives	16	-14

INTEREST-RATE RISKS

The interest-rate risk is the risk that changes in market rates will adversely affect Bonava's cash flow or the fair value of financial assets and liabilities. Bonava's main financing sources are shareholders' equity, cash flow from operating activities and borrowing. Interest-bearing borrowing exposes Bonava to interest-rate risk.

According to Bonava's Finance Policy for managing the interest-rate risk, the weighted average remaining fixed-rate term for liabilities concerning construction by Finnish housing companies and Swedish tenant-owner associations must not exceed the scheduled completion date for the project. For the company's remaining debt portfolio, the fixed-rate term must be between 6 and 18 months.

The fixed interest term for project-related debt of SEK 3,677 M (3,268) was 1 (1) month. Interest bearing liabilities for the rest of the company's debt portfolio (excluding capital contributions in 2015) were SEK 804 (6,814) M, and the average fixed interest term was 4 (2) months. As of 31 December 2016, Bonava's total interest-bearing gross debt excluding capital contributions in 2015 was SEK 4,481 M (10,082) and the average fixed interest term was 1 (2) months. The fixed interest term for project-related finance follows the adopted Finance Policy.

The fixed interest term for the company's strategic debt portfolio is lower than stipulated by the Finance Policy, a conscious approach intended to accurately reflect the specific conditions that apply to Bonava.

There were no interest rate swaps outstanding as of 31 December 2016 or 2015.

An increase in interest rates by one percentage point would result in a change of SEK -22 M (-21) million in net profit/loss for the year, assuming the interest-bearing assets and liabilities that existed on the balance sheet date.

MATURITY STRUCTURE INTEREST TERM 2016 IN SEK M

Matures	Interest-bearing liabilities incl. interest-rate swaps	
	Amount	Proportion, %
2017	4,481	100
Total	4,481	100

EXCHANGE-RATE RISKS

The exchange-rate risk is the risk that changes in exchange rates will adversely affect the consolidated Income Statement, Balance Sheet or Cash Flow Statement.

TRANSACTION EXPOSURE

In accordance with Bonava's Finance Policy, transaction exposure must be eliminated as soon as it becomes known. Contractual and probable forecast flows are to be hedged.

Because Bonava's business units receive and make payments in local currency, the extent of transaction exposure is limited. There were no outstanding derivatives to hedge transaction exposure as of 31 December 2016.

The following table shows Bonava's financing in various currencies.

INTEREST-BEARING LIABILITIES 2016 IN SEK M

Counter-value in SEK M	Amount	Proportion, %
EUR	1,086	24
SEK	3,395	76
Total	4,481	100

NOTE 23 *Financial instruments and financial risk management, cont.***TRANSLATION EXPOSURE**

A maximum of 90 per cent of Bonava's translation exposure to foreign net assets may be hedged, without taking the tax effect into account.

The table below shows Bonava's net investments and hedging positions per currency, plus the hedged portion both with and without taking tax effects into account.

COUNTER-VALUE IN SEK M

Currency	Net investment	2016			
		Hedge position before tax	Hedged portion before tax, %	Hedge position after tax	Hedged portion after tax, %
DKK	407	322	79	251	62
EUR	1,614	1,254	78	978	61
NOK	44	42	95	33	74
RUB	482	118	24	92	19
Total	2,547	1,736	68	1,354	53

Currency	Net investment	2015			
		Hedge position before tax	Hedged portion before tax, %	Hedge position after tax	Hedged portion after tax, %
DKK	396	314	79	245	62
EUR	1,142	1,085	95	846	74
NOK	36	28	78	22	61
RUB	118	49	42	38	32
Total	1,692	1,476	87	1,151	68

Net assets are hedged through both the raising of loans and through currency forward contracts. The carrying amount of loans and currency forward contracts (including underlying capital amounts) used as hedging instruments as per 31 December was SEK 1,736 M (1,476), of which SEK 574 M (115) for loans and SEK 1,162 M (1,361) for currency forward contracts. Hedge accounting is applied when the criteria for hedge accounting are met. An exchange-rate difference of SEK 73 M (41) before tax has been recognised in other comprehensive income. The hedges fulfil effectiveness requirements, meaning that all changes resulting from changed exchange rates are recognised in other comprehensive income. As per 31 December 2016, a 5 per cent depreciation of the SEK in relation to other currencies would result in a change of SEK 41 M (11).

CREDIT RISKS**Credit and counterparty risks in financial operations**

Bonava's investment regulations for financial credit risks are revised continuously and characterised by caution. Transactions are only entered into with creditworthy counterparties with credit ratings of at least A- (Standard & Poor's) or the equivalent international rating, as well as local banks with a minimum rating equal to the creditworthiness of the country in which Bonava conduct operations. ISDA's

(International Swaps and Derivatives Association) framework agreement on netting is used with all external counterparties with respect to derivative trading. The investment regulations specify maximum credit exposures and maturities for various counterparties.

The total counterparty exposure to derivative trading, calculated as the net receivable per counterparty, amounted to SEK 55 M (28) at the end of 2016. The net receivable per counterparty is calculated in accordance with the market valuation method, i.e. the market value of the derivative plus a supplement for the change in risk (1 per cent of the nominal amount). Calculated gross exposure to counterparty risks pertaining to cash and cash equivalents and short-term investments amounted to SEK 619 M (585).

Credit risks in accounts receivable

The risk that Bonava's customers will not fulfil their obligations, meaning that payment is not received from the customers, is a credit risk. The credit rating of the Group's customers is checked, whereby information on the customers' financial position is obtained from various credit information companies. For major accounts receivable, the risk of credit losses is limited through various types of collateral, such as bank guarantees, blocks on building loans, parent company guarantees and other payment guarantees.

NOTE 23 *Financial instruments and financial risk management, cont.***AGE ANALYSIS OF ACCOUNTS RECEIVABLE INCLUDING RECEIVABLES FOR DIVESTED HOUSING PROJECTS**

	2016		2015	
	Gross	Provision for doubtful receivables	Gross	Provision for doubtful receivables
Not due accounts receivable	652		646	
Past-due accounts receivable 1–30 days	58		46	
Past-due accounts receivable 31–60 days	19		40	
Past-due accounts receivable 61–180 days	16		3	
Past-due accounts receivable > 180 days	49	33	43	33
Total	794	33	779	33

Collateral for accounts receivable was received in an amount of SEK 0 (0) million.

PROVISION FOR DOUBTFUL RECEIVABLES

	2016	2015
On 1 January	33	45
Provision for the year	1	3
Reversal of previously posted impairment losses	-3	-14
Translation differences	1	-1
On 31 December	33	33

CARRYING AMOUNT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount and the fair value of financial instruments are presented in the following table.

The measurement at fair value of currency-forward contracts is based on published forward rates on an active market.

For financial instruments recognised at amortised cost, accounts receivables, other receivables and cash and cash equivalents, accounts payable and other interest-free liabilities, the fair value is deemed to agree with the carrying amount. It has been deemed

that the fair value of long-term and current interest-bearing liabilities does not materially deviate from the carrying amount.

The classification categories Financial assets measured at fair value through profit and loss, Investments held to maturity and Financial liabilities measured at fair value through profit and loss are not applicable for Bonava. No reclassification of financial assets and liabilities among the categories below was effected during the year.

CLASSIFICATION OF FINANCIAL INSTRUMENTS

2016	Derivatives used in hedge accounting	Accounts receivables and loan	Available-for-sale financial assets	Other liabilities	Total carrying amount
Shareholdings			4		4
Long-term receivables		147			147
Accounts receivable		534			534
Other receivables	17	245			262
Cash and cash equivalents		619			619
Total assets	17	1,545	4		1,566
Long-term interest-bearing liabilities				2,245	2,245
Other long-term liabilities				271	271
Current interest-bearing liabilities				2,236	2,236
Accounts payable				861	861
Accrued expenses				1	1
Other current liabilities				333	333
Total liabilities				5,947	5,947

NOTE 23 *Financial instruments and financial risk management, cont.***CLASSIFICATION OF FINANCIAL INSTRUMENTS, CONTINUED**

2015	Derivatives used in hedge accounting	Accounts receivables and loan	Available-for-sale financial assets	Other liabilities	Total carrying amount
Shareholdings			4		4
Long-term receivables		211			211
Accounts receivable		623			623
Other receivables	15	198			213
Cash and cash equivalents		585			585
Total assets	15	1,618	4		1,637
Long-term interest-bearing liabilities				2,033	2,033
Other long-term liabilities				487	487
Current interest-bearing liabilities				3,046	3,046
Accounts payable				677	677
Accrued expenses				1	1
Other current liabilities				268	268
Total liabilities				6,512	6,512

In the following tables, disclosures are made concerning how fair value has been determined for the financial instruments that are continuously measured at fair value and the financial instruments not recognised at fair value in Bonava's balance sheet. When determining fair value, a division shall be made in three levels. No transfers have been made between the levels during the period and no significant changes were made with respect to measurement methods, used data or assumptions.

Level 1: in accordance with prices quoted on an active market for the same instruments. This category does not apply for Bonava.

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

Level 3: on the basis of input data that is not observable on the market. This category is not relevant for Bonava.

	2016		2015	
	Level 2	Total	Level 2	Total
Financial assets measured at fair value				
Derivative instruments used for hedging purposes	17	17	15	15
Available-for-sale financial assets	4	4	4	4
Total financial assets	21	21	19	19
Financial liabilities not recognised at fair value				
Other liabilities (interest-bearing liabilities)	4,481	4,481	5,079	5,079
Total financial liabilities	4,481	4,481	5,079	5,079

OFFSETTING FINANCIAL INSTRUMENTS

Bonava's derivatives pertain to holdings with external counterparties, which are offsettable.

	2016		2015	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Recognised gross amount ¹⁾	17		15	
Net amount after netting agreement	17	0	15	0

¹⁾ The recognised gross amount of financial assets includes SEK 17 M (15) for derivatives used in hedge accounting of other receivables.

The recognised gross amount of financial liabilities includes SEK 0 M (0) for derivatives used in hedge accounting and SEK 0 M (0) for other current liabilities.



Parent Company Income Statement

SEK M	Note	2016	2015
Net sales		69	14
Gross profit		69	14
Administrative expenses		-295	-39
Operating profit	2,3,4	-226	-25
Profit/loss from financial items			
Profit/loss from participations in Group companies	5	291	-205
Other interest income etc.		148	15
Interest expenses etc.	6	-188	-2
Profit/loss after financial items	12	24	-217
Appropriations			
Group contributions received			121
Group contributions paid		-5	-33
Profit/loss before tax		19	-129
Tax on profit/loss for the year	9	27	-17
Profit/loss for the year		45	-145

Comments on the Parent Company Income Statement and Balance Sheet

COMMENTS ON THE PARENT COMPANY INCOME STATEMENT

The Parent Company consists of Group common functions for Finance, Treasury and IT, Marketing, Human Resources, Legal and Strategy.

The Parent Company revenues, to a large extent, consisted of invoicing of its services to the subsidiaries.

Profit/loss from participations in Group companies comprised of dividends from subsidiaries offset by impairments of shares in subsidiaries. Furthermore, financial items mainly consisted of interest income and expenses from the centralised Treasury function.

The Parent Company was dormant up until November 2015.

COMMENTS ON THE PARENT COMPANY BALANCE SHEET

As per 31 March 2016 the formation of the Bonava Group was finalised as Bonava Finland Oy was created. Bonava AB has given shareholders contribution to its subsidiaries during the year.

During 2016, Bonava AB has established a centralised Treasury Department, aiming to monitor the total risk positions for the Group as well as achieving cost efficiency and economies of scale. The previous year financing was made through NCC Treasury.

In 2016, the receivables from Group companies comprised of the Treasury Departments receivables from Bonava AB's subsidiaries. The previous year, Bonava AB had a receivable from NCC AB for the capital contribution that was paid during 2016.

Share capital in the parent company has increased due to both new share issue and bonus issue.

The loans from NCC Treasury that existed in 2015 were repaid during the year and replaced by external loans from credit institutions in conjunction with the establishment of the centralised Treasury function.

Parent Company Balance Sheet

SEK M	Note	2016	2015
ASSETS			
Fixed assets			
<i>Intangible fixed assets</i>			
Capitalised expenditure for development work etc.	7	142	59
<i>Tangible fixed assets</i>			
Equipment		15	
<i>Financial fixed assets</i>			
Shares in Group companies	8	1,740	1,113
Deferred tax asset		58	
Other long-term receivables		1	
Total financial fixed assets		1,799	1,113
Total fixed assets		1,955	1,172
Current assets			
<i>Current receivables</i>			
Receivables from Group companies		3,739	5,304
Prepaid expenses and accrued income		32	
Other receivables		360	1
Total current receivables		4,131	5,306
<i>Cash and bank balances</i>			
Cash and bank balances		120	
TOTAL ASSETS	12	6,207	6,478
SHAREHOLDERS EQUITY AND LIABILITIES			
Shareholders equity			
<i>Restricted equity</i>			
Share capital		434	
Fund for development expenses		83	
Total restricted equity		517	0
<i>Non-restricted equity</i>			
Earnings/loss brought forward		4,648	5,003
Profit/loss for the year		45	-145
Total non-restricted equity		4,693	4,858
Total shareholders equity		5,210	4,858
<i>Provisions</i>			
Deferred tax liability	11		3
Other provisions	13	1	2
Total provisions		1	5
<i>Long-term liabilities</i>			
Other liabilities to credit institutions	14	574	
Liabilities to Group companies		34	34
Other liabilities			2
Total long-term liabilities		609	37
<i>Current liabilities</i>			
Accounts payable		43	11
Liabilities to Group companies		219	1,529
Current tax liability		1	13
Other liabilities		2	1
Accrued expenses and deferred income	15	122	25
Total current liabilities		387	1,579
TOTAL SHAREHOLDERS EQUITY AND LIABILITIES	12	6,207	6,478

Parent Company

Changes in Shareholders' Equity

SEK M	Restricted equity		Non-restricted equity		Total equity
	Share capital	Fund for development expenses	Earnings brought forward	Profit/loss for the year	
Opening balance, 1 January 2015	0	0	0	0	0
Capital contribution received			5,003		5,003
Net profit/loss for the year				-145	-145
Closing balance, 31 December 2015	0	0	5,003	-145	4,858
Appropriation of profit			-145	145	0
Bonus issue	433		-433		0
Capital contribution received			349		349
Transfer to fund for development expenses		83	-83		0
Performance-based incentive program			3		3
Buy-back of treasury shares			-45		-45
Net profit/loss for the year				45	45
Closing balance, 31 December 2016	434	83	4,648	45	5,210

Parent Company Cash Flow Statement

SEK M	2016	2015
Operating activities		
Profit/loss after financial items	24	-217
Adjustments for items not included in cash flow:		
Anticipated dividend	-337	
Depreciation/amortisation	17	5
Impairment losses	176	205
Changes in provisions	-2	2
Total items not included in cash flow	-145	211
Tax paid	-46	-1
Cash flow from operating activities before change in working capital	-167	-6
Increase (-)/decrease (+) in receivables	-504	-133
Increase (+)/decrease (-) in liabilities	129	40
Cash from change in working capital	-375	-93
Cash flow from operating activities	-542	-99
Investment activities		
Investments in shares in subsidiaries	-496	-1,318
Investments in equipment	-15	
Investments in intangible assets	-107	-63
Cash flow from investment activities	-619	-1,381
Financing activities		
Buy-back of treasury shares	-45	
Capital contribution received	5,051	
Increase (+)/decrease (-) in interest-bearing liabilities	-3,766	1,521
Cash flow from financing activities	1,240	1,521
Cash flow for the year	79	41
Cash and cash equivalents on 1 January	41	0
Cash and cash equivalents on 31 December	120	41

Cash and cash equivalents at year end 2015 of SEK 41 M, refer to funds in Group accounts with NCC Treasury and were recognised in the Balance Sheet as receivables from Group companies.

Comments to the Parent Company Cash Flow Statement

Cash flow from operating activities before changes in working capital was -167 (-6). Profit/loss after financial items was higher but contained an anticipated dividend, which is a non cash flow item, thus making the cash flow from operating activities lower.

An increase in non-current interest free receivables made the cash flow from working capital lower.

The cash flow from investment activities was less negative in comparison to previous year when several subsidiaries was acquired as the Bonava Group was formed. During 2016 Bonava AB has paid capital contributions to two of its subsidiaries.

The cash flow from financing activities was impacted by the capital contribution från NCC AB and that Bonava AB repaid its loans to NCC Treasury.

Parent Company notes

NOTE 1 Accounting policies

The Parent Company's Annual Report has been prepared in accordance with the Annual Accounts Act (1995:1554) and recommendation RFR2 Accounting for legal entities and statements from the Swedish Financial Reporting Board.

The Parent Company was dormant for the majority of 2015.

The Parent Company's accounting policies differ from the Group's in the following ways:

Subsidiaries, associated companies and Joint arrangements

For the parent company, shares in subsidiaries, associated companies and joint arrangements are reported at cost less any impairment losses. Impairment losses for these shares and participations arise if the recoverable value is lower than book value. Received and anticipated dividends are recognised as revenue.

Leasing

In the Parent Company, all lease arrangements are reported in accordance with regulations governing operating leases. Leasing fees paid are reported in the Income Statement.

Group contributions

Group contributions received and paid are reported as appropriations in the Parent Company Income Statement, in accordance with the alternative rule in RFR2.

Cost of borrowing

The parent company posts total borrowing costs to the period in which they arise.

NOTE 2 Employees, personnel expenses and fees to the Board and Auditors

The average number of employees was 43. In the previous year, there were no employees until November when 27 members of staff were recruited.

18 of the employees are men and 25 are women.

GENDER DIVISION

	Percentage women	
	2016	2015
Board of Directors	50%	50%

SALARY AND OTHER REMUNERATION, AND SOCIAL SECURITY EXPENSES INCLUDING PENSION COSTS

SEK M	2016	2015
Salary and remuneration	46	13
Social security expenses	31	5
of which pension costs	17	

Salary and remuneration refers exclusively to personnel in Sweden.

See also note 3 for the Group, Number of employees, personnel expenses and remuneration of senior executives.

SALARY AND OTHER REMUNERATION DIVIDED BETWEEN BOARD MEMBERS ETC. AND OTHER EMPLOYEES

SEK M	2016		2015	
	The Board and CEO	Other employees	The Board and CEO	Other employees
Salaries and other remuneration	9	42	1	11
(of which bonuses etc.)	(2)	(5)	(1)	(3)

NOTE 3 Depreciation/amortisation

SEK M	2016	2015
Intangible assets	-17	-5
Total depreciation/amortisation	-17	-5

NOTE 4 Remuneration and compensation to audit firms

	2016	2015
Audit firms		
EY		
Auditing assignments	2	
Total fees and compensation to Auditors and audit firms	2	0

Auditing assignments are defined as the statutory audit of the annual accounts and the consolidated financial statements and of the bookkeeping as well as of the administration of the Board of Directors and the CEO, and also audit and other examinations conducted pursuant to agreement or contract. This includes other duties that the company's auditors are obliged to conduct and advice or other assistance required due to observations made during such examinations or during the performance of such other duties. All other work is defined as other assignments.

NOTE 5 Profit from shares in Group companies

SEK M	2016	2015
Dividend	461	
Impairment losses	-170	-205
Total	291	-205

NOTE 6 Interest expenses etc.

	2016	2015
Interest expenses, Group companies	-2	-2
Interest expenses, credit institutions	-104	
Other financial expense	-82	
Total	-188	-2

NOTE 7 Intangible assets

	2016	2015
Acquired intangible assets		
Recognised cost on 1 January	63	0
Investments	107	63
Recognised cost on 31 December	170	63
Accumulated amortisation on 1 January	-5	0
Amortisation according to plan during the year	-17	-5
Accumulated amortisation on 31 December	-22	-5
Accumulated impairment losses on 1 January		
Impairment losses for the year	-6	
Accumulated impairment losses on 31 December	-6	0
Residual value on 1 January	59	0
Residual value on 31 December	142	59

NOTE 8 Shares in Group companies

SEK M	Proportion, %	No. of shares	Carrying amount	
			2016	2015
Name, Corp. ID no., Reg. office				
Bonava East Holding AB, 556495-9079, Stockholm	100	1,000		
Bonava Sverige AB, 556726-4121, Solna	100	1,000	49	
Bonava Holding GmbH, HRB 16608 FF, Germany	100	19,976	373	373
Bonava Latvija SIA, 40003941615, Latvia	100	10,294,477	78	24
Bonava Eesti OÜ, 11398856, Estonia	100	1	36	36
LLC Bonava Saint-Petersburg, INN7841322136, Russia	100		115	115
LLC Bonava Development, INN7842398917, Russia	100		266	60
LLC Petro Center, INN7841457408, Russia	99		22	5
Bonava Norge Utvikling AS, 980 390 020, Norway	100	7,501	44	3
Bonava Norge AS, 997 671 783, Norway	100			41
Bonava Danmark A/S, 32 65 55 05, Denmark	100	5,000	456	456
Bonava Wohnbau GmbH, HRB 15662 FF, Germany	10	2,500	1	
Bonava Suomi Oy, 2726714-3, Finland	100	10,000	300	
Total shares in Group companies			1,740	1,113

NOTE 9 Tax on profit/loss for the year, deferred tax assets and liabilities

	2016	2015
Tax on profit/loss for the year		
Current tax cost	-34	-14
Deferred tax revenue/cost	61	-3
Total reported tax on profit for the year	27	-17

	Results	
	2016	2015
Effective tax		
Pre-tax profit	19	-129
Tax according to company's current tax rate	-4	28
Non-tax-deductible costs	-38	-45
Non-taxable revenues	101	
Tax attributable to prior years	-29	
Other	-4	
Reported tax	27	-17
Effective tax	141%	-13%

	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
Tax loss carry-forwards	58				58	
Other				-3		-3
Deferred tax assets/liabilities	58			-3	58	-3

NOTE 10 Interest-bearing liabilities

	2016	2015
Long-term liabilities		
Liabilities to credit institutions and investors	574	34
Total	574	34
Current liabilities		
Current portion of liabilities to credit institutions and investors		1,529
Group companies	219	
Total	219	1,529
Total interest-bearing liabilities	793	1,563

For repayment schedules and terms and conditions, see Note 23 Financial instruments and financial risk management.

NOTE 12 Transactions with related parties

Bonava has had multiple transactions with other NCC companies and the pricing has followed the transfer pricing policy that has been in place in the NCC-Group.

Transactions with the NCC-Group are shown in the table below. Ahead of 2016, Bonava entered into agreements with NCC AB regarding specific administrative and IT-related services.

Bonava AB's sales to subsidiaries totalled SEK 68 M (0) and purchases totalled SEK 3 M (0).

The Nordstjernan group, companies in the Axel Johnson group and joint ventures and joint arrangements are also categorised as related parties. The transactions with the aforementioned parties were not material and are not specified below.

For Bonava AB's senior executives, see note 3 for the Group, Number of employees, personnel expenses and remuneration of senior executives.

	2016	2015
Transactions with the NCC group		
Sales	2	
Purchases	21	
Financial expenses	14	2
Current receivables		5,019
Current interest-bearing liabilities		1,374
Accounts payable	2	1
Other current liabilities		2
Cash and cash equivalents (NCC Treasury)		41

NOTE 11 Accrued expenses and prepaid income

	2016	2015
Payroll-related costs	24	14
Administrative costs	98	11
Total	122	25

NOTE 13 Pledged assets and contingent liabilities

	2016	2015
Guarantees	15,485	

The Parent Company's guarantees are on behalf of subsidiaries.

NOTE 14 Information about the Parent Company

Bonava AB, corp. ID no. 556928-0380, is a registered limited company with its registered office in Solna, Sweden. Bonava AB's shares are listed on the Stockholm Stock Exchange (Nasdaq Stockholm/ Large Caps).

The address of the head office is Bonava AB, Lindhagensgatan 72, Stockholm, Sweden.

The Consolidated Financial Statements for 2016 consists of the Parent Company and its subsidiaries, jointly termed the Group. The Group also includes shares in holdings in associated companies and joint arrangements.

NOTE 15 Appropriation of profits

The Board of Directors proposes that distributable earnings of SEK	4,693,420,133
--	---------------

Be appropriated as follows:

Ordinary dividend to shareholders SEK 3.80 per share	410,709,404
Carried forward	4,282,710,729
Total, SEK	4,693,420,133

Shares repurchased by Bonava AB do not confer the right to receive dividends. The total amount of proposed dividend is calculated on the basis of the number of outstanding shares as of 10 March 2017.

Appropriation of profits

The Board of Directors proposes that distributable earnings	4,693,420,133
Be appropriated as follows:	
Ordinary dividend to shareholders SEK 3.80 per share ¹⁾	410,709,404
Carried forward	4,282,710,729
Total, SEK	4,693,420,133

¹⁾ Shares repurchased by Bonava AB do not confer the right to receive dividends. The total amount of proposed dividend is calculated on the basis of the number of outstanding shares as of 10 March 2017.

The Board of Directors and the Chief Executive Officer hereby give their assurance that the annual accounts and the consolidated accounts have been prepared in compliance with the European Parliament's and Council of Europe's Regulation (EC) No. 1606/2002 dated July 19, 2002 regarding the application of international accounting standards and generally accepted accounting practice, and thus give a true and fair view of the financial position and results of operations of the Group and the Parent Company. The Report of the Board of Directors for the Group and Parent Company accurately review the Group's and the Parent Company's operations, financial position and results of operations and describe the significant risks and uncertainties facing the Parent Company and the Group.

The annual accounts and the consolidated accounts were approved for publication by the Board of Directors on 10 March 2017. The Consolidated Income Statement and Balance Sheet and the Parent Company's Income Statement and Balance Sheet will be presented to the Annual General Meeting for adoption on 4 April 2017.

Solna, Sweden, 10 March 2017

Carl Engström
Chairman

Viveca Ax:son Johnson
Director

Åsa Hedenberg
Director

Samir Kamal
Director

Magnus Rosén
Director

Anna Wallenberg
Director

Joachim Hallengren
CEO

Our Audit Report was submitted on 10 March 2017
Ernst & Young AB

Mikael Ikonen
Authorised Public Accountant

Audit Report

*To the general meeting of the shareholders of Bonava AB,
corporate identity number 556928-0380*

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Bonava AB (publ) except for the corporate governance statement on pages 57–69 for the year 2016. The annual accounts and consolidated accounts of the company are included on pages 78–121 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 57–69. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the Income Statement and Balance Sheet for the parent company and the Group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Valuation of Housing Projects

As of 31 December 2016, the value of Housing Projects amount to SEK 13,666 M, representing the most significant item in the Consolidated Balance Sheet. Housing projects are recognised at the lower of cost of acquisition and net realisable value. The assessment of net realisable value is inherently associated with assumptions, and a change in these assumptions could have a significant impact on reported amounts. For more information on Housing Projects, see note 13 Housing projects.

We have in our audit reviewed and evaluated the management's processes relating to project accounting, including a review of project calculations and the reasonableness of project margins. We have, with support of our valuation specialists, evaluated the reasonableness of the assumptions made regarding sales prices and production costs.

We have evaluated and examined the processes for purchasing and production costs. We have also reviewed the appropriateness of the presentation and disclosures in the Annual Report.

Guarantee Commitments

Guarantee provisions total significant amounts in the consolidated balance sheet. Provisions for future guarantee commitments are accounted at the estimated amount required to settle the commitment on the Balance Sheet date. The estimate is based on calculations, management's assessments and experience from prior transactions.

Provisions for guarantee commitments amount to SEK 357 M as of 31 December 2016, see also Note 16 Provisions. We have evaluated the processes relating to provisions for guarantee commitments in our audit, including an evaluation of the method applied. We have reviewed project calculations and assumptions used to determine guarantee provisions on a sample basis. We have also reviewed the appropriateness of the presentation and disclosures in the Annual Report.

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 1–77 and 125–128. The Board of Directors and the Managing Director 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 Managing Director

The Board of Directors and the Managing Director 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 Managing Director 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 Managing Director are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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 Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Bonava AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director 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 Managing Director

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 organisation 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 organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director 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 Managing Director 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.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 57–69 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

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

Stockholm March 10 2017

Ernst & Young AB

Mikael Ikonen

Authorised Public Accountant

Key financial ratios

OVERVIEW OF KEY FINANCIAL RATIOS¹⁾

Unless otherwise stated, the table below contains certain financial and operational key ratios that are not defined according to IFRS. The information below referring to the financial years 2013–2016 is of material value to investors since it enables a better evaluation of Bonava's financial position and earnings. The key ratios for 2013–2015 below are unaudited but have been calculated on the basis of the figures in the Audited Combined Financial Statements 2013–2015, which have been audited by the Company's auditor. For definitions of key ratios, see "Definitions" in the section Key performance indicators.

SEK M unless otherwise stated	2016	2015	2014	2013
Profitability ratios				
Return on capital employed, % ²⁾	14.6	12.5	8.4	6.0
Financial ratios at period-end				
Interest-coverage ratio, times ²⁾	5.4	3.9	2.4	1.7
Equity/assets ratio, %	33.7	30.5	2.1	3.7
Interest-bearing liabilities/total assets, %	26.7	32.8	65.8	63.6
Net debt	3,699	4,216	9,600	8,826
Net debt, excl. tenant-owner associations and housing companies	75	1,039	7,422	7,036
Debt/equity ratio, times	0.7	0.9	28.4	16.2
Capital employed at period end	10,134	9,811	10,688	9,978
Capital employed, average	10,412	10,882	10,885	10,300
Capital turnover rate, times ²⁾	1.3	1.2	0.9	0.9
Share of risk-bearing capital, %	33.8	30.5	2.1	3.7
Average interest rate, at period end, % ³⁾	3.75	3.06	3.26	3.48
Average period of fixed interest, year ³⁾	0.3	0.2	0.2	0.3
Average interest rate, at period end, % ⁴⁾	1.35	1.26	1.76	2.65
Average period of fixed interest, year ⁴⁾	0.1	0.1	0.1	0.1
Per share data before and after dilution				
Profit after tax, SEK	9.26	7.36	4.15	1.78
Cash flow from operating activities, SEK	6.54	13.37	-0.86	3.03
Dividend, SEK ⁵⁾	3.80	0	0	0
Shareholders' equity, SEK	52.25	43.08	2.71	4.76
Number of shares in million, average	108.4	0.0	0.0	0.0

¹⁾ The historical financial key ratios are affected by Bonava's historical capital structure, since it, as a business area within the NCC group, has not reflected the capital structure of an independent, publicly traded company. Accordingly, a shareholders' contribution of approximately SEK 5 billion was provided in late 2015 via a receivable from NCC. This transaction is presented in other capital contributions in Bonava.

²⁾ Calculations are made on the basis of a 12-month average.

³⁾ Excluding loans in Swedish tenant owner associations and Finnish housing companies. For more information, see the heading "Indebtedness pertaining to tenant owner associations and housing companies" in the section "Capital structure and other financial information".

⁴⁾ Pertains to loans in Swedish tenant owner associations and Finnish housing companies. For more information, see the heading "Indebtedness pertaining to tenant owner associations and housing companies" in the section "Capital structure and other financial information".

⁵⁾ Dividend for 2016 is the Board of Director's proposition to the Annual General Meeting.

Key ratios housing units

Bonava (no. of housing units unless otherwise indicated)	2016	2015	2014	2013
Building rights, at period end	28,000	29,100	31,300	33,200
Of which, off-balance building rights	10,500	11,000	9,800	13,200
Housing development for consumers				
Profit-recognised housing units during the period	4,371	3,968	3,661	2,951
Production starts during the period	4,041	4,452	4,503	3,715
Housing units sold during the period	4,311	4,542	4,575	3,747
Housing units in ongoing production, at period end	6,158	6,432	5,952	4,831
Sales rate, ongoing production, at period end, %	63	60	58	47
Reservation rate, ongoing production, at period end, %	6	6	12	9
Completion rate, ongoing production, at period end, %	49	46	45	49
Completed housing units, not profit-recognised, at period end	373	429	438	717
Housing units for sale (ongoing and completed), at period end	2,440	2,713	2,812	2,884
Completed unsold housing units	180	156	314	342
Housing development for investors				
Profit-recognised housing units during the period	407	1,768	1,393	903
Production starts during the period	1,791	1,904	1,445	1,095
Housing units sold during the period	1,922	1,773	1,472	1,129
Housing units in ongoing production, at period end	2,955	2,346	1,735	1,552
Sales rate, ongoing production, at period end, %	100	94	100	98
Completion rate, ongoing production, at period end, %	40	69	65	38
Completed housing units, not profit-recognised, at period end				
Housing units for sale (ongoing and completed), at period end		131		27

Housing development for consumers	2016	2015	2014	2013
Housing units in ongoing production, at period start	6,432	5,952	4,831	4,391
Changed evaluation of number of housing units in production at period start		-13		
Production starts during the period	4,041	4,452	4,503	3,715
Profit-recognised housing units during the period	-4,371	-3,968	-3,661	-2,951
Decrease (+)/increase (-) in completed housing units, not profit-recognised at period end	56	9	279	-324
Housing units in ongoing production, at period end	6,158	6,432	5,952	4,831
Housing development for investors				
Housing units in ongoing production, at period start	2,346	1,735	1,552	1,377
Production starts during the period	1,791	1,904	1,445	1,095
Profit-recognised housing units during the period	-407	-1,768	-1,393	-903
Time offset between completion and profit-recognition in Bonava Finland ¹⁾	-775	475	131	-17
Housing units in ongoing production, at period end	2,955	2,346	1,735	1,552

¹⁾ Up until 2016, Bonava Finland has profit-recognised housing units for investors at the time for production start. Thus, there has been a time offset between years regarding profit-recognition and completion of housing units for investors. From 2016, profit-recognition of housing units to investors in Bonava Finland is made at the time of completion.

Definitions

Bonava uses measurements including the alternative key performance indicators return on capital employed, net debt and equity/assets ratio. The Group considers that these key figures provide complementary information to readers of its financial reports that contribute to assessing the Group's capacity to pay dividends, make strategic investments, meet its financial commitments and to evaluate its profitability. Calculations and more information about the alternative key performance indicators is at bonava.com. The Group defines the key figures as indicated below. The definitions are unchanged on earlier periods.

INDUSTRY-RELATED DEFINITIONS

Completed housing units

Refers to housing units for which inspection documents have been received, but the unit has not yet been sold; alternatively has been sold but not handed over to the customer.

Completion rate

Recognised expenses in relation to the calculated total expenses of ongoing housing projects.

Development right

Estimated possibility of developing a site. With respect to housing units, a development right corresponds to an apartment or a semi-detached or detached house. Either ownership of a site or an option on ownership of the site is a prerequisite for being granted access to a development right.

Housing units in production

Refers to the period from production start to completion of a building. A housing unit is considered complete on receipt of inspection documentation.

Housing units recognised for profit

Number of housing units sold that have been occupied by the purchaser. Once the purchaser has taken over occupancy, the purchase consideration is recognised as net sales, and expenses incurred for the housing unit are recognised as production costs.

Housing units sold

Number of housing units for which binding sales agreements have been signed with the customer and production of the housing unit has started.

Production start

The time when Bonava starts production of a building. At this time, capitalised expenditure for the site and development expenses are recognised as units in ongoing production.

Properties held for future development

Refers to Bonava's holdings of land and building rights for future residential development and capitalised project properties held for future development.

Reservation rate

The number of reserved housing units in production in relation to the total number of housing units in production.

Sales rate

Number of housing units sold in production in relation to the total number of housing units in production.

KEY PERFORMANCE INDICATORS

Average capital employed

Average capital employed as of the five last quarters.

Average fixed-interest term

Remaining fixed-interest term weighted by interest-bearing liabilities.

Average interest rate

Nominal interest rate weighted by interest-bearing liabilities outstanding on the Balance Sheet date.

Average shareholders' equity

Average shareholders' equity as of the five last quarters.

Balance sheet total

Total assets, or liabilities and shareholders' equity.

Capital employed

Total assets less interest-free liabilities including deferred tax liabilities.

Capital turnover rate

Net sales on a rolling 12-month basis divided by average capital employed.

Debt/equity ratio

Net debt divided by shareholders' equity.

Dividend yield

Dividend as a percentage of the share price at year-end.

Equity/assets ratio

Total equity as a percentage of total assets.

Interest coverage ratio

Profit/loss after financial items plus financial expense divided by financial expense, calculated on a rolling 12-month basis.

Net debt

Interest-bearing liabilities and provisions less financial assets including cash and cash equivalents.

Net sales

Net sales are recognised when the housing unit is handed over to the end customer. Property sales are recognised on the date when significant risks and rewards are transferred to the buyer, which normally coincides with transfer of ownership. Net income is subject to the same definition.

Operating margin

Operating profit as a percentage of net sales.

Production costs

Costs incurred for land, such as development expenses for architects and other contractor-related costs, utility connection fees and construction.

Return on capital employed

Profit after financial items on a rolling 12-month basis following the reversal of interest expense as a percentage of average capital employed.

Share of risk-bearing capital

Total shareholders' equity and deferred tax liabilities as a percentage of total assets.

SHARE-RELATED KEY FIGURES

Earnings per share

Net profit/loss for the period attributable to Bonava's shareholders divided by the weighted number of shares for the period.

Annual General Meeting 2017

The Annual General Meeting will be held on Tuesday 4 April 2017 at 3 p.m. at Hotel Rival, Mariatorget 3 in Stockholm, Sweden.

PARTICIPATION

Shareholders wishing to participate at the AGM must;

- be included in the share register kept by Euroclear Sweden AB by no later than Wednesday 29 March 2017
- notify the company of their intention to participate by no later than Wednesday 29 March 2017.

REGISTRATION

To register,

- go to Bonava's website, bonava.com/en/general-meeting/annual-general-meeting-2017
- on tel. +46 (0)8 402 92 26 weekdays between 9 a.m. and 4 p.m.
- by mail at:
Bonava AB, c/o Euroclear Sweden AB
P.O. box 191
SE-101 23 Stockholm
Sweden.

When registering their intention to attend, shareholders should provide their name, personal or corporate identity number, address, telephone number and the number of assistants. If participation is through Power of Attorney, the documentation should be submitted in good time before the AGM.

A template Power of Attorney is available for download on our website, bonava.com/en/general-meeting/annual-general-meeting-2017.

NOMINEE-REGISTERED HOLDINGS

In addition to registering their participation in the AGM with the company, shareholders with nominee-registered holdings must temporarily re-register their share in their own name in the share register (voting right registration) to be entitled to participate in the AGM. In order for such registration to be complete by Wednesday 29 March 2017, shareholders should contact their bank or fund manager in good time before that date.

PROPOSED DIVIDEND

The Board of Directors proposes a dividend of SEK 3.80 per share, divided into two payments. The first payment of SEK 1.90 per share is proposed for 11 April 2017, and the second payment of SEK 1.90 per share is proposed for 11 October 2017.

For more information: ir@bonava.com, bonava.com





Production: Bonava in partnership with Hallvarsson & Halvarsson.

Photograph/Photo Agency: Thomas Reinke, cover page. Xavier Arnau, p. 2. Caiaimage/Trevor Adeline, p. 2. Westend61, p. 3, 9. Erik Mårtensson, p. 6, 66, 67. Eva Katalin Kondoros, p. 9. Liza Simonsson/Blomquist & Co, p. 10. Posti Group Oyj, p. 11. Yenwen, p. 15. Diakrit, p. 17, 23, 24, 25, 30, 37, 39, 41, 43, 45, 47, 112. Steffen Höft, p. 19. Maskot, p. 32. Kim. Hultén, p. 33. Getty images, p. 34, 35, 48, 75. Anders Bergstedt, p. 54. Johner Images, p. 56, 83. Sten Jansin, p. 58, 64, 65. SimmiSimons, p. 128.

Print: TMG Stockholm 2017.

