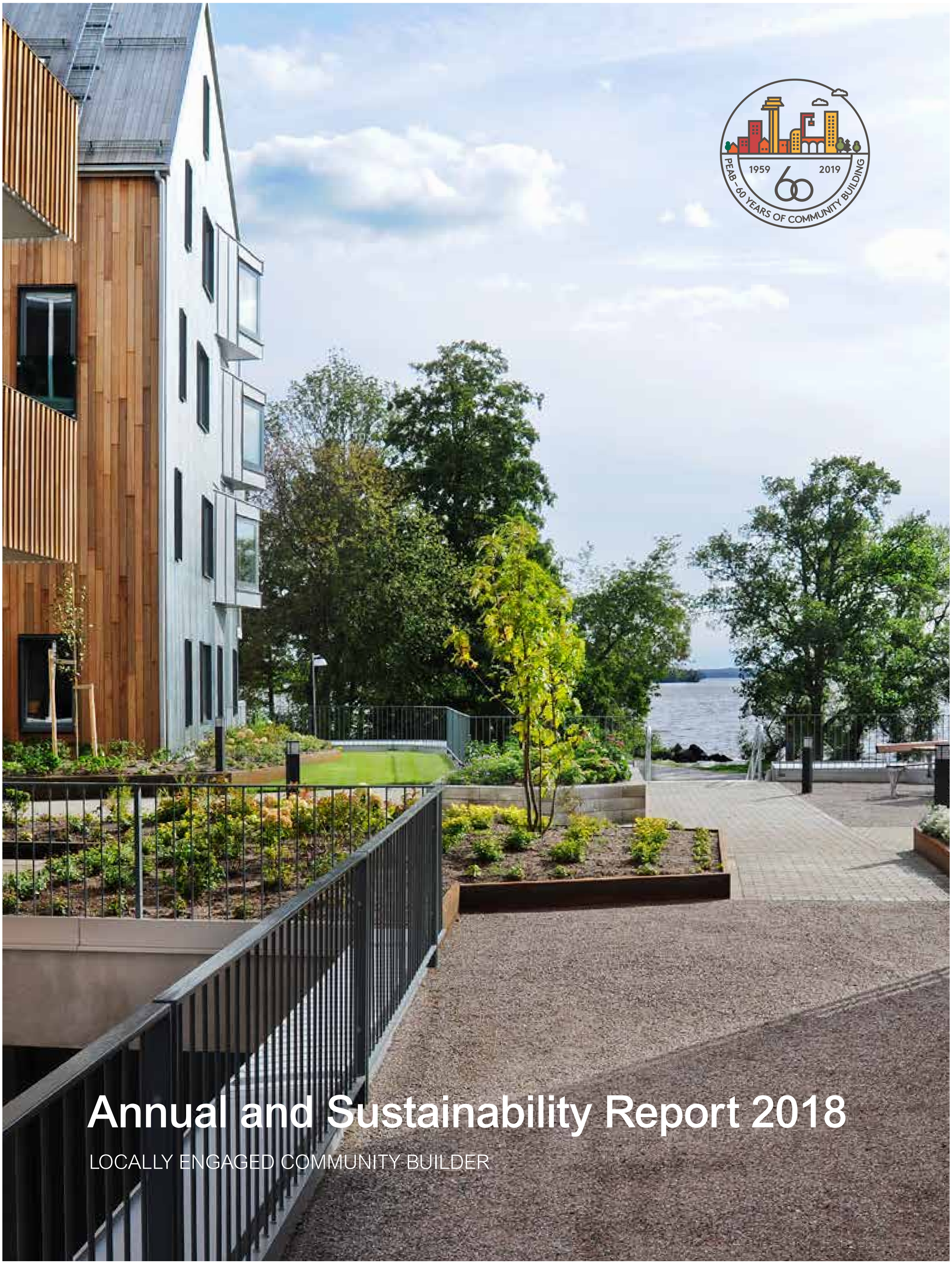
Peab Annual and Sustainability Report 2018



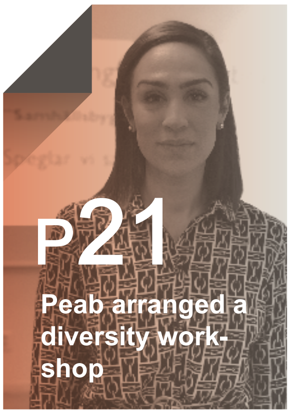
Annual and Sustainability Report 2018

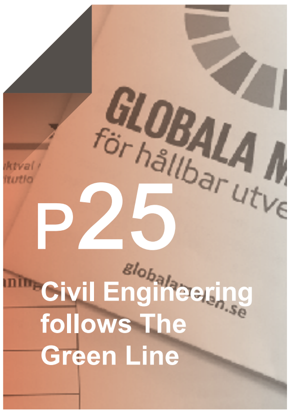
LOCALLY ENGAGED COMMUNITY BUILDER

PEAB
THE NORDIC COMMUNITY BUILDER

Content

Formal annual and Group financial reports which have been audited by company accountants, pages 32–119.





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

All values are expressed in Swedish krona. Krona is abbreviated to SEK, thousands of krona to TSEK and millions of krona to MSEK. Numbers presented in parentheses refer to 2016 unless otherwise specified.

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

Cover picture: Kajutan, Västerås. Photo: Peter Steen.

Photographers other pictures: Klas Andersson, Peter Steen, Magnus Torle, Kari Palsila, Tomi Parkkonen, Örjan Bertelsen, Jenny Blad, Hans-Olof Utsi, Nicolas Tourrenc.

– Peab takes work environment matters very seriously and works systematically to create safe workplaces. The kind of safety equipment used varies depending on national regulations and the type of operations. A risk analysis is always performed for each workplace before any exception is made.

– The people pictured in this publication are wearing personal safety equipment required by regulations valid for the operations and country they are in.

The Nordic Community Builder

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

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

Peab is engaged in developing a more sustainable society. Our goal is to meet the demands and expectations from others and at the same time create new business opportunities.

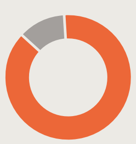
Peab's business contributes to society by developing and building new homes and offices, public functions and infrastructure. This is how we are useful and make a difference in daily life in big and small places in Sweden, Norway and Finland.

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

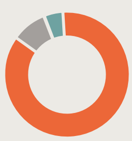
Employees

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

Gender distribution



Share per country



Business model

Four collaborating business areas create added value

Peab is characterized by a decentralized and cost-efficient organization with four complementary business areas whose operations are based on local entrepreneurship close to customers. Our business model with four collaborating business areas creates opportunities throughout the value chain in a construction project.

Three strategic goals; Most satisfied customers, Best workplace and Most profitable company frame our prioritized investments in the business plan period 2018–2020.

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

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

Business area Industry delivers, among other things, ballast, concrete, asphalt, temporary electricity and prefabricated concrete elements to external customers and the other business areas in Peab. It also provides cranes, machines and transportation as well as handling production waste.

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

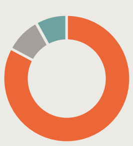
Net sales

SEK 52 billion

Per business area, 2018

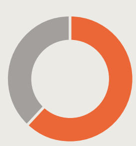
- Construction, 45% (45)
- Civil Engineering, 22% (20)
- Industry, 21% (21)
- Project Development, 12% (14)

Per geographic area, 2018



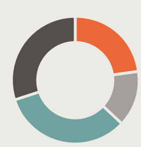
- Sweden 80% (82)
- Norway 11% (11)
- Finland 9% (7)

Per customer type, 2018



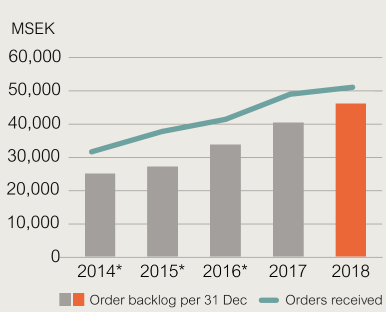
- Private 60% (62)
- Public 40% (38)

Operating profit per business area, 2018

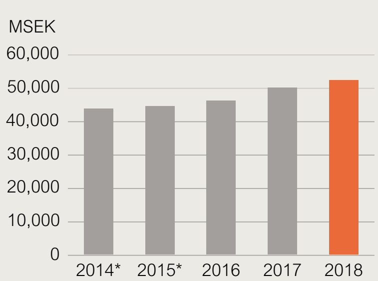


- Construction, 23% (23)
- Civil Engineering, 15% (14)
- Industry, 34% (33)
- Project Development, 28% (30)

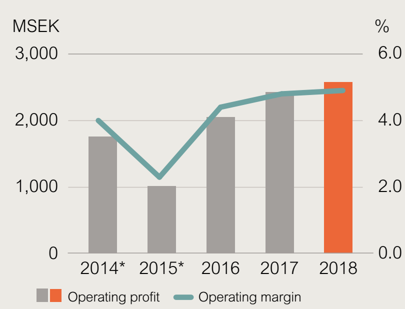
Orders received and order backlog



Net sales



Operating profit and operating margin



* Not recalculated taking IFRS 15 into account

2018 in summary

- Net sales increased by five percent and amounted to SEK 52,233 million (49,981). A favorable construction and civil engineering market has positively affected the business areas in 2018.
- Operating profit increased by six percent to SEK 2,573 million (2,418) and operating margin improved to 4.9 percent (4.8).
- Construction and Civil Engineering, which perform contract work, had stable margin levels during the year while Industry improved profitability, primarily as a result of higher volumes in the construction and civil engineering market. In Project Development lower activity in Housing Development Sweden, mainly in Stockholm, has largely been countered by better profit contributions from wholly owned or partially owned companies in Property Development.
- Orders received increased by four percent to SEK 51,087 million (48,999). The increase is related to business areas Construction and Civil Engineering.
- Order backlog per 31 December 2018 was a record high SEK 45,819 million (40,205) with a broad range of products and well spread geographically.
- Cash flow before financing amounted to SEK -1 021 million (2,295).
- Net debt amounted to SEK 3,551 million (1,216).
- Cash flow and net debt have been affected by an increase in tied up working capital through in part ongoing housing projects in Norway and Finland and more investments in project and development property. In addition, we have continued to invest in machines and developing operations and investment property.
- Equity/assets ratio amounted to 30.4 percent (32.2).
- Return on equity amounted to 19.6 percent (21.3).
- The Board proposes a dividend increased to SEK 4.20 per share (4.00), which corresponds to 59 percent (58) of profit for the year.

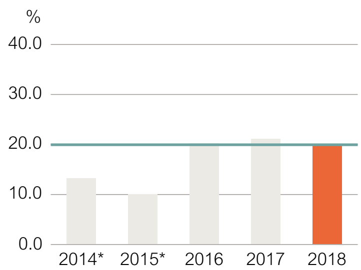
Financial summary

	2018	2017	2016	Financial goals
Net sales, MSEK	52,233	49,981	46,054	
Operating profit, MSEK	2,573	2,418	2,044	
Operating margin, %	4.9	4.8	4.4	
Pre-tax profit, MSEK	2,518	2,458	1,996	
Profit for the year, MSEK	2,1	2,067	1,685	
Profit per share, SEK	7.12	7.01	5.71	
Dividend per share, SEK [1]	4.20	4.00	3.60	> 50%
Return on equity, %	19.6	21.3	19.6	> 20%
Equity/assets ratio, %	30.4	32.2	29.8	> 25%
Cash flow before financing, MSEK	-1,021	2,295	2,651	
Net debt, MSEK	3,551	1,216	1,862	
Orders received, MSEK [2]	51,087	48,999	41,445	
Order backlog on 31 December, MSEK [2]	45,819	40,205	33,572	
Number of employees on 31 December	14,614	14,344	13,869	

[1] Board of Directors' proposal to the AGM for 2018
[2] As of 2017 orders received and order backlog also include part of business area Industry

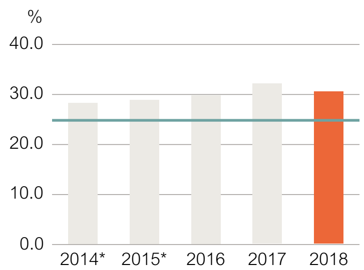
Financial goals

Return on equity



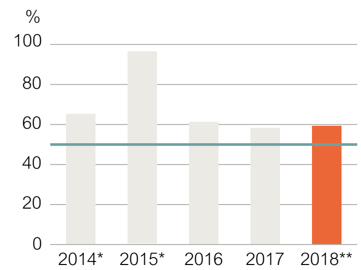
Goal >20%

Equity/assets ratio



Goal >25%

Dividends



Goal >50% of the profit for the year

* Not recalculated taking IFRS 15 into account, ** Board of Directors' proposal for 2018

Working sustainably and strong core values construct safe business

Peab stands strong. After our best result ever in 2018 we start 2019 with a well-filled order backlog, strong financial position and four collaborating business areas that together give Peab breadth and stability and spread our risks.

We can look back on a successful 2018 with higher net sales, profits and margins for the Group. All our business areas developed positively and we enjoyed the effect of all the work we have put into building a stronger and more stable Peab. Operating profit was a high of SEK 2.6 billion with an improved operating margin of 4.9 percent. Although the level of orders received was slightly lower towards the end of the year it totaled SEK 51.1 billion for the entire year, which meant an outgoing order backlog of SEK 45.8 billion. Construction and Civil Engineering, which perform contract work, delivered higher net sales and profit and Industry reported clearly improved profit. In Project Development a weaker housing market led to slightly lower net sales and profit in Housing Development while Property Development reported higher profits in our wholly and partially owned property holdings. Cash flow and net debt were affected during the year by more tied up working capital and continued investment in machinery and our operations and investment properties. The Group equity/assets ratio at year-end was 30.4 percent, a great deal more than our goal of 25 percent.

DIFFERENT CONDITIONS IN A MARKET GOING SIDEWAYS

The housing market in Sweden is expected to continue to contract in 2019 while other building construction is expected to remain on the same level. Housing and other building construction is expected to level out in Norway. The construction market in Finland is expected to increase in housing and develop sideways in other building construction. The civil engineering market conditions in Sweden and Norway are expected to continue to be good in 2019, primarily driven by government infrastructure investments. Stable economies in the Nordic region and a substantial underlying need provide a solid foundation for the construction market over time.

NORDIC COMMUNITY BUILDER WORKS SUSTAINABLY

For Peab responsible entrepreneurship means working sustainably. Our sustainable work is based on the UN's Global Compact (which we support), the global goals for sustainable development, our core values, business concept, vision, strategic goals and our Code of Conduct. We have established our focus areas and business plan for 2018-2020 taking the sustainable aspects Social, Environment and Economy into consideration. We have also identified risks in each sustainable aspect. Our focus

4.9%

The operating margin improved to 4.9 percent compared to 4.8 percent in 2017.

SEK 45,8 billion

The order backlog at the end of 2018 was record high SEK 45.8 billion (40.2).

areas and business plan goals guide us when we implement and concretize our sustainable work so that every employee can include it in their role and daily work.

IMPORTANT STEPS TOWARDS A HEALTHY INDUSTRY AND SAFE BUSINESS

The past two years Peab has worked hard for a sustainable industry where healthy competition flourishes. There is still a substantial competency challenge in the industry and to handle it, and provide customers with the products and services they demand – at the right time, for the right price and with the right quality – we need both domestic and foreign labor. A more open labor market puts higher demands on having a clear set of rules and equal terms. This is a major challenge in our industry since it is complex and consists of so many players. We have continued our work with safe business in 2018 taking a number of measures such as stricter self-monitoring, tighter purchasing steering and more proactive risk management. At the same time we have made tougher demands on other parties. We have also engaged in different collaboration projects where together, through transparency and common procedures, we have gradually formed a healthier industry. Today knowledge and openness in these matters is much more widespread but there is still a lot more to do. Healthy competition and safe business will continue to be among our highest priorities going forward.

DIVERSITY BY DEVELOPING PEOPLE

Peab consists of 15,000 skilled, committed people. One of the issues closest to my heart as CEO is the desire for each one of them to feel included, that they own our core values and that they can develop to their full potential in the company. This builds and spreads the Peab spirit: a culture that both attracts and retains diversity. While we develop our employees we continue to work to broaden the industry and open it up for other talented people. This is why we continue to teach every employee about diversity and equal treatment and actively develop our safety culture. At year-end we reached our goal with The 100 Club when 102 adult immigrants had either been trainees or begun working at Peab. At least that many youths have received a Swedish education through the Peab School. I am proud of our integration work and thankful for all our new, competent personnel.

We have learned a lot about including people with different backgrounds in recent years. Now the work continues.

A BROAD BUSINESS MODEL CREATES STABILITY AND A STRONG OFFER

We have a unique business model where 15,000 employees that share the same core values are united in four business areas and together create total solutions for our customers.

Our business areas give us a competitive edge and unique collaboration opportunities for rational and quality ensured production, from a to z. By increasingly using conceptualized construction methods and tech solutions we intend to take quality and efficiency a step higher for our customers in 2019. Our people, core values, business models and modern production methods all lead to achieving our strategic goals; to have the most satisfied customers, be the best workplace and the most profitable company in the industry.

60 YEARS OF COMMUNITY BUILDING

Peab started in 1959, which means we turn 60 this year. Our fantastic company is still building communities on the same foundation as then, underpinned by our values and our desire to build for people. Now I look forward to furthering this work. We have been constantly developing for 60 years but we have never forgotten our roots. This balance makes Peab unique and sustainable.

I want to thank each and every one of our skilled, committed employees: you who are with us today, and you who were with us 60 years ago and helped lay the first cornerstone of this unique company.

We build Peab together.

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

Förslöv in March 2019

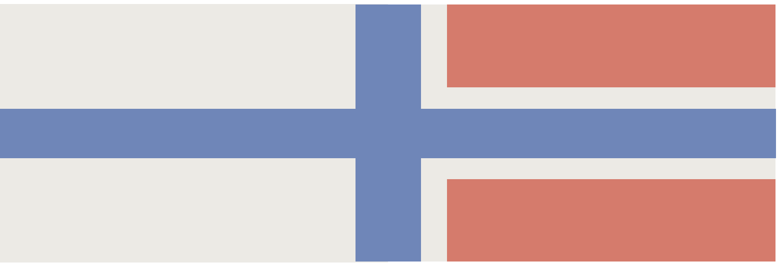
Jesper Göransson
President and CEO

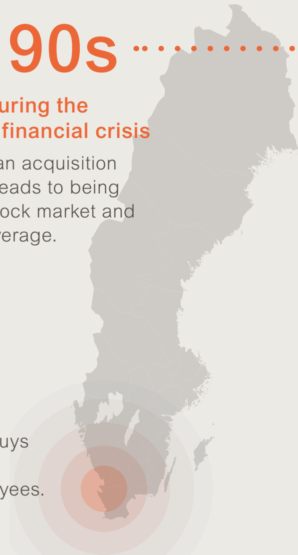
1959

"We can do it, we can use father's tractor"

Mats and Erik Paulsson, 14 and 16 years old, take on a contract their father said no to – collecting garbage for summer residents on the Bjäre Peninsula.

See the film about Peab's 60 years as a community builder.





The 90s

Expansion during the banking and financial crisis

Peab initiates an acquisition offensive that leads to being listed on the stock market and nationwide coverage.

1999

Finland

Finnish Rakennus OY Leo Heinänen is acquired which puts Peab in the Finnish market.

1994

Norway

Olso-based Fagbygg A/S (part of BPA) becomes part of Peab Norway and Peab is established on the Norwegian market.

1993

Peab buys Sweden's largest construction company, BPA

With its 5,000 employees Peab buys trade union owned BPA that has three times the number of employees.

2006

The Peab School launched

Labor force shortages in the industry and being an ambitious community builder are the background to why the Peab School was started in 2006. Since its doors opened more than 1,000 students have graduated from it. Today, in 2019, there are schools in Malmö, Gothenburg and Stockholm.

2009

Hyllie

Peab acquires Annehem and becomes part of the journey to develop the completely new city district Hyllie in Malmö.

2010

Arenastaden

The development of Arenastaden in Stockholm begins with the construction of Sweden's national arena, Friends Arena, and continues with housing, a mall and office buildings.

1963

Peab starts up in civil engineering

The brothers buy their first excavator and begin to develop civil engineering operations with it.

1965

The brothers buy "Otto's gravel pit"

and the farm that goes with it in Förslöv and turn "the gravel pit" into a real gravel quarry.

1970

Building boom in Sweden – Peab launches construction operations

Peab starts up in construction when the brothers buy the construction company building the workshop in Förslöv.

1975

Stenmark creates skiing fever

and the brothers wanted to find a vacation place for their employees. They buy into what will in a couple of years will be called Lindvallen in Sälen AB, better known today as Skistar. It was part of Peab until 1983.

The 80s

Establishment in Malmö

Peab becomes a name in Malmö when it renovates the Börshus and builds the Saab factory.

2015

Refugee crisis

Peab engages in the Swedish Public Employment Service's program The 100 Club, an initiative created to offer immigrants an internship or job. The Peab School starts a language introduction and a language course for immigrants.

2016

Route E45

Peab is commissioned to sink and deck route E45 in Gothenburg where 55,000 vehicles pass every day. The highway will be lowered six meters at Lilla bommen in Gothenburg, which is necessary to connect E45 to the new Hising Bridge and the Marieholm tunnel. Several of Peab's operations and companies are collaborating on this.

2019

Peab celebrates 60 years

60 years with the same core values: Down-to-earth, Developing, Personal and Reliable.

BUSINESS AREA CONSTRUCTION

Sustainable construction on the local market close to customers

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

Read more on page 38–39

Trends and driving forces

A dampened housing market is counterbalanced by other premise construction. Although the prospects for other building construction are hard to judge higher employment, population growth and an aging population are factors that drive demand. Strong development toward digitalized operations that permeate the process from the drawing board through production.

BUSINESS AREA CIVIL ENGINEERING

Greater need for infrastructure on a strong market

Builds and maintains infrastructure such as roads, railroads and bridges. Focused on the local market performs landscaping and pipelines, foundation work and diverse construction. In addition, operates and maintains national and municipal highways and street networks as well as cares for parks and outdoor property. Organized in geographic regions and specialized product areas.

Read more on page 40–41

Trends and driving forces

The Nordic civil engineering market is characterized by public investments in infrastructure projects; in Sweden and Norway primarily in an increasing number of extensive and complex projects, but also by smaller, local civil engineering projects. Operation and maintenance of existing roads is also a significant market. Intense competition is felt from several non-Nordic companies on all markets.

BUSINESS AREA INDUSTRY

Complete supplier on the Nordic construction and civil engineering market

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

Read more on page 42–43

Trends and driving forces

Market development usually follows developments in the economy. Positive tendencies in general where the business successively gained strength during 2018 mainly due to high demand for concrete, gravel and rock, asphalt and rentals.

BUSINESS AREA PROJECT DEVELOPMENT

Develops sustainable urban environments, homes and commercial properties

Responsible for acquisition, development, management and divestment of housing, commercial property and entire city districts. Project development takes place in wholly owned projects or in joint ventures with other partners. Housing Development develops homes for private customers. Property Development acquires, develops, manages and divests commercial properties.

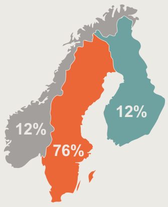
Read more on page 44–49

Trends and driving forces

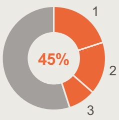
With a continued significant underlying need for housing market conditions are considered good in the long run, even though demand for homes diminished last year, especially in Stockholm. There is still strong demand for modern office space in the right location.

Net sales

SEK
28.3 billion



Share of Group net sales



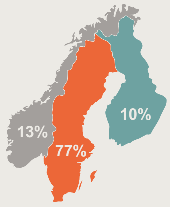
Customer type:
1. Private, 45%
2. Public, 36%
3. Internal/other, 19%

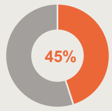
Peab's position

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

Employees

6,631

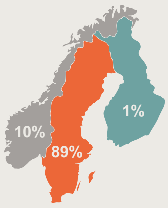




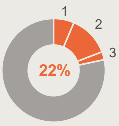
Share of total number of employees in the Group

Net sales

SEK
13.7 billion



Share of Group net sales



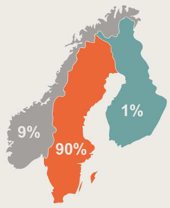
Customer type:
1. Private, 30%
2. Public, 58%
3. Internal/other, 12%

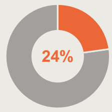
Peab's position

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

Employees

3,580

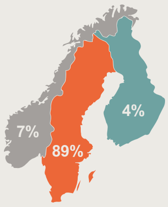




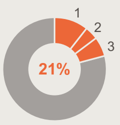
Share of total number of employees in the Group

Net sales

SEK
13.3 billion



Share of Group net sales



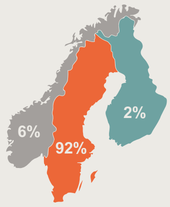
Customer type:
1. Private, 51%
2. Public, 20%
3. Internal/other, 29%

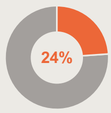
Peab's position

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

Employees

3,484

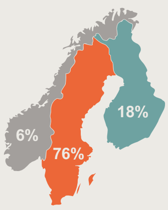




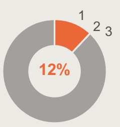
Share of total number of employees in the Group

Net sales

SEK
7.8 billion



Share of Group net sales



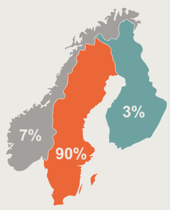
Customer type:
1. Private, 98%
2. Public, 1%
3. Internal/other, 1%

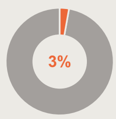
Peab's position

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

Employees

379





Share of total number of employees in the Group


ROUTE E45
Gothenburg

Nordic construction and civil engineering market

Late cycle growth and weaker inflation

The global business cycle was characterized in 2018 by several late cycle driving forces like a strong labor market, rising investments, high capacity utilization and recruitment difficulty. Growing concern for a recession combined with unforeseeable political gambits from the US and uncertainty about the effects of a trade war between the US and China contributed to the decline in global financial markets at the end of 2018, which meant the year began and ended with weak economic cycle data. Despite all this the global economy on the whole grew on par with 2017. Both the Eurozone and China slowed while growth in the US accelerated. The global economy is expected to slow in 2019 and level out in 2020. The slowdown is expected to be widespread and affect China and the US as well as Europe. Despite a strong labor market and the belief unemployment will continue to contract, salaries are rising at historically low rates. This, together with an increasingly global market in goods and services, digitalization and aging populations, is expected to keep the underlying inflation pressure at bay. It should also mean that interest rates remain low.

The economy in the Nordic countries

Sweden

Sweden's growth rate accelerated another notch in 2018. However, private consumption growth abated as did total investment volumes, primarily due to a decline in housing construction. While capacity is still at a shortage and recruitment difficulty continues, in both industry and the service sector it is becoming clear that we are now descending from the peak of the economic cycle. Although there is only a modest decline in growth, uncertainty factors and financial imbalances can have a dramatic effect during a slowdown. Examples of these factors are the ongoing trade wars, concern that the US economy will put on the brakes and Brexit. However, weak inflation signals indicate that interest rates will continue to be very low in both 2019 and 2020. Expansive fiscal policies and a weak Swedish krona can counteract a severe decline in the Swedish economy.

Norway

The Norwegian economy grew in 2018. Household finances were favored both by higher employment and rising real incomes, and the growing interest in the oil industry to invest sent positive impulses to the rest of the business world. Unemployment dropped and is expected to continue to contract over the next two years, which is good for private consumption. GNP growth in 2019 and 2020 is expected to remain above the normal trend. Private consumption and gross investments will probably drive this financial growth. At the same time stricter monetary policies and the resulting rising interest rates could very well have a dampening effect. A stronger Norwegian krone could also work negatively for the country's export industry.

Finland

After good growth in recent years a slowdown in the Finnish economy is now anticipated. However, the forecast predicts growth in 2019 and 2020 will remain above the normal trend. The Finnish economy has been bolstered by strong domestic and international demand but when the global economy slows domestic consumption and investments will have to become the driving forces. It looks like unemployment will continue to drop and it is possible salaries will rise slightly as well. Capacity utilization is high in industry which normally entails more investments. Other business is sending similarly positive signals. Public finances have improved during the past few years thanks to both savings and a stronger economy and this can lead to more public consumption in the future.

Source for text and graphics: Industrifakta

UNCERTAINTY IN THE SWEDISH HOUSING MARKET

Total building construction dropped from a high level in 2018. The decline was widespread and affected housing as well as other building construction. Zoning plans and construction permits indicate total building construction will continue to decrease in 2019. There is an uncertainty in the housing market on the heels of falling prices, big production volumes and high entry requirements for first time homebuyers. Sweden's economy is slowing which reduces businesses' motivation to invest in construction. Low interest rates, housing shortages and a growing population are some conditions for new construction of apartments for rent. In addition, there is still a significant need for renovations in properties built in the 60s and 70s. Population growth also generates greater needs in education, health and social care. Civil engineering construction rose in 2018 and it looks like this trend will continue in 2019. Both public and private investments are expected to contribute positively.

FRAGMENTED CONSTRUCTION MARKET IN NORWAY

The volumes in building construction investments in 2018 remained unchanged from 2017. However, behind the numbers the market is fragmented. While construction of premises for the public sector and industry developed positively housing construction declined. Investments in private premises on the other hand developed sideways. It is not unreasonable to believe that building construction volumes will increase somewhat in 2019 based on the fact that economic prospects seem bright. High demand and advantageous financing terms have continued to favor civil engineering construction during the past year. The positive trend is expected to continue in 2019 and then level out around 2020.

CONSTRUCTION MARKET SIDEWAYS IN FINLAND

Total housing construction continued to grow in 2018. New production of apartment buildings increased while single home construction declined. The downturn in other building construction continued in 2018 and affected industrial, office and commercial premises. The downturn was primarily due to declining new construction investments. Renovation investments on the other hand showed strong growth. The forecast for total building construction volumes points to a marginal upturn during 2019. The forecast for civil engineering construction indicates a slight increase in both 2018 and 2019. Public finances have improved which can boost civil engineering construction.

GREEN AND SOCIAL SUSTAINABILITY

The environment and sustainability are concepts that permeate every section of business and influence mindsets, customer demands and strategies in the construction and real estate markets. Lately the climate debate has intensified even further. We must make an effort to limit global warming. A rise in temperature of even two degrees can have substantial negative effects. We face huge challenges and will need both new technology and make changes in our consumption and in the way we use the earth's resources. The construction and real estate industries will indirectly be affected by new patterns of living but of course they too have a key role to play in contributing to a more sustainable society. The construction industry can have a direct effect by constructing buildings and facilities that in part can handle climate changes and in part contribute positively to climate conversion. Examples of this are building complexes that not only manage their own lifecycle but by generating renewable energy and through green areas and urban gardening help the environment and biological diversity. Sustainability also means creating a community where we avoid building barriers and instead break down exclusion and work towards greater integration and far-reaching social sustainability.

OTHER MAJOR PLAYERS

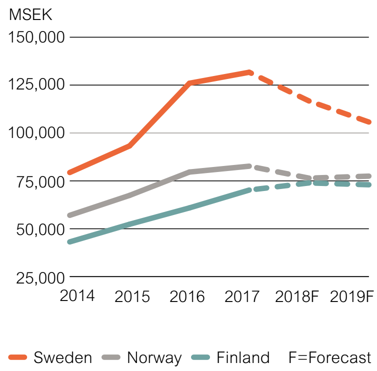
Although the Nordic construction market consists mainly of a large number of small companies operating under intense competition and on local markets there are a few very large, national players. Several of them also operate more or less on the entire Nordic market. Some that can be named in building construction exept for Peab are Skanska, NCC, JM, Veidekke, AF Gruppen and YIT.

Some of the players in civil engineering and road construction besides Peab are Skanska, Veidekke, AF Gruppen, Danish Per Aarsleff, NCC, Svevia and Infranord.

Investments 2014–2019

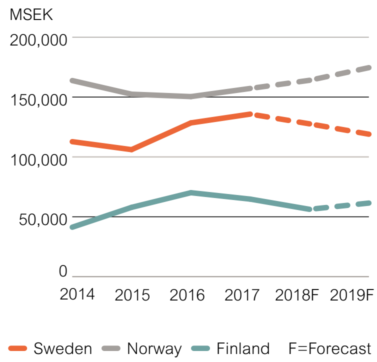
Housing investments

Initiated construction projects



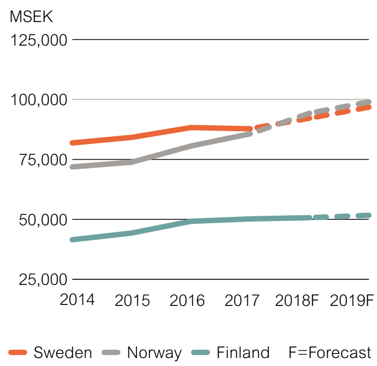
Other building construction investments

Initiated construction projects



Civil engineering investments

Ongoing investments



Source for text and graphics: Industrifakta

Goals and strategies

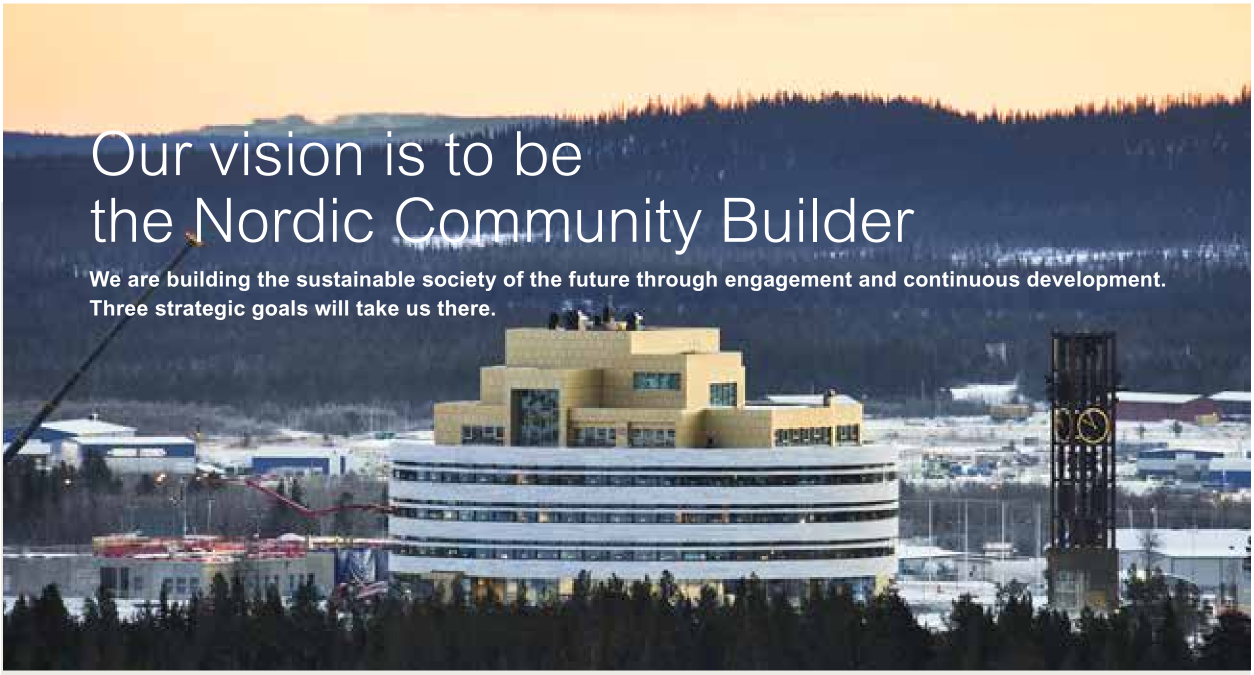
We are the Nordic Community Builder. Our daily operations contribute to developing society because everything we build and construct is characterized by responsible entrepreneurship. We create value for our customers, employees, shareholders and other stakeholders based on our core values, business concept,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

Business concept

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

Core values

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



Our vision is to be the Nordic Community Builder

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

Strategic goals

Most satisfied customers in the industry

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

Best workplace

People are what matter the most to Peab. At Peab everyone should feel they have safe, including workplaces with good work conditions and development opportunities. When our employees grow Peab grows.

Most profitable company

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

Value-adding operations

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

Business plan 2018–2020

We launched a new business plan period in 2018 based on our five focus areas and characterized by geographic collaboration and a cross-functional work method. Our three strategic goals are part and parcel of it, framing our prioritized investments for 2018–2020.

Three goal areas	Outcome 2018
Most satisfied customers in the industry Through long-term customer relations and close collaboration characterized by responsiveness and flexibility. Annual SCI surveys (Satisfied Customer Index) are conducted to find out how well Peab lives up to customers' expectations. The surveys are sent to both company customers and private housing customers.	Under 2018 Peab achieved our target of 75 (75) for SCI (Satisfied Customer Index) and continued with frequent customer dialogues so that we always understand what our customers prioritize the most. The index for the industry was 72. The areas considered most important to our customers are work methods, reliability and time schedule. We will continue to focus on these areas in 2019.
Best workplace in the industry By attracting, including, developing and keeping competent and motivated employees and offering safe, including workplaces. We measure this goal in many ways, among them by registering risk observations and holding regular personnel surveys.	During the business plan period 2018-2020 we will put extra focus on developing our employees and continuing to create safe, including workplaces. In 2018 a new career map was produced that clearly defines the paths of development in Peab, 19,300 risk observations were registered and more than 3,600 employees were educated in equal treatment, leadership and ethics. In the latest personnel survey Peab had a eNPS (promotes Peab) of 13 (22), which is well above the benchmark for the industry in Sweden.
Most profitable company in the industry Value-adding that develops a long-term profitable business and generates value for shareholders. Being the most profitable company in the industry is measured through margin and return goals for the Group in total.	Peab delivered record profit in 2018 with an operating margin of 4.9 percent (4.8). Return on equity was 19.6 percent (21.1). Peab started 2019 with an order backlog of SEK 45.8 billion (40,2), well spread geographically and with good product diversity.

Focus areas in the business plan 2018–2020

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

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

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

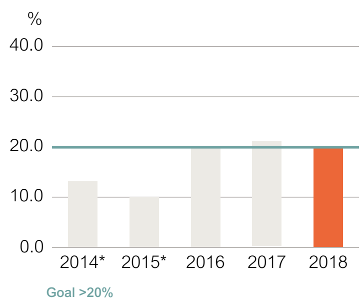
Skills recruitment – Based on what production needs recruiting, training and developing for current and future roles.

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

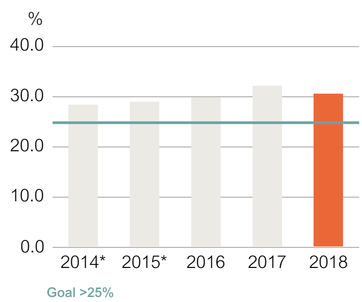
Financial goals

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

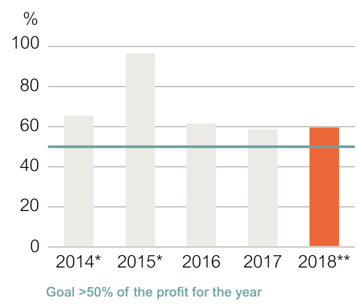
Return on equity



Equity/assets ratio



Dividends



* Not recalculated taking IFRS 15 into account, ** Board of Directors' proposal for 2018

RETURN ON EQUITY OF AT LEAST 20 PERCENT

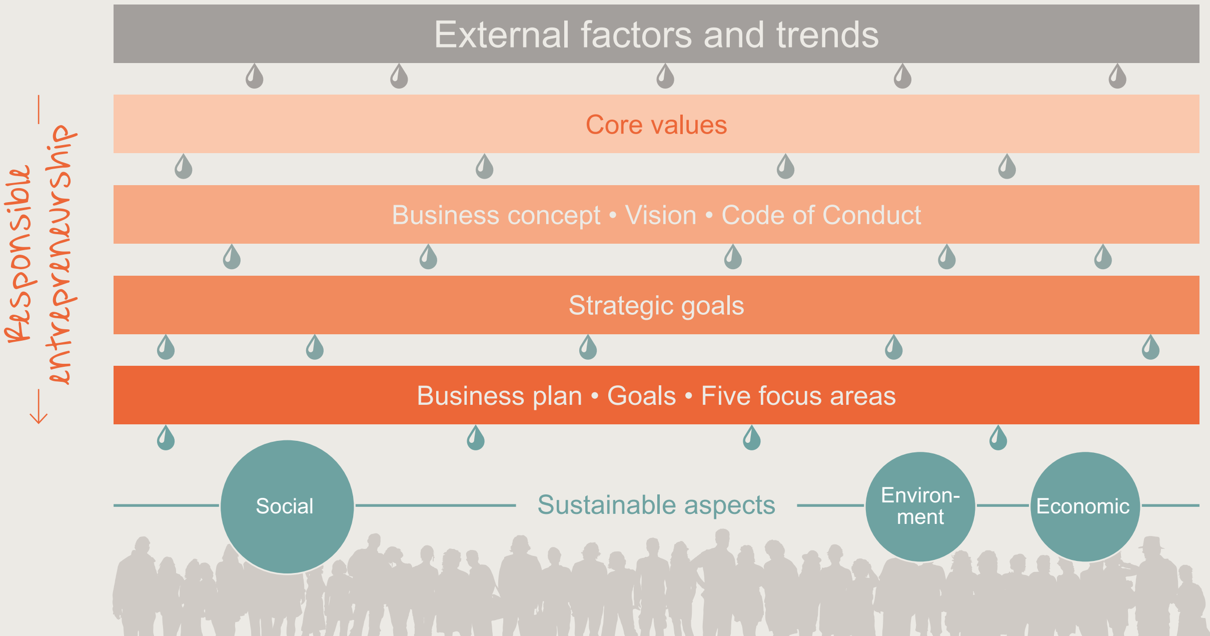
The return on equity amounted to 19.6 percent (21.3) in 2018. Return on equity has been close to the goal of 20 percent in recent years due to higher earnings in operations.

EQUITY/ASSETS RATIO OF AT LEAST 25 PERCENT

In recent years the equity/assets ratio has been better than the goal and in 2018 it amounted to 30.4 percent (32.2). The lower equity/assets ratio is due to a higher balance sheet total as the result of more tied up working capital and investments in property in business area Project Development as well as investments in business area Industry.

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

A dividend of SEK 4.20 (4.00) per share is proposed for 2018. Calculated as a share of the Group's recognized profit for the year the proposed dividend is 59 percent (58). The proposed dividend is equivalent to a direct return of 5.8 percent (5.7) calculated on the closing price on 31 December 2018.



Working sustainably creates value for many

Peab believes every deal should be sustainable. To attain this we practice responsible entrepreneurship based on our core values, business concept, vision, strategic goals and our Code of Conduct. This means we also follow the UN Global Compact. The sustainable areas Social, Environment and Economic have played a big part in forming our focus areas and business plan goals for the period 2018-2020. These goals are aimed at achieving sustainable methods and work patterns. Responsible entrepreneurship permeates every aspect of Peab.

Peab's vision is to be the Nordic Community Builder and we want our stakeholders to experience us as such. Construction, like building homes or modern infrastructure, is one part of our contribution to a sustainable society. Another part is creating the best possible conditions for the people who will be in these environments that we plan, build and construct. In our role as a major but yet local employer it is crucial for us to have good insight into local community needs. Our ambition is to then convert this knowledge into an active commitment to society and be truly useful locally.

We can do a lot ourselves but even more in partnership with others. As one of Sweden's largest construction companies we play a big part in keeping the industry sound, safe and attractive. We can create added value for our stakeholders by running our business sustainably, responsibly and long-range.

STAKEHOLDERS GUIDE US
Peab's stakeholders' needs and demands greatly influence how the Group prioritizes and acts. An extensive and open dialogue with our stakeholders provides us with a good comprehension of what the most important issues are for different groups. In a changing world where needs are constantly shifting an ongoing stakeholder dialogue is key to quickly picking up on new needs and striving to fulfill them. The accumulated result from these dialogues informs our materiality analysis and is the basis of our priorities. A number of stakeholder dialogues were held in 2018 which gave us valuable guidance in decisions and measures concerning matters like our environmental goals and our work on diversity and healthy competition.

Peab's definition of sustainability

For Peab sustainability means responsible entrepreneurship. Everything we do should be ethical and sustainable long-range **Socially, Environmentally** and **Economically**.

Stakeholder	Expectations of Peab	Dialogue examples
Share-holders	Responsible ethical entrepreneurship, long-term financial value development that creates annual dividends, active risk management, responsibility throughout the value chain, climate awareness and measures to reduce climate impact, community involvement through, for example, integration programs, internships and contributions to work life experience for youths	AGM, analyst meetings, surveys from ethical and environmental funds, annual and sustainability reports, quarterly reports, investor meetings, national and international estimations
Employees; existing and potential	Responsible ethical entrepreneurship, good work environment and high safety, skills development, good leadership, equal treatment, equality and diversity, good and attractive work and employment conditions, climate awareness and measures to reduce climate impact, community involvement through, for example, integration programs, internships and contributions to work life experience for youths, responsibility throughout the value chain	Daily dialogue, employee surveys, student surveys, workplace meetings, union cooperation, internal training, incident follow-ups, management meetings, goal and developmental discussions, external surveys concerning employer brand, student relations and cooperation with educational facilities
Customers	Responsible ethical entrepreneurship, professional businessmanship, competence, resource capacity, quality, availability, cost-efficient construction, good work and employment conditions, certifications, climate awareness and measures to reduce climate impact, community involvement through, for example, integration programs, internships and contributions to work life experience for youths, responsibility throughout the value chain	Meetings in person, daily contacts, networks, partnerships, customer meetings, fairs, surveys to customers, surveys from customers, procurements and reviews
Local community	Contributions to local community development, cost-efficient construction and housing in different price categories, climate awareness and measures to reduce climate impact, care for the environmental locally, community involvement through, for example, integration programs, internships and contributions to work life experience for youths, sponsoring local youth activities, responsibility throughout the value chain	Visits, partnerships, information meetings, networks, contacts with county boards/ municipalities, environmental reports, vision work, mentoring, sponsor projects, citizen and resident dialogues
Suppliers	Responsible ethical entrepreneurship, professional businessmanship, climate awareness and measures to reduce climate impact (preferably with the supplier), responsibility throughout the value chain	Procurements, supplier evaluations, meetings in person, daily contacts, supplier meetings, sustainable dialogues and partnerships

Social, Environment and Economic encompass Peab's sustainable work

We have chosen to encompass our sustainable work in the three areas Social, Environment and Economic. We have found that the sustainability areas previously identified as the most relevant for our business to manage, monitor and report on are still the same in 2018. During the year extensive work has been done to overhaul the monitoring processes in these areas. This has resulted in, among other things, a slight reduction in key ratios in order to ensure the quality of the data.

Peab's materiality areas, with their associated prioritizations, are comprehensive and complex, which means that reaching our goal takes time and requires persistence and continuity. Our ongoing stakeholder dialogues keep us continually updated on what influences stakeholders' decisions, and their expectations of us.

Global goals and Agenda 2030 inform

During 2018 Peab carried out an analysis and a developmental project to determine which of the UN's 17 sustainable development goals we have the best prerequisites to contribute to. There were several steps to this work, in our operations as well as in the Board and executive management, where the 17 goals with their 169 targets were discussed and processed. One conclusion was that as a Group Peab more or less contributes to, and is affected by, every global goal since they are all integrated and inter-dependent. However, for the period 2018–2020 five of the goals are extra prioritized since they are either areas that hold significant potential risk or areas where Peab has a good chance of promoting sustainable development.

Steering Peab's sustainable work

Working sustainably is fundamental to Peab's responsible entrepreneurship and has therefore top priority in our core operations. Peab's strategic sustainable work is focused on handling risks, systematic quality work and in an inventive, responsible manner making sustainable development, internally and through external collaboration, possible.

Peab's Board prioritizes sustainability matters and has given Peab's executive management the overriding responsibility for steering the Group's sustainability work and for monitoring the integration of sustainability into every aspect of our business. For Peab working sustainably is an essential, strategic issue which is put into practice locally and in a down-to-earth manner.

Peab's Head of Sustainability, who reports to executive management (COO), is responsible for strategically running and coordinating our sustainability work. Therefore the Head of Sustainability, together with the business areas and function specialists, is responsible for integrating sustainability throughout the business. It is self-evident for Peab to include employees in the process through transparency and spreading knowledge about basic sustainable factors. The Group therefore works continually to raise knowledge levels in every part of our organization around matters like the work environment and health, the environment, equal treatment, leadership, ethics and anti-corruption.

CENTRAL REGULATIONS AND A MANAGEMENT SYSTEM FOR STEERING

Peab requires all employees to comply with international conventions and national laws. Our fundamental steering document, Peab's Code of Conduct, is based on the UN Global Compact principles that include the precautionary principle. Peab signed Global Compact 2012 and the Annual and Sustainability Report make up the Group's annual report to Global Compact, the Communication on Progress. In accordance with the decision by Peab's CEO the company will continue to follow Global Compact.

The CEO has ultimate responsibility for ensuring that the Code of Conduct is followed and communicated. Every employee is in turn responsible for taking the information to heart and following the Code of Conduct. The Group's purchasing function is responsible for checking that suppliers follow the dictates of the Code of Conduct. Peab has a whistleblower function for anyone, internal employees or external stakeholders, who wishes to draw attention to deviations from the Code of Conduct or other irregularities in the business. The function is handled by Peab's Ethical Council and whistleblowers can by anonymous. Peab's Code of Conduct is complemented by four policies; the Environmental Policy, Quality Policy, Information Security Policy and Work Environment Policy. These are then supplemented by a number of other supportive documents such as the Group's equal treatment plan.

STEERING IN THE SOCIAL AREA

Peab's Code of Conduct regulates several parts of the Social area such as human rights, the right to organize, prohibition of forced labor and child labor and non-discrimination. The Code of Conduct with associated policy documents also meet the demands in the

Swedish Work Environment Authority Ordinance AFS 2001:1. In Norway Peab follows the Work Environment Act and valid regulations for the construction and civil engineering industries. Finnish operations are certified according to OHSAS 18001 and in 2019 they will also be certified according to ISO 45001.

Peab's work in the Social area primarily affects our own employees and our own organization but the social responsibility that stretches beyond the limits of the company is an ever growing part of Peab's responsibility to society.

Strategic work on the work environment is run on Group and business area levels, together with the relevant expertise on all levels of the organization responsible for turning strategy into reality. Our priorities in the work environment are the same in all three countries, albeit taking national legal differences into consideration. Work on the work environment is integrated with the Group's work against discrimination and for equal treatment. There are 163 (173) employees in Peab that specifically work with work environment matters within the Group. In addition, there are 668 (665) safety representatives, all of them chosen by, and representatives of, the employees. There are also 127 (63) work environment administrators (HAMare), which is a union assignment. All in all 6.5 percent (7.1) of all employees in Peab handle work environment matters.

Peab's COO has the overriding responsibility for ensuring that there are support systems for HR processes in close proximity to operations. The CFO is responsible for systems connected to Finance and Treasury as well as salaries and remuneration matters. Line managers, supported by specialist functions, have the operative responsibility for ensuring safety, training, diversity and proper working conditions in the company, for instance that the Code of Conduct is followed.

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

Peab's sponsoring is steered by guidelines for sponsoring. Peab's sponsoring is rooted in the local community with the requirement that all sponsored activities must generate some kind of return to society. A central Group Sponsoring Council meets once a month to decide on sponsorship requests.

STEERING IN THE AREA ENVIRONMENT

Peab works actively with the environment, close to operations, throughout our organization.

Common environmental issues are coordinated on Group level by the Head of the Environment. As of January 2018 the Group has three overriding environmental goals, decided by executive management and supported by the Board (see page 25). These Group goals are broken down and turned into practical measures in our various operations, based on the business areas' unique conditions and challenges. The Head of the Environment runs the cross-functional, common Group work on the environment and thereafter business area environmental managers are responsible for producing a risk analysis specific to their operations and formulating detailed targets. Key ratios and measuring methods are coordinated on Group level although there might be indicators and measurements specific to an operation.

Most of Peab's business operates within the framework for a management system that is certified according to ISO 14001. Some of Peab's Swedish operations are also certified according to ISO 9001:2015 and an equivalent certification of Norwegian operations will begin in 2019. The environmental management system is an integral part of the business management system and supplemented by Peab's Environmental Policy, which meets all the requirements for ISO 14001:2004.

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

Peab's work in the area Environment has an effect on our own operations but to a much higher degree it affects the world around us, particularly considering the lion's share of global emissions that the construction and civil engineering industries represent.

STEERING IN THE ECONOMIC AREA

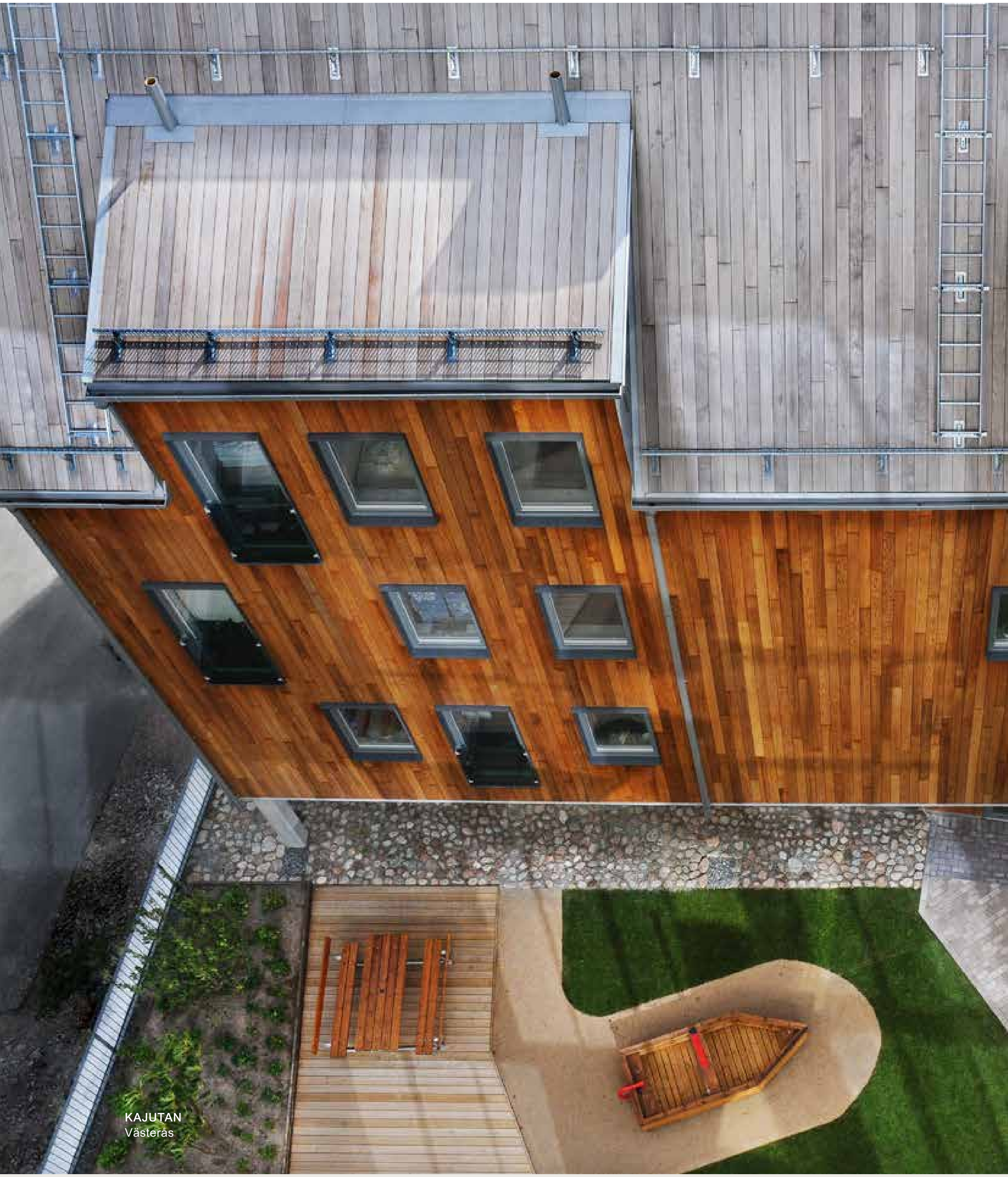
Peab's executive management is responsible for steering purchases and the work with ethics and anti-corruption. The central steering document for these areas is the Code of Conduct. The Ethical Council plays an important role in handling and monitoring the work with ethics and anti-corruption complemented by the Group's whistleblower function, which is an essential tool for pointing out deviations from the Code of Conduct and valid legislation.

The Group Head of Purchasing holds the highest responsibility for purchasing. The Group's regulations and processes are clearly communicated throughout the company. An important part of them are the basic requirements in Peab's written contracts such as signing and following the Code of Conduct. There are two central support functions in purchasing; Purchasing Steering and Purchasing and Logistics Development, which measure, control and support development in prioritized areas connected to our suppliers, the work environment and sustainability. For instance, there are daily controls of our supplier base founded primarily on financial parameters and follow-ups in the areas work environment and labor laws every six months. Peab has a special program with specific targets for the risk categories that have been identified concerning human rights, working conditions, the environment and business ethics. Purchasing is also responsible for making sure suppliers follow the Code of Conduct.

Peab's work within the area Economic has a considerable influence on our own operations but also greatly contributes to sound and safe conditions for the rest of the construction and civil engineering industry; for both players and the individuals and communities affected in the supply chain.

PEAB'S SUSTAINABILITY REPORT

Peab reports its sustainability work according to the reporting standard Global Reporting Initiative (GRI) and it is our belief that to all extents and purposes it follows version 4.0, CORE. The extent of the sustainability report can be seen in the related GRI appendix found at **peab.inpublix.com/2018** where the GRI index and sustainability data is compiled.


KAJUTAN
Västerås

Peab builds for people

Peab builds for people. Everything we do should contribute to sustainable community development focused on human needs. We want to build sustainable and safe living environments, produce infrastructure that works for everyone and participate in developing sustainable materials and methods at reasonable costs. We also want to contribute to equal opportunity for all young people and the integration of skilled, immigrant employees. To do this we start with our own organization by providing a good work environment, inclusive workplaces and opportunities for development for all.

EVERYTHING STARTS WITH OUR EMPLOYEES

Everything we do starts with our employees. Our offer is built on and formed by talented people. It is incredibly important to Peab that all our employees feel they have a safe, meaningful and developing job. We want to be able to attract skills from the entire population by being an inclusive, equal opportunity company where everyone can grow and every individual is supported by good leadership. These factors create the best workplace.

SAFE, SECURE WORKPLACES AND EMPLOYEES THAT ENJOY THEIR JOBS

Like the construction and civil engineering industry in general, Peab's employees are exposed to risks at work. Peab has a vision of zero workplace accidents, which means work on the work environment, safety and health has top priority. Compared to last year the number of accidents (definition: more than 8 hours absence, per million hours worked) dropped from 15.1 to 14.2 in 2018. We will continue to work systematically and proactively every day with risk observations, risk assessments, risk management and other preventive measures in our daily operations in order to prevent incidents, accidents and injuries as well as promote health and well-being. Whenever we discover a risk we report and remedy it as part of our systematic work environment work (SAM) that includes important follow-up. All our 14,614 co-workers (100 percent) at Peab's workplaces are covered by a health and safety management system. The system is only reviewed internally.

Sustainability aspects

- Health and the work environment
- Skills recruitment
- Equality, diversity and equal treatment
- Education for the young
- Mentorship
- Mentorship
- Sustainable sponsoring and Local community building projects

For the GRI index and sustainability data see **peab.inpublix.com/2018**

Peab wants to prioritize preventative work environment efforts and in 2018 an extensive project was carried out to increase risk observation reports in our organization. This is done through an AIR system (Accident and incident reporting). It resulted in a notable increase in the number of observations and Peab received valuable new information on mechanisms that can cause, but above all prevent, risks. Understanding cause and effect is vital to to working proactively and encouragingly. Therefore the first stage of a Group project, created within the framework of focus area Secure business and aimed at improving the safety culture in Peab, was carried out in 2018. The overriding goal of this long-term project is to achieve our vision of zero workplace accidents by increasing awareness and changing risk and safety behavior. The project is based on current research with firm ties to our local operations in Sweden, Norway and Finland.

This year Peab's annual health and the work environment focus week, when members of Peab's management visit workplaces, was held in August. Discussions during the week give us an understanding of the challenges as well as the good examples of what feels safe, healthy and secure. In 2018 managers and members of Group functions visited 558 (791) workplaces and 940 (798) discussion meetings were held on the work environment. The dialogues were largely about how we can be better at listening, being considerate and being able to ask for help; subjects of discussion that led to more of our employees than ever before saying they felt like they had been included.

COMPETENCE CHALLENGES FOR BOTH THE INDUSTRY AND PEAB
The construction and civil engineering industry is in sore need of people with qualified skills. Competition is intense and the industry continues to face major challenges in mirroring society's diverse composition. In 2018 Peab further developed our work to attract, recruit, develop and retain competent employees. Working together with educational facilities is crucial to attracting new skills and Peab continually tries to develop the framework and scope of this cooperation. Some examples are internships for both university graduates and vocational studies students, tutorial help with master's dissertations and collaboration in different development projects. Our most important mission, however, is to make sure that the employees we already enjoy their work and can develop at Peab. Nothing matters more important than our employees.

NORWEGIAN TRADE COLLABORATION FOR MORE YOUNG HOUSE BUILDERS
In 2018 Peab and a number of other construction companies in Norway collaborated with all the high schools in Oslo to create an entirely new kind of trade training. For a few days 800 ninth graders from 49 schools were taught how to build houses. The hope is that this unique project will inspire more young people to get an education in construction or civil engineering.

In December 2018 we concluded our three-year participation in The 100 Club where we promised through a statement of intent to the Swedish Public Employment Service to offer internships or jobs to 100 immigrants. At the end of the year we reached our goal with 102 participants, thanks to the huge commitment by our entire organization. Integration initiatives like The 100 Club are an important part of our role as community builder but above all they are a valuable component of our skills recruitment.

Peab arranged a diversity workshop

How can we create an inclusive industry that is attractive and available to everyone, independent of gender or background? Enthusiasts from various companies and organizations gathered together at a workshop to listen and learn from each other about working with inclusion, diversity and equality. Peab's initiative came in the wake of the statement of intent for an inclusive construction industry free from discrimination that almost all the construction industry signed.

"Everyone in the room agreed that diversity and inclusion are not about being competitive – they are a matter of survival for an entire industry," says Hesho Salih, teacher at Peab and the Peab School, who led the workshop.

POPULAR PEAB COURSE AT FINNISH METROPOLIA UNIVERSITY OF APPLIED SCIENCES
In the autumn of 2018 Peab arranged a five-credit course at Metropolia University of Applied Sciences in Helsinki. The course included responsible allocation on construction sites, diversity, communication, goal orientation and handling challenging situations. Leaders from Peab were also some of the lecturers. Around a hundred construction students participated in the course which ended with presentations of group projects at Peab's offices in Ultimes Business Garden in Helsinki.

THE IMPORTANCE OF A GOOD START
We know that our new employees need a proper introduction to both our business and their role in it in order to get a good start. It is particularly important for young people who may have never had a job before. In 2018 730 (1,119) people participated in an introduction day for new employees aimed at broadening their knowledge about Peab's business and core values. A digital introduction was also offered as a complement. More sections of the introduction will be digitalized and supplemented with a local introduction package in 2019.

COMPASS GUIDES MORE EMPLOYEES ON THEIR CAREER PATH
In 2018 Peab further developed the career map we began to work on the year before to ensure that all our employees can identify their career path. While Peab's broad range of operations offers endless possibilities for development, employees need to be able to see and comprehend how each of them can grow in their profession and advance in their career by combining work experience with education and training. The purpose of the career map is to illustrate how new career paths can materialize through relevant development measures. In 2018 we launched the Group's new Learning Management System "Compass" in which all employees in all professions can, through flexible digital solutions and a broad range of possibilities, participate in their own development planning. One of the targets for 2019 is to include our employees' goal and developmental discussions in the system and thereby have a natural connection to career and competence advancement.

DIVERSITY AND EQUAL TREATMENT – MORE RELEVANT THAN EVER
In 2018 we continued our comprehensive and awareness-raising work with equality, diversity and equal treatment in Peab based on the UN Global Compact, Peab's Code of Conduct and our core values. In addition, quantitative goals for gender balance were established for each business area as our strategic and operative work with diversity, equality and equal treatment continued.

Gold to our leadership program

Peab was awarded the 2018 Gold Excellence Prize in the category leadership development by the organization Brandon Hall Group in the annual competition "Human Capital Management Excellence Awards". Peab shares the award with our partner Mindset. Together we have created and run tailor-made leadership programs for four levels of management at Peab.

"Our leadership development is really good due to our program Lead at Peab and this has now been confirmed internationally," says Anders Berge, who is in charge of skills recruitment at Peab.

All employees should know what's what at Peab, be aware of their rights and obligations and feel a responsibility to hinder discrimination, offenses, harassment, sexual harassment and mobbing by standing up for our core values and promoting equal treatment and inclusion. We have chosen to build up knowledge and responsibility through dialogue with our employees based on our equal treatment plan. Part of Peab's Ethical Council's responsibility is to ensure that reports of victimization, harassment and discrimination are investigated by impartial expertise, usually an external investigator. In 2018 2,054 (3,380) employees were educated in diversity and equal treatment, which means altogether around 7,000 since the methodology was introduced in the autumn of 2015. The education will continue in 2019.

The entire industry has diversity problems and Peab is no exception. Gender balance is a particular challenge. Women still only make up 13 percent of our employees which means we need to step up the tempo of change in 2019. The Group has set tough targets regarding gender balance which provides a platform for more rapid development.

Another important part of diversity work is our commitment to integrating immigrants into the labor force. By the start of 2018 Peab had achieved the goal of The 100 Club and noted that more than a hundred adult immigrants had received internships and/or jobs since the start of the program in the autumn of 2015. At the same time 100 young immigrants took the Peab School's Language introduction course. We have seen the valuable skills immigrants bring to Peab and will continue the integration process in 2019.

ANNUAL SALARY SURVEY TO ENSURE EQUAL PAY

At Peab the nature, performance and skills level of an employee's job decide their pay level, independent of gender, age or ethnic background. In accordance to Swedish law a salary survey is conducted every year containing an analysis of salaries paid to women and men. Peab's analysis of salaries paid in 2018 detected 23 (49) cases of subjectively set salaries. These salary differences were corrected immediately. There are corresponding processes in Norway and Finland that follow the laws of those countries.

THE PEAB SCHOOL EDUCATES YOUTHS AND ADULTS

The Peab School, which is made up of Peab's three independent upper secondary schools, continues to develop and in June 65 (109) students graduated. In 2018 there were about 240 students in the construction and civil engineering program, 50 in the introduction program for vocational training and 90 students in the program Language introduction for immigrants. This means that so far 930 youths have received their upper secondary education through us and that about 70 percent of them have found employment, most of them at Peab. Having access to internships at Peab's workplaces with our trained counselors is a key factor for success. In January 2018 all the Peab Schools underwent an extensive examination by the Swedish Schools Inspectorate without a single criticism, which is a confirmation of the level of our engagement over many years in education for youths. Peab continued to collaborate with the Mentor Foundation in 2018 and 40 (50) of Peab's employees were mentors in some way.

Peab's long-term investment in our own schools has been broadened to include adult education and in 2018 the Peab School's subsidiary with trained, experienced teachers taught 3,301 Peab employees about the Code of Conduct, equal treatment, our core values, ethics, the safety culture the work environment and held language courses. It looks like this number will grow further in 2019.

LOCAL ENGAGEMENT IN YOUNG PEOPLE

For the past couple of years the sole focus of Peab's guidelines for sponsoring has been on young people and diversity, with a strong local connection. In 2018 we carried out 26 local community building projects aimed at creating meaningful free time, employment and inspiration for youths' approaching work life. In 2019 Peab's local engagement in young people will develop into a completely new concept: Peab Life.

Successful summer vacation project

During two summer weeks a group of high school students in Solna got the chance to try on the construction business. They renovated the youth center and block courtyard Byparken under the guidance of Peab counselors and Peab School construction teachers. At the reopening the contented youths said the best part was working together and the counselors. The project was a collaboration between Peab and Solna City.

"This means so much to our young people. It builds up their confidence and prepares them for the future," says Ulla Johansson, Head of the Labor Market in Solna City.

"The summer vacation project in Solna is great example of how the community and business can create opportunities for youths by working together," says Maria Hernroth, Head of Sustainability at Peab.

NORDIC COLLABORATION AROUND VOCATIONAL TRAINING

In September Peab and the Peab School received a visit from a large delegation from Finland. Included among the visitors were Aleksi Randell (CEO of the Confederation of Finnish Construction Industries RT), Matti Harjuniemi (Chairman of the Finnish Construction Trade Unions) and Pia Pakarinen (Assistant Major of Helsinki). The purpose of the visit was to study Peab's model for vocational training where business takes considerable responsibility for forming future employees by running its own school. The visit was the first step in exchanging experiences between the countries regarding the shape of modern vocational training in the future.

On the road to our environmental goals

In 2017 Peab adopted three ambitious environmental goals for the Group and in 2018 we began the journey to reach them. We will take responsibility for our environmental impact throughout entire value chains and life cycles, in order to reduce our climate impact, ensure highly material efficient operations and phase out environmental and health hazardous materials. Our environmental goals are demanding and require constantly expanding our competence in this area. During the year we held educational "environmental step-ups" and increased environmental rounds in the Group.

REDUCING CARBON DIOXIDE EMISSIONS REQUIRES NEW METHODS

As one of the largest Nordic construction companies Peab takes a big responsibility for reducing climate impact. In addition, we operate in an industry and are part of a production chain that in many ways contributes to society's energy consumption and carbon dioxide emissions. Most of our carbon dioxide emissions are generated by fossil fuel used in vehicles and construction machinery, heating workplaces and manufacturing products. We work proactively to reduce, and in the long run phase out and replace, fossil fuels with renewable fuels. We also work on producing energy saving measures and contribute to innovations in this field. A substantial part of this work has to be done together with others and in 2018 Peab signed the Construction and Civil Engineering Sector's Road Map for Fossil Fuel Free Competitiveness.

RENEWABLE FUEL AND CLIMATE SMART SOLUTIONS ARE THE FUTURE

Peab works actively to reduce the environmental impact of our vehicles. We adopted a new car policy in 2018 aimed at choosing vehicles with a better environmental profile. Greater use of fossil free fuel and working on electrification are some of the measures we are developing for our vehicles and construction machines as well as in production. Streamlining our logistics is an ongoing process and contributes to reducing emissions. Peab steadily increases the amount of fossil free fuel we use and the Group's overall consumption is now at 47 percent.

Environmental step-up

Sustainability aspects

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

For the GRI index and sustainability data see **peab.inpublix.com/2018**

PEAB'S SUBSIDIARY LÄTTKLINKERBETONG IS PRAISED FOR ITS LOGISTICS
Peab's subsidiary Lättklinkerbetong is a pioneer and was praised for this at the annual Concrete Gala, in particular for the modern and climate smart way it handles logistics. Over 60 percent of precast concrete elements are transported from the factory by railroad. Since 2017 over 1,000 railroad cars with precast concrete elements have left the factory in Ucklum for deliveries to construction sites in Sweden and Norway.

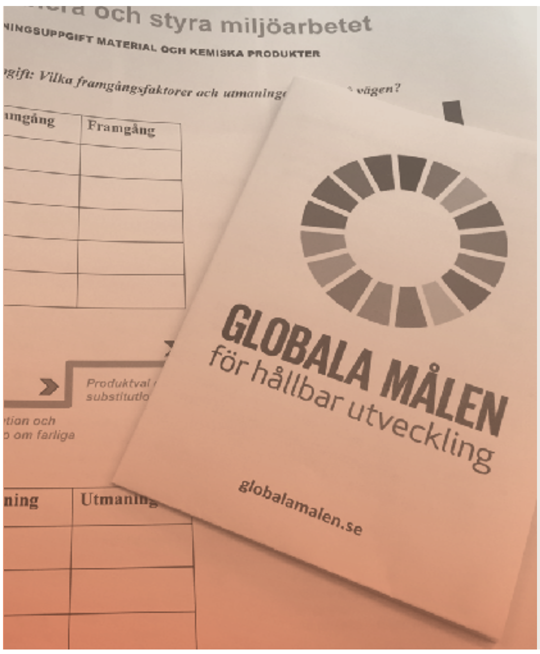
ECO-ASFALT® LOWERS EMISSIONS FOR THE THIRD YEAR IN A ROW
Bio-oil is used for drying and heating the gravel material in the manufacture of Peab's ECO-Asfalt®, which is the process that requires the most energy. Bio-oil is climate neutral and made from vegetable surplus products from food production. At the end of 2018 ECO-Asfalt® represented 95 percent of Peab's total production at stationary plants in Sweden. Since January 2015 climate impact from production has dropped by 63 percent or 112,000 tons (70,000 tons until 2017). In 2018 the reduction was 42,000 tons (39,000), which is equal to approximately 32,000 cars (30,000) driving 1,300 Swedish miles each (100 g CO_2 equiv./km). In 2018 a third party reviewed Environmental Product Declaration (EPD) was published which presents the product's total climate impact. Our next step is concentrating on recycling where there is considerable potential to increase the amount of return asphalt in new production without affecting the quality of the product.

GROWING RANGE OF GREEN MACHINES
Peab's subsidiary Lambertsson has long offered construction equipment driven by electricity: compactor tools, excavators and wheel loaders. In 2018 Lambertsson expanded its range of green machines, particularly hybrid excavators that through a power unit run entirely on electricity and are emission free. The company has also added other models of excavators and broadened its range with new kinds of electrical machines like compactor machines and rollers. Lambertsson's new program is completely in line with the transition from being fossil dependent to fossil free that the construction and transportation sectors are going through.

Miljölyftet

Peab's comprehensive environmental goals

- Year 2045 we will be climate neutral
- Year 2040 our business will be 100 percent material efficient
- Year 2030 we will have phased out environmentally and health hazardous substances



Civil Engineering follows The Green Line

In 2018 the business area Civil Engineering initiated an extensive educational program concerning the environment. The program, which will continue into 2019, is aimed at implementing our work method for the environment, communicating our environmental goals and producing a basis for improvement work. Within the program's framework a dialogue has been held with all the regional management groups, white collar workers in production have participated in a day of environmental education and skilled workers are participating in digital environmental education. At the same time environmental rounds with digital registration are being held to monitor environmental work.

CIRCULAR MATERIAL FLOWS SAVE RESOURCES

Recycling operations in Peab's subsidiary Swerock contribute to a resource efficient society by reusing and recycling residue products that also create value from industrial processes and construction and civil engineering projects. Sustainable material with the same quality and capacity as the original material is produced from this residue, for which there is a growing demand from a market that is striving for circularity and natural resource conservation. Comprehensive responsibility and expertise ensure an environmentally and financially efficient management that prolongs the life, and maximizes the usefulness, of the materials involved.

ENERGY MAPPING IN STAGES

In 2016 and 2017 we began work on energy mapping in two business areas, Industry and Construction, and in 2018 it was time for Civil Engineering. Our ambition is to gain knowledge about our energy consumption to be able to prioritize the right energy saving measures. We have therefore installed meters in our concrete operations in Industry and Civil Engineering. We have also begun implementing an energy monitoring system to facilitate analysis of the energy saving measures made.

ECOLABELING BUILDINGS AND INFRASTRUCTURE

Peab Bostad's newly produced apartment buildings in Sweden are certified according to the Swan ecolabel. In 2018 Peab received a service license in Sweden to build Swan labeled buildings, which means we can offer simpler and more cost-efficient labeling of apartment buildings, schools and preschools.

In Norway Peab's office operations are environmentally certified according to Miljøfyrtårn, which takes into account the work environment, purchasing profile, energy use, transport, waste and emissions. Peab's Property Development in Finland is specialized in office properties with sustainable LEED certification. In Sundsvall Civil Engineering is involved in creating a logistics park. This is the first project of its kind that will be certified according to CEEQUAL in Sweden.

>60 %

Peab's subsidiary Lättklinkerbetong was praised at the Concrete Gala for its modern and climate smart logistics: over 60 percent of precast concrete elements are transported by railroad.

Dry Wall Project – a circular flow of its own

The planet's resources are finite and as a major community builder it is important for Peab to take responsibility for more recycling and less waste. In 2018 business area Construction carried out a pilot project in all new production in Malmö. The purpose of the project was to try to create a circular flow of its own for dry wall. The project primarily concentrated on workplace equipment, information, cooperation among all the players involved and logistic chains. The pilot project showed that it is actually possible to create a circular flow for dry wall. The next step is to try to scale up the endeavor and recycle greater volumes, thereby reducing the amount of waste. Our hope is that through the circular dry wall flow we can show that higher profitability and reduced environmental impact can go hand-in-hand.

MATERIAL EFFICIENT OPERATIONS REQUIRE COLLABORATION

Peab's operations generate large amounts of residue products. If we are going to achieve our goal of material efficiency we have to both generate less waste and take care of, and recycle, as much as we can. Developing more material efficient methods requires creative collaboration with suppliers and customers in order to form new, efficient solutions. Clean material flows are also the basis for creating circular flows. For example, we recycle waste insulation that becomes loose fill insulation and in a pilot project that Peab participates in mineral wool waste is sent back to the supplier to become new mineral wool products. Another example is dry wall where the recycled material can be used directly to produce new sheets of dry wall.

WASTE MANAGEMENT IS VERY IMPORTANT

Handling waste and residue products in an environmentally correct way, according to the laws, regulations and trade agreements applicable, is self-evident for Peab. However, our primary goal is to not generate waste and Peab strives to make a precise calculation of the amount of material and masses needed in production. For instance, there is a pilot project in Finland aimed at reducing waste. Another example is our efforts to create mass balance and refine landfill masses. Waste removal is performed by contracted waste management companies that also handle the waste and sort it into fractions based on The Swedish Construction Federation's guidelines. With the aid of Peab's environmental navigator, a database with waste information, we can monitor the waste in our projects and follow the amount, sorting and what has been recycled, gone to landfill and so on. Through the environmental navigator we can come to conclusions about how our waste management can be more efficient.

GRADUALLY PHASING OUT ENVIRONMENTAL AND HEALTH HAZARDOUS MATERIALS

Peab works systematically to phase out environmentally and health hazardous materials. The Group follows a concise phasing out plan that has a challenging tempo and requires cooperation over Group function and business areas lines.

42,000

In 2018 Peab Asphalt reduced its CO_2 emissions by 42,000 tons through ECO-Asfalt®.

HYVINGE HOSPITAL
Hyvinge, Finland

Safe business leads to responsible entrepreneurship

Peab is all about responsible entrepreneurship. This is how we have defined the sustainable business and it means that everything we do, build and construct is done under safe and ethical conditions that take into consideration people and the environment. In order to succeed we must have a high risk awareness, work extensively with prevention and have very good planning, together with innovation, development and cooperation. We know that a sustainable supply chain, good business ethics and healthy work conditions are key factors in the sustainable business.

CONTINUING TO ESTABLISH OUR CODE OF CONDUCT

In 2018 we went through Peab's updated Code of Conduct with our employees and other stakeholders. The Code is based on Peab's core values, business ethics, business principals, human rights, work conditions and the environment. The Board of Directors establishes Peab's Code of Conduct. It is applicable to everyone in the Peab Group and contains guidelines for how we ought to behave in different situations and towards each other. We also demand the Code of Conduct be respected and complied with by our business partners.

PEAB STRIVES FOR THE MOST SATISFIED CUSTOMERS

The purpose of Peab's annual SCI (Satisfied Customer Index) surveys with external and internal company customers and private housing customers is to provide us with a good understanding of our customers' differing needs and desires along with

Sustainability aspects

- Customer and supplier cooperation
- Responsibility in the supply chain
- Ethics and anticorruption

For the GRI index and sustainability data see **peab.inpublix.com/2018**

fostering long-term customer relations. In 2018 the total SCI result for the Peab Group was 75 (75) on a scale of 1–100. The average for the industry is 72. Peab's Finnish business achieved a SCI result of 81 and Peab had the highest rating of all construction companies on the Finnish quality rating EPSI.

GROWING DEMANDS FOR CORPORATE SOCIAL RESPONSIBILITY

At Peab we welcome the rapid increase of our customers' CSR demands in connection with procurements – demands that include requiring companies to create employment locally for youths, immigrants or people who are physically impaired in connection with doing the procured work. These demands go together well with how we work to facilitate integration and contribute to the education and employment of young people, and we look forward to participating in more projects of this kind. The best situation is when we become part of project early on and can plan together with our customers, for example through partnering.

QUALITY-ENSURED SUPPLIER CHAIN AND RESPONSIBLE PURCHASING LEAD TO SAFE BUSINESS

Quality is a watchword for Peab and the cornerstone of our business concept. However, quality-ensured production requires a sound chain from start to finish – from the first purchase to the last nail in the building. The Group's four business areas are dependent on a large number of suppliers and subcontractors. Peab's purchases make up more than 70 percent of net sales and involve more than 40,000 suppliers. The work to guarantee a sustainable supply chain is one of Peab's most important areas of risk management.

A key factor in safe business is making sure that we only work with quality-ensured suppliers. We have the same high demands on our business partners as we put on ourselves. A crucial part of the quality assurance of our supply chain is guaranteeing human rights in areas like child labor, forced labor and the right to organize. The Code of Conduct is always included in written contracts with suppliers and the Code is rooted in Peab's core values that guide us in everything we do. Peab has signed the UN Global Compact and our Code of Conduct is based on its ten principles within human rights, labor laws, the environment and anti-corruption. Peab has also been a forerunner and began following the agreement in The Confederation of Swedish Enterprise of 30 day payments to all our suppliers a long time ago. This is an important part of responsible purchasing for us.

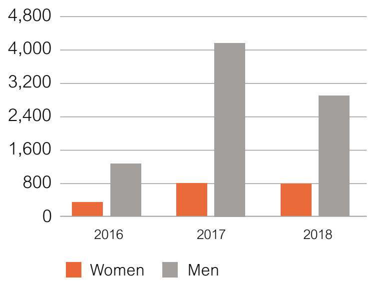
All the suppliers in Peab's supplier register go through a daily systematic control against predefined parameters. These parameters touch financial status and the risk of irregularities but they also check that the supplier has met social obligations like paying taxes and general payroll tax, and follows approved labor law conditions, e.g. SC2015. During 2018 Peab has made it possible to see 67 percent of business area Construction's purchases via a system support that includes the Code of Conduct. This monitoring work will continue in 2019 with an implementation plan for system support for all the other business areas. In addition, during 2019 Peab will begin the process of screening suppliers based on social and environmental criteria.

CONTINUED DEVELOPMENT OF PURCHASING

During 2018 Peab began segmentation aimed at steering purchasing within the Group more clearly towards certain selected suppliers. Development of our purchasing work is vital to ensuring cost-efficiency and a sustainable work method. Segmentation consists of three levels; Approved, Prioritized or Strategic Supplier and is based on a category strategy with the dimensions supply risk, size of the deal and sustainability. The purpose is to develop our collaboration with the suppliers that create the most value and to focus on supplier categories with a potential risk. In addition to this Peab's entire supplier base is checked daily against defined parameters such as financial status, tax debts and collective bargaining agreements. The reviewed supplier base can be seen in the shared supplier register.

Number of employees trained in ethics

Number of employees divided into gender



Statistics for ethics training include e-education in ethics, equal treatment education and Leading Peab.

"Guaranteeing a sustainable supply chain is one of our most important risk management areas."

During the year we have also reviewed our procedures for ensuring that all our suppliers meet the requirements in Peab's Code of Conduct. We have drawn up a self-assessment form that underpins reviews on suppliers believed to pose the greatest risks. This follow-up work will continue in 2019.

PERSISTENT WORK WITH ETHICS AND ANTI-CORRUPTION LEADS TO RESULTS

Peab has for many years explicitly expressed our zero tolerance to corruption. Peab is a partner in the Joint Initiative Against Bribes and Corruption (JIABC) which works to jointly counteract bribes and corruption in the publicly funded construction and real estate sector, and we are also represented on the board of the Community Builder Sector's Ethical Council. Peab's work with ethical issues and against corruption is long-range and systematic. We have strict consequences but we also work with education and tools. For example, all employees responsible for business deals are required to take a course through e-education in ethics and anti-corruption as well as competition law. We have continued to hold workshops in our operations and our schools where study groups work with ethical cases related to their daily work based on a broad range of ethical issues. In 2018 3,689 (3,380) employees were trained in ethics and/or anti-corruption. This educational work will be expanded in 2019 to include e-education in ethics for all employees, with the opportunity to partake in a follow-up workshop for the individual study groups.

Peab's Ethical Council ensures that incidents in the Group such as infringement of laws and the Code of Conduct receive the same consequences, regardless of context or position.

INTERNAL AND EXTERNAL WHISTLEBLOWING FUNCTION

Transparency and openness are the watchwords for Peab's development of the business and work climate. Employees have an important role in reporting any law infringements or serious irregular ties. We prefer open reporting but this is complemented by an external web-based whistleblower system that guarantees the anonymity of the reporter. In 2018 the whistleblower system became accessible to external reporters as well.

EVENTS DURING THE YEAR

During 2018 (0) 0 incidents of anti-competitive activities, breaches of the competition law or monopolistic behavior leading to legal action have been discovered. In 2018 Peab discovered 2 (1) cases of suspected corruption and 6 (9) internal incidents of suspected financial irregularities. The responsible manager handled the incidents with support from members of the Ethical Council. All of these incidents led to labor law measures.

WE CONTINUE TO DEVELOP THE INDUSTRY THROUGH COOPERATION

As a community builder it is a given for Peab to contribute to developing social conditions in a sound, safe and attractive construction and civil engineering industry through cooperation. In 2018 we engaged in the industry's work on diversity, a more attractive and inclusive vocational training program and ensuring a healthy industry with healthy competition and explicit rules for all players.

WORKING TOGETHER FOR A MORE SECURE ID06

Peab helped develop the ID06 standard and we linked our workplaces to the system early on. The new ID06 card is under development in the industry and is being implemented. This is a necessity if Peab is going to strengthen the tie between employer and employee and make the system more reliable and secure. The standard will give Peab better control over who is at our construction sites and ensure healthy competition and safe workplaces.

Working together for healthy competition

Peab arranged a seminar in Almedalen to discuss cooperation and ensuring order in the construction industry. The participants were Ylva Johansson, Minister for Employment, Catharina Elmsäter Svärd, CEO of the Swedish Construction Federation, Lena Erixon, Director General of the Swedish Transport Administration, Hanna Björknäs, Lawyer for the Swedish Construction Trade Union and Jesper Göransson, President and CEO of Peab. The seminar was one of several examples of how Peab, as a major community builder, takes responsibility for a more transparent and sound industry where important issues like healthy competition on equal terms must be handled in cooperation.


NORRVIKENS KUST
Båstad

Board of Directors' Report

The Board of Directors and the Chief Executive Officer of Peab AB (publ), Corporate ID Number: 556061-4330, hereby submit the following annual report and consolidated accounts for the 2018 financial year.

NEW ACCOUNTING PRINCIPLES FOR INCOME

IFRS 15 Revenue from contracts with customers, has as of 2018 replaced previous standards related to revenue recognition such as IAS 18 Revenue, IAS 11 Construction contracts and IFRIC 15 Agreements for the construction of real estate. No material effects have been identified. Up until the end of 2017 there were differences between operative and legal accounting in the business area Project Development. This difference was also reflected in the way executive management and the Board followed up the Group as a whole. The operative and segment accounting was based on the percentage of completion. Swedish tenant-owned housing projects will continue to be recognized as previously through revenue over time while our own home developments in Sweden will, as of the implementation of IFRS 15, change over to revenue over time. IFRS 15 will not lead to any changes in reporting regarding housing projects in Finland and Norway compared to the current application since revenue is first recognized when the home is handed over to the buyer. As of implementation of IFRS 15 segment reporting mirrors legal reporting. The differences between operative and legal reporting therefore no longer exist for either business area Project Development or the Group as a whole. For business area Project Development this has entailed recalculating comparable figures in Housing Development. Peab has chosen to apply IFRS 15 retroactively by recalculating the financial reports for 2017. The recalculations have not had any material effect on either business area Project Development or the Group as a whole. All comparable figures for 2017 and 2016 in subsequent report are recalculated if not otherwise noted. For more information regarding IFRS 15 and comparable figures please see note 1, note 2, note 3 or www.peab.com/ifrs.

NET SALES

Group net sales for 2018 amounted to SEK 52,233 million (49,981), which was an increase of five percent. After adjustments for acquired and divested units net sales increased by four percent.

A continued favorable construction and civil engineering market has had a positive effect on the business areas during 2018. Net sales in business area Construction increased by six percent spread over all the three countries. Net sales in business area Civil Engineering increased by 16 percent and activity increased in all product areas. Business area Industry presented an increase in net sales of four percent spread over all product areas except Transportation and Machines where net sales shrunk compared to 2017. Net sales in business area Project Development were slightly lower in both Housing Development and Property Development. The reduction in Housing Development is due to less activity in the housing market in Sweden, primarily in Stockholm. In the first quarter of 2017 net sales in Property Development were affected by SEK 577 million from sales of assets in Arenastaden and Ulriksdal in Solna to Fabege.

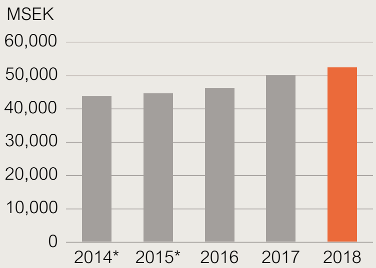
Of the year's net sales SEK 10,297 million (9,089) were attributable to sales and production outside Sweden.

PROFIT/LOSS

Operating profit for 2018 increased to SEK 2,573 million (2,418) and the operating margin improved to 4.9 percent (4.8).

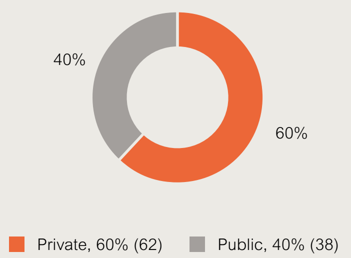
Development has stable in both contract businesses Construction and Civil Engineering during the year. The operating margin in business area Construction amounted to 2.4 percent compared to 2.3 percent the last year and in business area Civil Engineering the operating margin was 3.0 percent (3.2). Business area Industry showed an improved

Net sales



* Not recalculated taking IFRS 15 into account

Net sales per customer type, 2018



operating margin of 7.4 percent (6.8) mainly due to increased volumes to the construction and civil engineering market. Business area Project Development had a lower operating profit but the operating margin improved to 10.0 percent (9.6). Operating profit in Housing Development declined as a result of fewer production starts in Sweden, primarily in Stockholm, and lower income recognition from projects in Norway and Finland. The operating margin in Housing Development was 8.7 percent (9.6). The operating profit in Property Development improved through greater profit in both wholly owned and partly owned companies. The transactions regarding Arenastaden and Ulriksdal, which were carried out during the first quarter 2017, had no net effect on the result since the divestitures in Ulriksdal had a positive effect on operating profit by SEK 180 million and the sales of assets in Arenastaden had a negative effect of SEK 180 million. Last year in Property Development also included capital gains of SEK 75 million from the divestiture of Peab's share in a joint venture company to Catena.

Eliminations and reversal of internal profit in our own projects have affected operating profit net by SEK 0 million (-1). Elimination is reversed in connection with the external divestment of a project.

Depreciation and write-downs for the year were SEK -1,024 million (-957).

Net financial items amounted to SEK -55 million (40) of which net interest was SEK -48 million (-44). Last year net financial items included dividends from Lemminkäinen Oyj of SEK 16 million as well as capital gains of SEK 93 million from the sales of 2,458,447 shares in Lemminkäinen Oyj.

Pre-tax profit was SEK 2,518 million (2,458). Tax for the year was SEK -418 million (-391), which corresponds to 17 percent (16) in tax. The lower tax is due to non-taxable income from the sales of companies as well as the revaluation of deferred taxes.

Profit for the year was SEK 2,100 million (2,067).

FINANCIAL POSITION

The equity/assets ratio on 31 December 2018 was 30.4 percent compared to 32.2 percent at previous year-end. Interest-bearing net debt amounted to SEK 3,551 million compared to SEK 1,216 million at the end of 2017. Net debt increased due to investments in business area Project Development and Industry and more working capital.

The average interest rate in the loan portfolio, including derivatives, was 1.4 percent (2.6) on 31 December 2018.

Group liquid funds, including unutilized credit facilities, were SEK 5,846 million at the end of the year compared to SEK 5,145 million on 31 December 2017.

At the end of the year Group contingent liabilities, including joint and several liabilities in trading and limited partnerships, amounted to SEK 10,404 million compared to SEK 10,502 million on 31 December 2017. SEK 7,580 million (7,750) of contingent liabilities was surety given for credit lines for tenant-owned apartments under production.

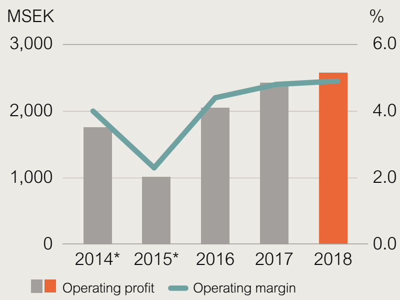
PROJECT AND DEVELOPMENT PROPERTIES

In connection with implementation of IFRS 15 it was decided that the previous balance item Work-in-progress should be included in the balance item Project and development properties. Recalculation of the financial reports for 2017 is presented on Peab's website www.peab.com/ifrs. As of 1 January 2017 the recalculated reported amount was SEK 1,203 million.

INVESTMENTS AND DIVESTMENTS

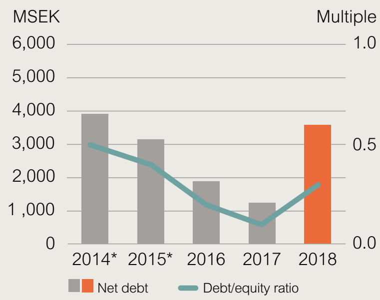
During the year 2018 SEK 1,021 million (1,912) was net invested in tangible and intangible fixed assets and investment property and has primarily consisted of investments in machinery and operations properties and investment properties in Project Development. During the year the property Ångkraftverket 2 in Västerås, containing a hotel and Kokpunkten Actionbad, was divested for around SEK 800 million.

Operating profit and margin



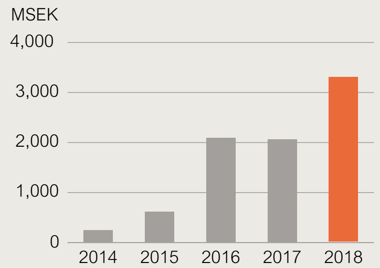
* Not recalculated taking IFRS 15 into account

Net debt and debt/equity ratio



* Not recalculated taking IFRS 15 into account

Net investments [1)]



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

Net investments in project and development properties totaled SEK 2,103 million (847) during the year 2018 and stems from an increase in construction of housing projects in Finland and Norway as well as the acquisition of development rights in, among other places, Finland. Included in 2017 was the acquisition of development rights on Kvarnholmen in Nacka for SEK 658 million as well as the sales of a number of properties in Arenastaden, Solna to Fabege.

CASH FLOW

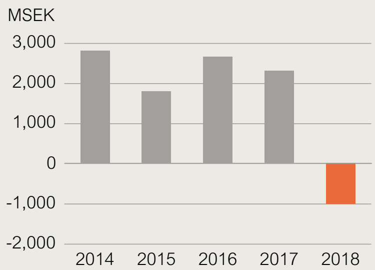
Cash flow from current operations was SEK -250 million (2,839) of which cash flow from changes in working capital was SEK -2,944 million (43). The change in working capital included the effects of higher investments in project and development property and construction of our own housing projects in Finland and Norway. Included in 2017 was the acquisition of development rights on Kvarnholmen in Nacka for SEK 658 million as well as the sales of a number of properties in Arenastaden, Solna to Fabege.

Cash flow from investment activities was SEK -771 million (-544) and was largely due to investments in machinery and in operations property and investment property. The amount also included sales of assets of SEK 1,327 million (1,577), which among others, included the divestiture of the property Ångkraftverket 2 in Västerås, containing a hotel and Kokpunkten Actionbad, for around SEK 800 million. The comparable period included the divestiture of shares in Lemminkäinen Oyj for about SEK 575 million, divesture of shares in partly owned companies, the divestiture of financial assets to Fabege as well as amortization of loans from partly owned companies.

Cash flow before financing amounted to SEK -1,021 million compared to SEK 2,295 million for the last year. During the first quarter 2017 the transactions carried out regarding Arenastaden, Solna had a positive effect of SEK 835 million.

Cash flow from financing operations amounted to SEK 1,770 million (-2,750) of which SEK -1,180 million (-1,062) was disbursed dividends and changes in interest-bearing loans was SEK 2,950 million (-1,688).

Cash flow before financing



ORDER SITUATION
Implementation of IFRS 15 Revenue from contracts with customers entails new disclosure demands. One of the disclosure demands refers to remaining performance obligations, more often called order backlog. In quarterly reports Peab has previously chosen to present information on orders received and order backlog in business areas Construction, Civil Engineering and Project Development. As of 2018 business area Industry presents orders received and order backlog for product areas Asphalt, Construction System and part of Rentals as well. In the other product areas in Industry contracts are usually short and therefore orders received and order backlog are not presented for them. Comparable figures regarding orders received and order backlog have been recalculated for 2017.

Orders received for 2018 amounted to SEK 51,087 million compared to SEK 48,999 million for the last year. The level of orders received has risen in business area Construction and Civil Engineering but contracted in Project Development. Included in orders received for business area Construction is the office project Platinan in Gothenburg for Vasakronan worth SEK 2,100 million. Included in orders received for business area Civil Engineering is the extension of the west Sweden railroad system at Olskroken in Gothenburg, worth SEK 2,900 million, for the Swedish Transport Administration. There have been fewer orders received in business area Project Development as a result of fewer housing production starts. The Group's orders received in the year are well spread geographically and there is good product diversity.

Order backlog yet to be produced at the end of the year increased to SEK 45,819 million compared to SEK 40,205 million at the end of the last year. Of the total order backlog, 33 percent (34) is expected to be produced after 2019 (2018). Swedish operations accounted for 84 percent (86) of the order backlog.

Orders received

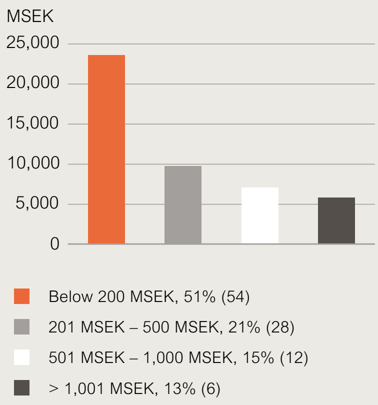
MSEK	2018	2017
Construction	31,007	29,28
Civil Engineering	16,349	14,191
Industry	5,111	5,152
Project Development	6,681	8,496
Eliminations	-8,061	-8,12
Group	**51,087**	**48,999**

Order backlog

MSEK	31 Dec 2018	31 Dec 2017
Construction	29,776	26,805
Civil Engineering	13,62	10,832
Industry	2,246	2,533
Project Development	7,134	8,198
Eliminations	-6,957	-8,163
Group	**45,819**	**40,205**

BUSINESS AREA AND GROUP FUNCTIONS PRESENTATIONS
Peab is characterized by a decentralized and cost-efficient organization with four complementary business areas whose operations are based on local entrepreneurship close to the customer. Peab's business model with four cooperating business areas creates opportunities throughout the value chain in a construction project. The business areas are also operating segments.

Project allocation of order backlog, 31 December 2018



Order backlog allocated over time

In Gothenburg Peab is building the sprawling office complex Platinan for Vasakronan under a contract worth SEK 2,100 million. Platinan, with it's unique architecture of large glass façades and focus on sustainability, will be part of the new Älvstaden (River City). Peab is building according to LEED certification and aims to achieve the highest level – Platinum.

Recognition of internal projects between business areas Construction and Project Development

Business area Construction recognize net sales and profit/loss referring to the construction contract part of our own housing developments, rental project developments and other property development projects to business area Project Development. Recognition takes place over time as the projects are completed. Business area Project Development reports net sales for both contract construction and the developer part of our own housing projects. The reported profit/loss consists of the profit/loss in the developer part recognized over time.

Recognition of property projects on our own balance sheet

The underlying sales value of property projects on our own balance sheet, recognized as project and development property, that are sold in the form of a company via shares, is recognized as net sales and the reported value on the balance sheet is recognized as an expense. When property projects recognized as operations property or investment property are divested the net effect on profit/loss is recognized as other operating income or other operating cost. Recognition takes place at one point in time.

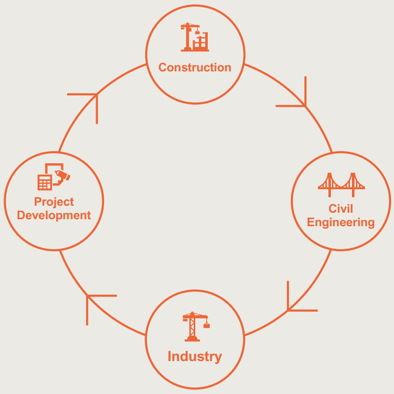
Group functions

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

Operating profit for the year for Group functions was SEK -274 million (-228).

Read more about Peab's business on pages 38–49.

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



Net sales and operating profit per business area

	Net sales			Operating profit			Operating margin		
MSEK	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**
Construction	28,340	26,726	24,121	670	602	542	2.4%	2.3%	2.2%
Civil Engineering	13,745	11,825	10,740	415	374	355	3.0%	3.2%	3.3%
Industry	13,284	12,761	12,161	977	867	753	7.4%	6.8%	6.2%
Project Development	7,844	8,343	7,204	785	804	591	10.0%	9.6%	8.2%
of which Property Development	*738*	*1,013*	*1,385*	*170*	*98*	*89*	*23.0%*	*9.7%*	*6.4%*
of which Housing Development	*7,106*	*7,330*	*5,819*	*615*	*706*	*502*	*8.7%*	*9.6%*	*8.6%*
Group functions	1,043	993	897	-274	-228	-122			
Eliminations	-12,023	-10,667	-9,069	0	-1	-75			
Group	**52,233**	**49,981**	**46,054**	**2,573**	**2,418**	**2,044**	**4.9%**	**4.8%**	**4.4%**

Number of employees per business area

	31 Dec 2018		31 Dec 2017		31 Dec 2016	
Construction	6,631	45%	6,685	47%	6,600	48%
Civil Engineering	3,580	24%	3,344	23%	3,080	22%
Industry	3,484	24%	3,452	24%	3,385	24%
Project Development	379	3%	361	3%	321	2%
Group functions	540	4%	502	3%	483	4%
Group	**14,614**	**100%**	**14,344**	**100%**	**13,869**	**100%**

BUSINESS AREA CONSTRUCTION

Other building construction compensates for slowdown in housing production

Key ratios

	2018	2017	2016
Net sales, MSEK	28,340	26,726	24,121
Operating profit, MSEK	670	602	542
Operating margin, %	2.4	2.3	2.2
Orders received, MSEK	31,007	29,280	27,883
Order backlog on 31 December, MSEK	29,776	26,805	24,160
Number of employees on 31 December	6,631	6,685	6,600

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

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

THE BUSINESS 2018

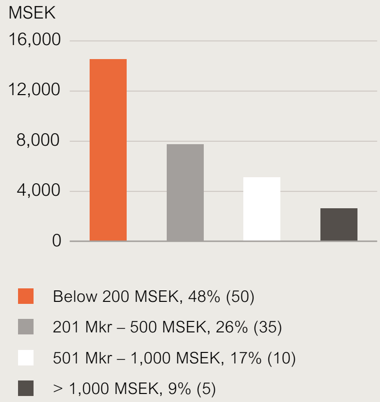
The construction market in Sweden continued to be strong in 2018 and level of orders received in Construction was high. Although housing production contracted somewhat, primarily in the Stockholm region, housing still represents a significant part of the business area's total business.

While there is less demand for housing there has been a considerable need for renovations and extensions of private and public premises, which has been good for other building construction. New community facilities are needed in Sweden and many of existing buildings require renovation. For example, the City of Stockholm has commissioned the renovation of Medborgarhuset in Södermalm. The project requires careful attention to preserving the building's cultural history. In May Peab began building a new pool and sports facility in Köping commissioned by Köping municipality. The 10,570 m2 venue will contain several pools, a water slide and a sports arena.

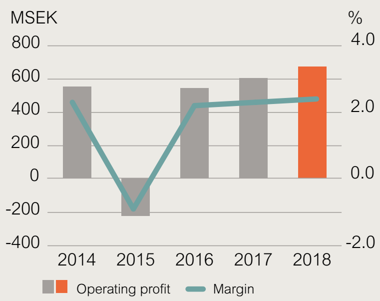
Peab has years of experience in building care centers and there have been a number of renovation and extension projects during the year. Some are new psychiatric premises commissioned by Kalmar County Council, Sollentuna Hospital for Locum in Stockholm, Södra Älvsborg Hospital in Borås for Västfastigheter and the emergency room at Sunderby Hospital in Luleå for Region Norrbotten.

Peab Construction Service with its nationwide offer in rebuilding, renovation and service is an important component in the business area's aftermarket offer. In the autumn of 2018 Construction Service signed a nationwide contract with the federal Special Properties. The procurement had high security and protection demands and required substantial experience in carrying out projects in locations where operations are open every day of the year.

Project allocation of order backlog, 31 Dec 2018



Operating profit and margin



Market conditions in Norway are similar to the ones in Sweden with a slight decline in housing construction and a definite rise in other building construction during the year. In northern Tromsø the project MH2, new facilities for medical research in the existing university, was completed in 2018 as well as our own housing development project Himmel & Hav (Sky & Sea). The complex located on the waterfront contains 87 apartments in different sizes along with parking spaces, a gym and an outdoor area.

In Oslo 111 of our own developed apartments are going up on Carl Berner Torg, the first project in Peab with a completely digitalized construction site. Everyone in the project uses digital aids to communicate and document the project.

The construction market in Finland has been affected positively by growth in the economy and the construction segments have grown in 2018. Peab is represented in most of the larger towns in Finland and during the year one project among others was building a combined office and apartment building in Jyväskylä with a grocery store on the ground floor. The extension of Hyvinge Hospital outside Helsinki was also completed during the year. The wing contains specialized primary care and a number of treatment departments in 22,800 m^2.

Our own housing development project Goldfinger with 109 apartments is being built on a peninsula in Helsinki. Goldfinger is a project characterized by inspiring architecture and smart living. It is expected to be finished in 2020. During the year a 2,000 m^2 extension of the nursing home Kristinahemmet was completed in Kristinestad. Kristinahemmet offers the aged, the chronically ill and handicapped round the clock care.

Sustainable buildings

Building sustainably is an important part of being the Nordic Community Builder. Together with our customers we continually develop our sustainable offer. In 2018 Peab received a service license in Sweden to build Swan labeled buildings. The first project built under the service license was an elementary school in Vårgårda which will therefore be one of Sweden's first Swan ecolabeled schools. We are building the sprawling office complex Platinan for Vasakronan in Gothenburg according to LEED certification and aim to achieve the highest level, Platinum. The rebuilding and extension of City Hall in Uppsala is underway and will be certified according to BREEAM, class level Excellent, and in Kiruna the new City Hall Kristallen commissioned by LKAB was completed and certified according to Miljöbyggnad Silver.

In Norway Peab has been commissioned to build Alta Senior Housing that has a strong sustainable profile since it is being constructed entirely in solid wood. The project comprises five buildings and a total area of 24,000 m^2.

A LEED certified, 10,660 m2 office building is being built in Jyväskylä, Finland according to Peab's Business Garden Concept. The idea behind the concept is to create space that is as flexible and adjustable as possible.

NET SALES AND PROFIT

Net sales for 2018 increased by six percent and amounted to SEK 28,340 million (26,726). The increase is spread over all the three countries and there is a greater portion of other building construction for both private and public customers in net sales.

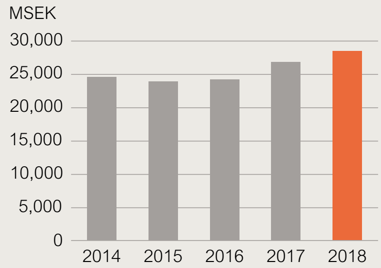
Operating profit for 2018 amounted to SEK 670 million (602) and the operating margin was 2.4 percent (2.3).

ORDERS RECEIVED AND ORDER BACKLOG

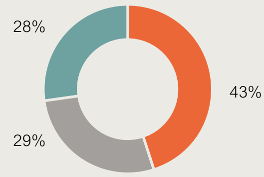
Orders received increased during 2018 compared to last year and amounted to SEK 31,007 million (29,280). Included in orders received is the office project Platinan in Gothenburg for Vasakronan worth SEK 2,100 million. Orders received were well diversified in terms of products and geography. In the orders received other building construction compensated for lower volumes in housing projects.

Order backlog 31 December 2018 increased to SEK 29,776 million compared to SEK 26,805 million at the end of December 2017.

Net sales

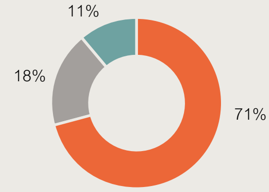


Per product area, 2018



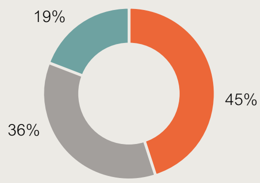
- Housing, 43% (45)
- Other building construction, private, 29% (28)
- Other building construction, public, 28% (27)

Per type of operation, 2018



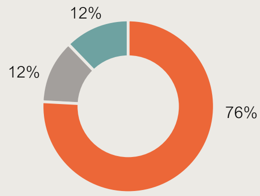
- New construction, 71% (69)
- Renovation, 18% (21)
- Construction maintenance, 11% (10)

Per customer type, 2018



- Private, 45% (50)
- Public, 36% (33)
- Internal/other, 19% (17)

Per geographic market, 2018



- Sweden, 76% (78)
- Norway, 12% (12)
- Finland, 12% (10)

BUSINESS AREA CIVIL ENGINEERING

Infrastructure investments behind strong volume growth

Key ratios

	2018	2017	2016
Net sales, MSEK	13,745	11,825	10,740
Operating profit, MSEK	415	374	355
Operating margin, %	3.0	3.2	3.3
Orders received, MSEK	16,349	14,191	12,089
Order backlog on 31 December, MSEK	13,620	10,832	8,679
Number of employees on 31 December	3,580	3,344	3,080

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

Business area Civil Engineering is active on the local civil engineering market working with landscaping and pipelines, foundation work and builds different kinds of facilities. In the area of infrastructure and heavy construction it builds roads, railroads, bridges, tunnels and ports. Civil Engineering also provides operation and maintenance for national and municipal highways and street networks as well as cares for parks and outdoor property. It also operates water and sewage supply networks. The business area collaborates extensively over regional and country borders for joint development and experience exchanges, project management and to create scale advantages in larger and more complex projects.

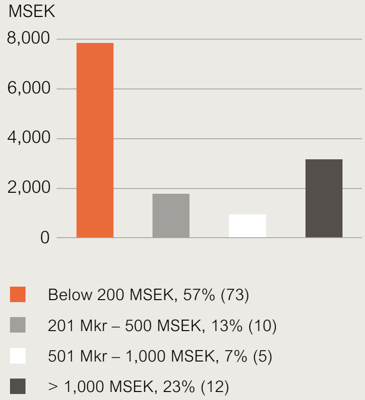
THE BUSINESS 2018

The market in most places in both Sweden and Norway was characterized by good demand in infrastructure and the local market, concentrated to areas where the population is growing. The level of orders received during the year has been high and they were increasingly collaboration projects. However, in Finland market interest has been slightly lower than previous years.

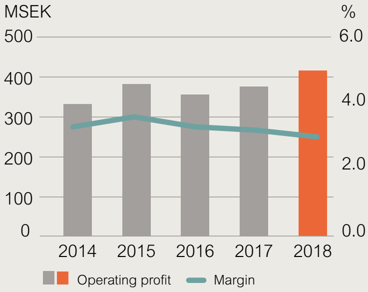
Our strategy of working with systematic risk management and selecting projects that suit our organization's expertise is essential to having a sound order backlog. We received several new commissions in 2018. Among them is the construction of a new stretch of E22 between Sätaröd and Vä in the middle of Skåne for the Swedish Transport Administration. The project includes 16 km new highway, rerouting and new construction of private and public roads that intersect the highway as well as 26 new bridges.

In May the contract for the second stage of Olskroken in Gothenburg was signed with the Swedish Transport Administration. With a contract worth SEK 2,900 million it is the largest project in Civil Engineering's history. Olskroken is one of the most important junctions in the West Sweden railroad system and it will be expanded with railway track overpasses. The project is divided into several stages and will run until 2025.

Project allocation of order backlog, 31 Dec 2018



Operating profit and margin



In July Peab was commissioned to build Vattenfall's largest land-based wind power plants Blakliden and Fäbodberget in Åsele and Lycksele. The project includes 67 km new roads, 55 km cable shafts and cable support as well as 84 foundations. The customer is Blakliden Fäbodberget Wind AB.

In Norway Peab is rebuilding a section of highway on E6 between Trondheim and Melhus. The highway is being widened from two lanes to four. The road was opened at the end of 2018, a month in advance. The entire project will be completed in late summer 2019. This project is a collaboration between Civil Engineering in Norway and Sweden.

On Gotland the Swedish Fortifications Agency has commissioned Peab to expand Tofta target range to include a garage for combat vehicles, a multifunctional building as well as a gym and exercise room.

In addition, Civil Engineering received five road maintenance contracts in Sweden for a total of SEK 713 million.

Developing work methods and competence

At the beginning of the year the Swedish operations in Civil Engineering were quality and environmentally certified according to ISO 9001:2015 and ISO 14001:2015. Work has begun to certify Norwegian operations in 2019.

Our broad program concerning project steering that includes raising competence in planning, project finances and contract administration continued according to plan and is expected to lead to further positive results.

Continued development of collaboration with customers in projects

Both ECI (Early Contractor Involvement) and Partnering entail working in close collaboration with our customers so that together we create the conditions to improve customer satisfaction and cost-efficiency, and minimize risks in projects.

In 2018 business area Civil Engineering together with business area Construction refined and further developed the concept Peab Partnering. The concept was used in projects like Stridsberg Bridge in Trollhättan, Ocean Pier in Helsingborg and Kol Quay in Stockholm as well as in a number of projects for industrial customers in northern Sweden.

NET SALES AND PROFIT

Net sales for 2018 amounted to SEK 13,745 million (11,825) which was an increase of 16 percent. After adjustments for acquisitions net sales increased by 15 percent. The increase during the year stems from all product areas and there is a greater portion of Infrastructure in net sales.

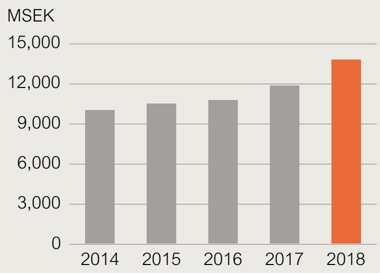
Operating profit for 2018 amounted to SEK 415 million (374) and the operating margin was 3.0 percent (3.2).

ORDERS RECEIVED AND ORDER BACKLOG

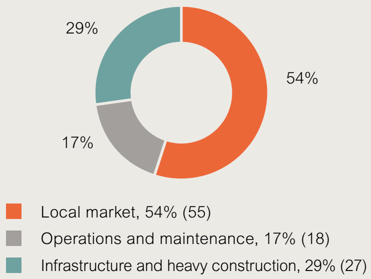
Orders received during 2018 amounted to SEK 16,349 million (14,191). Orders received included a SEK 2,900 million extension of the West Sweden railroad system, Olskroken, in Gothenburg for the Swedish Transport Administration.

Order backlog on 31 December 2018 increased to SEK 13,620 million (10,832).

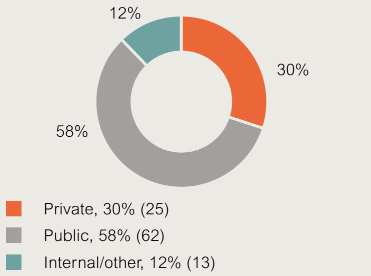
Net sales



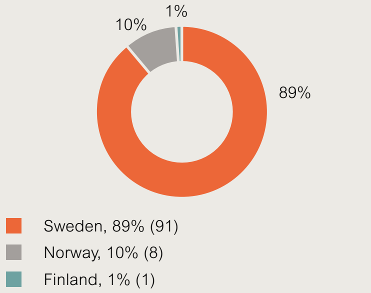
Per product area, 2018



Per customer type, 2018



Per geographic market, 2018



BUSINESS AREA INDUSTRY

Profitable growth in a good construction and civil engineering market

Key ratios

	2018	2017	2016
Net sales, MSEK	13,284	12,761	12,161
Operating profit, MSEK	977	867	753
Operating margin, %	7.4	6.8	6.2
Orders received, MSEK	5,111	5,152	–
Order backlog on 31 December, MSEK	2,246	2,533	–
Capital employed on 31 December, MSEK	6,432	5,781	5,416
Number of employees on 31 December	3,484	3,452	3,385
Concrete, thousands of m^3 [1]	1,294	1,221	1,101
Asphalt, thousands of tons [1]	2,706	2,619	2,589
Gravel and Rock, thousands of tons [1]	14,681	14,799	13,109

[1] Refers to sold volume

Business area Industry is a complete supplier of the products and services needed to carry out a sustainable and cost-efficient construction and civil engineering project on the Swedish, Norwegian and Finnish markets. Industry offers everything from gravel and rock material, concrete, asphalting and temporary electricity to prefabricated concrete elements. Business area Industry also assists with crane rental, import and distribution of binder to the concrete industry, machines and transportation as well as recycles production waste.

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

With local roots the companies take on jobs big and small. The business area is run in six product areas: Asphalt, Concrete, Gravel and Rock, Transportation and Machines, Rentals and Construction System.

THE BUSINESS 2018

The Nordic construction and civil engineering market developed positively in 2018 although there was a long, hard winter in the beginning of the year that primarily affected product areas Gravel and Rock and Asphalt. A high production rate the rest of year contributed to strong growth in 2018.

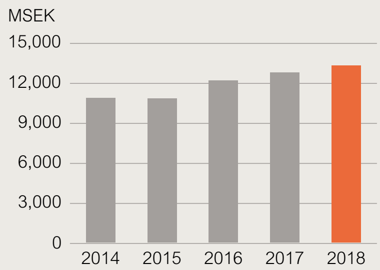
Development through complementary acquisitions

Asfaltpartner i Väst Produktion AB (Aspa), with operations in Västra Götaland, concentrated to Gothenburg and Borås, was acquired during the year as part of Peab Asphalt's strategy to be the best asphalt supplier in West Sweden. We strengthened our position in Norrland as an electricity supplier through the acquisition of Hoffmans Entreprenad AB.

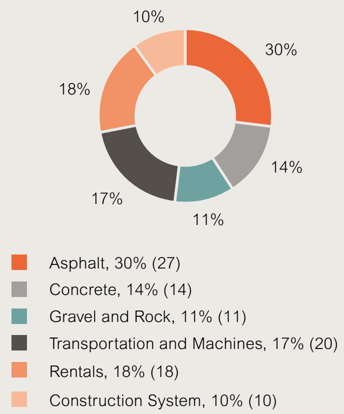
Volumes in Swerock continue to be good

Swerock's markets in Sweden, Norway and Finland continued to be good in 2018. Concrete production was in high gear during the year despite a slowdown in housing production in Sweden, primarily in the big city regions. Contracting volumes in housing were compensated by other building construction and civil engineering projects. An environmentally friendly concrete factory was launched in Kållered. The factory's heating system is run on bio-oil and has a closed water system.

Net sales



Per product area, 2018



In Finland a new concrete factory opended in Esbo outside Helsinki and Swerock was established as a brand and it was well received on the market.

Production in Gravel and Rock has been stable with high volumes in several of our quarries. Establishing sites that include Concrete, Asphalt and Recycling strengthens our position on the market and creates better synergies in production. Opening new quarries in strategic places continues to be a priority.

Vehicles and machines in Transportation and Machines have been in great demand in 2018. Transportation and Machines includes Recycling which creates new sustainable material from residue products generated by construction and civil engineering projects and by industrial processes. This is accomplished by generating little waste and environmentally recycling what is produced. This includes handling and sorting polluted soil, masses, concrete and asphalt residue along with construction and demolition waste. Recycling volumes continued to grow in 2018.

Record volumes for Asphalt

Asphalt operations continued to develop positively with stable and strong production in the asphalt plants. Contracts with the Swedish Transport Administration, Swedavia, and a growing number of municipalities have put Asphalt in a strong market position. Establishment of our own Polymer Modified Bitumen (PMB) factory in Västerås during the year guaranteed the quality and supply of binders. Our well-established laboratories make sure that product quality is high and we develop new products and production methods.

In 2018 the concept ECO-Asfalt® represented more than 95 percent of Peab's total production in stationary plants in Sweden. Carbon dioxide emissions are estimated to have been reduced in 2018 by 42,000 tons (39,000), which is equal to approximately 32,000 cars (30,000) driving 1,300 Swedish miles each (100 g CO_2 equiv./km). Read more about ECO-Asfalt® and our other environmental and sustainable initiatives in the section Environment.

Strategic new sites and greater efficiency in Construction System

Streamlining operations in Construction System continued in 2018. Production has been concentrated to fewer units and localized closer to our customers in order to better meet demand. During the year we invested in increased capacity in the hollow core slab factory in Hallstahammar and Smidmek expanded its operations in the Gothenburg area which resulted in several new, major orders.

High demand in Rentals

Lambertsson showed profitable growth during the year and the unit that grew most was traffic equipment. The number of depots rose with new establishments in Borås, Solna, Nacka and Trollhättan. The increasing focus on sustainable offers has led to higher investments in so-called green machines to reduce emissions. During the year the digital service LambertssonOnline was launched. This digital tool visualizes ongoing machine rentals, sorts, filters and notes end dates directly in cell phones. Activity in crane operations in Sweden (Lambertsson), Norway (Kranor) and Finland (Virtanen) was very high in 2018.

NET SALES AND PROFIT

Net sales for 2018 increased by four percent and amounted to SEK 13,284 (12,761). The favorable construction and civil engineering markets have had a positive effect on every product area. Even after adjustments for acquisitions and divestments net sales increased by four percent. The increase in net sales was generated in all the product areas except Transportation and Machines where net sales contracted.

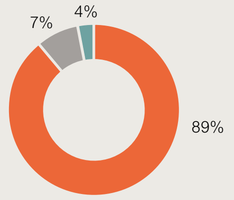
Operating profit for 2018 amounted to SEK 977 million (867). The operating margin improved to 7.4 percent (6.8). The increase in operating profit is primarily due to Asphalt as well as improvements in Construction System.

Capital employed in Industry at the end of the year amounted to SEK 6,432 million (5,781). The increase stems primarily from more investments in machines.

ORDERS RECEIVED AND ORDER BACKLOG

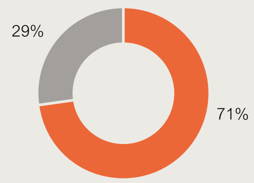
Orders received during 2018 amounted to SEK 5,111 million (5,152). Order backlog on 31 December 2018 amounted to SEK 2,246 million (2,533).

Net sales per geographic market, 2018



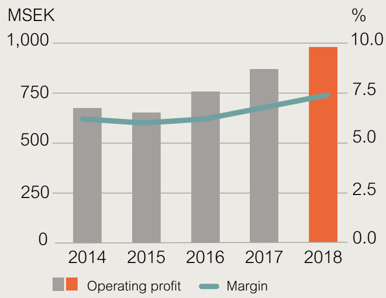
- Sweden, 89% (89)
- Norway, 7% (8)
- Finland, 4% (3)

Share of net sales, 2018

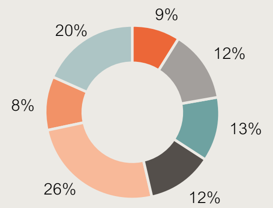


- External sales, 71% (72)
- Internal sales, 29% (28)

Operating profit and margin



Capital employed per product area, 31 December 2018



- Asphalt, 9% (9)
- Concrete, 12% (13)
- Gravel and Rock, 13% (12)
- Transportation and Machines, 12% (13)
- Rentals, 26% (25)
- Construction System, 8% (10)
- Group goodwill and other, 20% (18)

BUSINESS AREA PROJECT DEVELOPMENT

Collaboration is the key to sustainable urban development

Key ratios

	2018	2017	2016
Net sales, MSEK	7,844	8,343	7,204
of which Property Development	*738*	*1,013*	*1,385*
of which Housing Development	*7,106*	*7,330*	*5,819*
Operating profit, MSEK	785	804	591
of which Property Development	*170*	*98*	*89*
of which Housing Development	*615*	*706*	*502*
Operating margin, %	10.0	9.6	8.2
of which Property Development	*23.0*	*9.7*	*6.4*
of which Housing Development	*8.7*	*9.6*	*8.6*
Capital employed on 31 December, MSEK	12,984	9,986	10,229
Orders received, MSEK	6,681	8,496	8,245
Order backlog on 31 December, MSEK	7,134	8,198	6,853
Number of employees on 31 December	379	361	321

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

Peab is one of the largest housing developers in Sweden and has a strong position on the market. Operations are spread throughout the country in 19 offices divided into six regions. In Finland Peab is represented in Helsinki and seven other large regional cities. In Norway operations are located in the Oslo area, Tromsø and Ålesund.

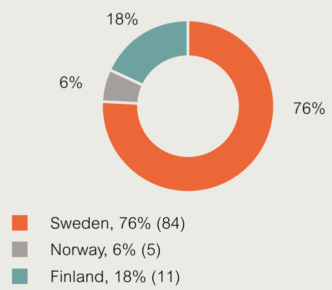
Property Development develops new offices, premises and sometimes whole city districts in collaboration with municipalities and other partners. The business is represented in Stockholm, Gothenburg, Malmö, Helsinki, Oslo and Tromsø.

NET SALES AND PROFIT
In business area Project Development net sales for 2018 were SEK 7,844 million (8,343). Operating profit amounted to SEK 785 million (804).

At the end of the year capital employed amounted to SEK 12,984 million (9,986). The increase is due to investments in project and development properties, higher activities in our own developed housing projects in Norway and Finland as well as investments in operations and investment properties in Property Development.

Net sales

Per geographic market, 2018



Capital employed

MSEK	31 Dec 2018	31 Dec 2017
Operations property	915	1,036
Investment property	589	871
Project and development property	9,685	7,612
of which housing development rights	*5,394*	*5,116*
of which commercial development rights	*656*	*627*
of which on going housing projects	*2,034*	*1,173*
of which on going commercial projects	*1,227*	*383*
of which completed projects	*14*	*170*
of which other	*360*	*143*
Participation in joint ventures	1,019	912
Loans to joint ventures	1,466	1,383
Working capital and other	-690	-1,828
Total	**12,984**	**9,986**

A new city district is emerging in Borås – Regementsstaden. Majoren with 57 apartments, the first of four stages, went on sale in April 2018. It is expected to be completed in 2020. More than 1,000 homes are planned for the area in a characteristic regiment style.

HOUSING DEVELOPMENT

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

The housing market changed during 2018. The year began with a decline in the market trend and ended with continued uncertainty about how the housing market will develop in the next few years. This led to fewer start-ups of new projects with the greatest decline in the Stockholm region. The market is not homogeneous and has been affected to various degrees, depending on the location, by a large supply of new homes, many of which are in the same price bracket. Banks' higher requirements for loans and the latest government amortization requirements have also had a negative effect on the market.

Peab strives to be a forerunner in sustainable urban development and build attractive and sustainable projects that meet economic, environmental and social goals. Peab considers social sustainability essential which includes creating vibrant and safe neighborhoods with meeting places. All our new, own developed apartment buildings are certified according to the ecolabel Swan with Bra Miljöval (Good Environmental Choice) labelled electricity.

The development rights portfolio for Swedish operations is spread over the country. Several major housing projects in Sweden are urban development projects where collaboration between a number of partners is an important success factor. In Lindholm's historical shipyard in Gothenburg, Peab is working closely with businesses and the City of Gothenburg to develop an attractive urban environment with a clear environmental profile. Peab is developing and constructing around 200 homes in two tenant-owned housing blocks lining the Göta River. Last autumn Peab completed our first Swan ecolabeled apartment building, Lindholmskajen with 67 apartments. During the year construction began in the Innovatum area in Trollhättan where Peab is developing the venerable industrial site into 69 top modern apartments in Turbinen ready for occupation in 2020. Peab continues to develop homes in the new city district Öster Mälarstrand in Västerås. In September we began construction of 70 new apartments in three different buildings, the highest of which is eight stories, in Sirenen.

The Norwegian housing market contracted in 2018. Housing prices rose steadily during the first half of the year and then fell somewhat in the autumn which is normal. There are significant differences in housing prices from one geographic area to another. Prices rose during the year in Oslo and Tromsø while prices in, for example, Bergen and Trondheim fell.

Housing development rights

Number, approx.	31 Dec 2018	31 Dec 2017	31 Dec 2016
Development rights on our own balance sheet	21,300	20,700	17,300
Development rights via joint ventures	5,000	4,800	3,900
Development rights via options etc.	9,100	7,100	7,200
Total	**35,400**	**32,600**	**28,400**

Own housing development construction

	2018	2017	2016
Number of housing starts during the year	2,213	3,048	2,651
Number of sold homes during the year	1,825	2,734	2,044
Total number of homes under construction, at year-end	6,231	6,333	4,381
Share of sold homes under construction, at year-end	63%	72%	69%
Number of repurchased homes on the balance sheet, at year-end	104	33	50

Peab is still a relatively small player on the Norwegian housing market but we are steadily growing. Peab's largest own developed housing project, Carl Berner Torg in Oslo, started up in the spring of 2018. The project consists of 111 apartments and is expected to be completed in the second quarter of 2020. In Tromsø the first stage of the Skir project with 180 homes is under construction and expected to be completed in the spring of 2021. A number of projects were completed in 2018, among them Himmel & Hav (Sea & Sky) in Tromsø with 87 homes and Prestegårdsgate and Flötningen B4 in Skien with 20 respectively 27 homes.

The housing market has grown dramatically the past few years in Finland, a fact noticeable in the rising number of production start-ups at Peab. In 2018 we intensified investments in housing production in Helsinki. In the Jätkäsaari docklands housing project GoldenEye with 81 apartments is under construction and the first construction stage of housing project Goldfinger with 109 apartments was initiated in September. Both are expected to be completed in 2020. The first stage of Kruunuvuori Shoreline with 91 apartments was completed in 2018 and the second stage comprising 140 apartments is under construction.

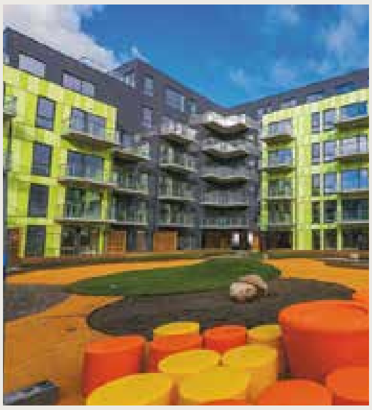
Outside Helsinki there are a number of housing projects geographically well spread all over Finland. In growing Seinäjoki in Western Finland Peab is working on a regional project, developing and building a new block, Itikanmäki. It is seven apartment buildings with 6-8 floors containing a total of 294 apartments, with the final building completed in March 2019. Peab has previously built three apartment buildings, Bostads AB Klemettilänpuisto IV, in the historical Milka dairy district Klemettilä in Vasa. Construction of the final apartment building began in 2018 and it will be completed in 2019.

Net sales and operating profit

Net sales decreased by three percent and amounted to SEK 7,106 million (7,330). Operating profit amounted to SEK 615 million (706) and the operating margin was 8.7 percent (9.6).

The number of start-ups of our own developed homes during the year amounted to 2,213 units (3,048) with a good geographic spread in Sweden as well as in Norway and Finland. The number of sold homes during 2018 was 1,825 (2,734). The number of own developed homes in production at the end of the year was 6,231 (6,333). The level of sold homes in production was 63 percent compared to 72 percent at year-end 2017. The number of repurchased homes per 31 December 2018 was 104 (33) and was spread over the three countries.

At the end of the year capital employed has increased in Housing Development due to higher investments in project and development property and greater activity in our own housing developments in Norway and Finland, which remain on the balance sheet until completion.

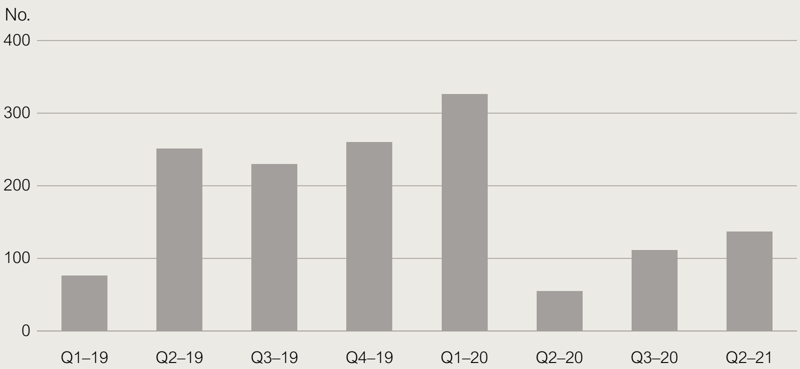


Himmel & Hav in Tromsö with 87 homes was completed in 2018. The housing project is part of a larger development project in the area that contains 291 homes in total and 1,500 m^2 commercial space.

In the same area as Himmel & Hav in Tromsø Peab is building the project Skir, commercial space and 180 condominiums. Construction is in two stages, and the first 80 condominiums will be ready for occupancy in the first quarter 2021. The whole project will be completed in the fourth quarter of 2021.

The diagram shows when in time the housing projects in Norway and Finland are expected to be completed. The total number of ongoing own housing developments in Norway and Finland were 1,446 per 31 December 2018.

When in time ongoing homes in Norway and Finland will be completed



Housing project GoldenEye in Helsinki offers homebuyers facilities that contribute to an active life, for example, a gym, car sharing, kayaks and offices for teleworkers. The planned 81 homes are expected to be ready in 2020.

PROPERTY DEVELOPMENT

Property Development has broad, extensive expertise in refining and developing locations and land for offices, malls, hotels, industries and sports facilities. It is primarily geared to run development projects based on development rights on our own balance sheet. Collaboration with partners via joint ventures may occur at different times during a project. In 2018 the market for office buildings in Swedish big city regions was strong and so was the transaction market. The market for office rentals is expected to continue to develop positively and real estate prices are expected to have a stable development.

During the year several major property projects were started up in Sweden. During the first quarter Peab decided to gather all our offices in the Oresund region to a new Peab Center in Hyllie, Malmö and invest around SEK 200 million. The new office building is the first of a total five buildings in the project The Gate. The first stage comprises two buildings containing a total of 10,200 m^2 in office space. In May Peab signed a rental agreement with the wellness chain Actic that will move its headquarters and open a gym in a new building in Ulriksdal, Solna. They will occupy around 2,600 m^2, of which 1,150 m^2 will be offices and the gym will take up the rest on two floors. Peab is investing around SEK 280 million in the eleven story building. The top three floors are the offices and gym and the other eight floors are a multistory car park with 475 parking spaces. The building is expected to be ready the summer of 2020.

Growth in the Finnish economy contributed to an active real estate market during the year. The office market in Finland is expected to be positive in 2019 as well. During the year no new projects were started in Finland but renting out and planning for the third stage of Ultimes Business Garden, in Sockenbacka Business Park in Helsinki is underway. The seven story office building has around 7,900 m^2 rentable office space and 150 parking spaces. Occupation is planned for March 2019 and a total of six office buildings with around 50,000 m^2 office space are planned for the area.

There is still an optimistic perspective on the office market in Norway, primarily as a result of rising rent levels in central Oslo. The positive market development creates opportunities for Peab's operations in Oslo and Tromsø. Several large projects were started up in Norway in 2018, among them Peab's own developed project, Carl Berner Torg in Oslo. The project consists of 3,500 m2 commercial space, all of it

The first office building of five in the project The Gate, Peab's new offices in Hyllie, Malmö, will be completed in 2020. The area has an excellent communications location being close to the city, countryside and public transportation.

rented out to Coop. The project is expected to be completed in the second quarter of 2020. The first stage of the Skir project in Tromsø with 1,500 m^2 commercial space was launched in December. The project is expected to be ready in the spring of 2021. Nadderuveien 1 in Bekkestua outside Oslo, a joint venture where Peab has a 50 percent participation, started up at the end of the year. The project consists of 67 homes and about 3,500 m^2 commercial space, all of it rented out to Norgesgruppen. The entire project is expected to be completed in 2021.

Net sales and operating profit

During 2018 net sales were SEK 738 million (1,013) and operating profit was SEK 170 million (98). The increase in operating profit is primarily due to improved profit from wholly owned and partially owned companies. Profit from partly owned companies was SEK 101 million (72) during the year. In the first quarter last year assets in Arenastaden were divested to Fabege, which affected net sales by SEK 577 million but had no effect on operating profit. Last year also included a capital gains effect of SEK 75 million attributable to the divestiture of joint venture companies to Catena.

In cases where no divestiture is planned properties can remain in the Group for a considerable length of time in order to garner rent and appreciation revenue or a combination of both. Included in the capital employed in Property Development are operations property for a reported value of SEK 915 million (1,036) and investment property at SEK 589 million (871). In 2018 Peab divested Ångkraftverket 2 in Västerås which is rented by Steam Hotel and Kokpunkten Actionbad. Centur, owned equally by Peab and Balder, purchased the property. The hotel and water park was developed by Peab. The transaction had no material effect on operating profit but it reduced capital employed by around SEK 800 million.

All major property projects are presented in the tables below.

Property projects

Completed projects	Location	Area in m^2	Degree rented, %	Recognized value, MSEK
Businesspark	Ängelholm	60,800	90	241
Businesspark	Ljungbyhed	76,100	61	91
Offices	Helsinki	9,300	100	276
Tenancy	Malmö	4,600	100	142
Offices	Sigtuna	3,600	78	66
Other completed projects				24
Total				**840**
of which operations property				*541*
of which investment property				*299*

In Ulriksdal in Solna Peab is constructing an entirely new city district. Attractive and vibrant urban environments with homes and commercial premises are under development here. In the summer of 2020 the wellness chain Actic's headquarters and gym will move into a building characterized by innovative architecture.

In August 2017 construction began on the second office building, Ultimes Business Garden II, in Sockenbacka Business Park in Helsinki. It is a seven story office building with around 7,600 m^2 rentable office space and 150 parking spaces. Occupation is planned for the beginning of 2019 and a total of six office buildings are planned for the area that will contain around 50,000 m^2 office space all together.

Ongoing projects	Location	Area in m^2	Degree rented, %	Recognized value, MSEK	Total investment at completion, MSEK	Timepoint of completion	Level of completion, %
Offices	Solna	12,400	100	287	453	Q4-2019	53
Offices	Malmö	4,900	68	87	185	Q1-2020	33
Offices	Helsingborg	4,500	100	35	117	Q1-2020	30
Offices and parking	Helsinki	7,600	27	240	342	Q1-2019	56
Other ongoing projects				15			
Total				**664**			
of which operations property				*374*			
of which investment property				*290*			

THE POINT
Hyllie, Malmö

Significant joint ventures

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

FASTIGHETS AB CENTUR
Own, manage and develop commercial property and housing.
Peab's share: 50 percent
Partner: Balder
Geography: Stockholm, the Mälardalen region, Gothenburg and the Öresund region
Major ongoing projects: Hotel Stay-At Varvsstaden, Malmö Rentable area 3,900 m^2, Lyckholms Gothenburg, Rentable area 6,400 m^2

TORNET BOSTADSPRODUKTION AB
Build and manage attractive and environmentally friendly rentals in larger cities in Sweden.
Peab's share: 33 percent
Partner: Folksam and Balder
Geography: Stockholm, the Mälardalen region, Gothenburg and the Öresund region
Major ongoing projects: Munkebäck, Gothenburg Rentable area 14,800 m^2, Kungsängen, Upplandsbro Rentable area 8,800 m^2 and several apartment building projects in Västerås, Helsingborg, Malmö and Örebro.

FASTIGHETS AB ML4
Own and manage the research facility Max IV. The facility is rented to Lund University.
Peab's share: 50 percent
Partner: Wihlborgs
Geography: Lund

POINT HYLLIE HOLDING AB
Develop, own and manage the office property The Point as well as own and manage the hotel property Värdshuset 5 (Operator Quality Hotel View).
Peab's share: 50 procent
Partner: Volito
Geography: Hyllie, Malmö
Major ongoing projects: 29 floor office building, The Point, Rentable area 20,000 m^2

Key ratios 2018 significant joint ventures[1)]

MSEK	Fastighets AB Centur	Tornet Bostadsproduktion AB	Fastighets AB ML4	Point Hyllie Holding AB
Net sales	286	130	87	30
Profit for the year	234	107	14	1
Total assets	6,861	3,485	1,997	1,042
– of which recognized value of properties	6,085	3,428	1,849	1,008
Peab's portion of unrecognized fair value exclusive tax	353	212		

1) Refers to the recognized value of joint venture companies for January – December 2018 and per 31 December 2018. Since Fastighets AB Centur and Tornet Bostadsproduktion AB apply the market value of properties, the values in the table above differ from the values presented in the Peab Group for joint venture companies in note 19.

Risks and risk management

It is crucial for Peab's profitability to have well developed routines for identifying and managing risks. This also creates possibilities to take advantage of business opportunities that arise. Changes in, for example, external circumstances, the economy, customers' preferences and investment needs require constant vigilance and adaptability. The year 2018 has been largely characterized by the slowdown in the housing market in Sweden. There are significant differences in demand with different conditions depending on location and product. Peab's broad range of operations has meant that downturns in some product areas have been countered by upturns in others, a fact supported by the record high level of order backlog in 2019.

RISKS AND UNCERTAINTY FACTORS

Peab's business is exposed both to operational and financial risks. How much risks affect Peab's profits and position depends on how well the company handles daily operations. In addition, as a construction and civil engineering company, Peab is vulnerable to external risks such as developments in the economy and changes in circumstances due to amendments in laws and regulations, and other political decisions. See also **External circumstances and the market** for a description of economic developments on Peab's markets. The parent company is indirectly affected by the risks described in this section.

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

Regarding the dispute related to the construction contract of Mall of Scandinavia see note 3.

RISK MANAGEMENT

Managing operative risks is a continuous process considering the large number of projects the Group is always starting up, carrying out and completing. Operative risks are managed in the line organization in the business areas through established procedures, processes and control systems. Financial risks are primarily associated with the company's need for capital, tied up capital and access to financing.

Operative risks	Description	Action
Contract risks	Peab's business is largely project related and each project is unique in its configuration and other circumstances. Erroneous calculations can lead to incorrect tenders, which can then lead to losses in projects regardless of how well they have been carried out. There are a number of contract types and the risk level varies accordingly. Regardless of the type of contract, grey areas in the terms can lead to disputes with customers about where responsibility lies. Disputes make it hard to assess the result of both ongoing and completed projects. Peab's operations are subject to market risks in the form of price risks such as unforeseen cost increases for material, subcontractors or employee salaries. The risks vary depending on the type of contract.	Structured risk assessment is crucial to ensure that risks are identified and priced in bids that are tendered and the underlying calculations. The right resources in projects ensure that they will be carried out according to stipulated procedures, and with the right products and methods. Price risks are managed through efficient purchasing processes with the right suppliers, largely procured through central contracts.
Risks relating to suppliers and subcontractors (SC)	Suppliers/SCs who do not conform with existing laws, conventions and Peab's contracts and regulations can lead to infringements regarding the environment, ethics, human rights and the work environment. Choosing the wrong supplier/SC can lead to quality defects, delivery delays or no delivery at all in the case of bankruptcy. Violations, defects and delays caused by suppliers/SCs can have a negative effect on Peab's profitability and brand.	All the contracts Peab signs with suppliers/SC stipulate the rules and regulations for the specific project and for doing business with Peab. The Code of Conduct and the ethics clause for suppliers are attached to all contracts. These clarify, among other things, what is expected of suppliers and consequences in cases of non-compliance with the Code of Conduct, working conditions and human rights requirements and workplace safety regulations. During the year Peab further developed procedures and methods within the framework of "safe business", with particular focus on the work environment, working conditions, reliable supplier chains and sustainability. Please read more on page 28.
Skills recruitment risks	Peab is dependent on attracting and keeping competent employees in order to fulfill customers' expectations. Competition for the skills Peab needs is intense, which makes the recruitment process a high priority.	Peab works strategically with short and long term skills recruitment as well as practical measures like establishing alternative supply channels in cooperation with every section of the education system, active integration work, extensive internal training and running our own upper secondary school, the Peab School. The company has launched a career map aimed at clarifying and enabling paths for development for every employee, regardless of their role or background. Peab's goal-oriented work with equality, diversity and equal treatment is a part of our effort to handle risks connected to recruiting needed skills, which also contributes to greater diversity in the industry.
Project development risks	The risks affecting the profitability of Peab's housing project developments are, in addition to the risks linked to production, circumstantial factors such as the general economy, interest rates, customers' willingness to buy and other market conditions. Peab's commercial property development faces similar risks, including the fact that the investor market's willingness to buy also influences sales conditions. A common factor for development operations is the risk in zoning for the exploitation land since decisions taken by the authorities can have a great impact on land values and thereby future projects' profitability.	The sales risk is reduced through set requirements for advance sales before production starts in housing projects. Corresponding risk management for commercial property development is the requirement for a certain level of rented space before production start. From a risk perspective it is also important to shorten lead times from land acquisition to finished project in view of the risk for changed market prerequisites.
Work environment risks	Work related accidents at Peab's workplaces can lead to employees or suppliers/SCs getting hurt or, in the worst case, killed. This can lead to fines, legal sanctions and brand damage.	To prevent incidents and accidents at workplaces Peab develops quality-ensured work methods and trains personnel in this area. Focus is on planning and risk assessment early on, and learning from reported risk observations, incidents and accidents.
Ethical risks	Ethical risks can entail Peab employees not following our Code of Conduct and involving themselves in irregularities, bribes or corruption. Ethical risks can also be connected to transgressions of human rights by suppliers. This can lead to fines, legal sanctions and brand damage.	Systematic ethic work focused on preventive education, a well-defined Code of Conduct and strict consequences for transgressions are the foundation of a strong brand and healthy competition. Monitoring suppliers prevents risks in the supplier chain and a whistleblower system ensures the right to anonymously point out ethical risks.

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

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

Sensitivity analysis

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

MSEK	Calculation basis	Change	Pre-tax profit effect
Operative			
Volume (operating margin constant)	52,000	+/- 10%	+/- 255
Operating margin (volume constant)	4.9%	+/- 1 percentage	+/- 520
Production costs	36,000	+/- 1%	+/- 360
Financial			
Net debt (interest rate constant)	3,551	+/- 10%	+/- 5
Average effective interest rate[1] (net debt constant)	1.4%	+/- 1 percentage	+/- 22

[1] The calculation is based on the assumption that the interest-bearing liabilities have SEK 4,660 million in a fixed interest term shorter than 1 year and which is therefore relatively immediately affected by a change in market rates.

Other information and appropriation of profit

REVENUE RECOGNITION OF SWEDISH TENANT-OWNED HOUSING PROJECTS

Together with several other major housing developers Peab has received questions from Nasdaq Stockholm AB (Nasdaq) during the year regarding the application of IFRS 15 Revenue from contracts with customers as well as whether the tenant-owned housing association or the final homebuyers are, in terms of accounting, Peab's customers according to IFRS 15. Peab has answered Nasdaq's questions and we have had a dialogue and motivated why we consider the tenant-owned housing association to be Peab's customer. This conclusion is shared by our accountants. For this reason Peab applies revenue over time accounting to Swedish tenant-owned housing projects.

The reconciliation between Nasdaq and ESME (The European Securities Markets Expert Group) came to the conclusion that, in this case, the accounting review should be focused on the application of IFRS 10 Consolidated financial statements. Regarding the matter of whether or not a company has controlling interest over a tenant-owned housing association, and thereby ought to consolidate the association, there is, taking into consideration all relevant facts and circumstances, room for companies to arrive at different conclusions. There are variations between different companies' operational, business and contractual structures and several factors can be significant, such as board composition, terms for land procurement, contract work, financing and divestment as well as the tenure of the condominiums, in deciding whether or not controlling interest exists. With this in mind Nasdaq believes that a presumption for consolidation (in accordance with IFRS 10) exists if the construction company (or representatives for it) make up a majority of the members of a tenant-owned housing association or have the right to appoint more than half of the members in its board. However, a judgement must be made in each individual case and specific circumstances in a company's business model, such as the statutes in a tenant-owned housing association and contract terms, can render different conclusions regarding whether or not tenant-owned housing associations ought to be consolidated or not.

After a review of the factors above our conclusion is that Peab can not be considered to have controlling interest over tenant-owned housing associations according to IFRS 10 Consolidated financial statements. Fore more information see note 3.

In the beginning of December 2018 Nasdaq sent a letter to Peab with the information that Nasdaq had decided to criticize Peab for a lack of clarity in the Annual Report for 2017 concerning the grounds for Peab's assessment that controlling interest does not exist when revenue over time is applied to tenant-owned housing associations. Nasdaq requires that clearer information is presented in the Annual Report for 2018. Nasdaq explained that any changes concerning consolidation of tenant-owned housing projects should be through a correction with retroactive application in the Annual Report for 2018. The letter also stated that for Nasdaq the matter is now concluded and that Finansinspektionen has been notified. Finansinspektionen has announced that they intend to continue to review the question of tenant-owned housing project accounting in the Annual Report for 2017.

PEAB'S SUSTAINABILITY WORK

As a community builder and a major employer Peab's operations have an impact on society and those living and working in it, both long and short term. Therefore we put great effort into ensuring that what we plan and carry out is ethical and sustainable throughout an entire life cycle. Our aim is to run our company sustainability and responsibly encompassing Social (employees and society), Environmental and Economic aspects. Peab's strategic sustainability work is primarily focused on preventing risks, systematic quality work and, in an inventive and responsible manner, enabling sustainable development. In accordance with the Annual Reports Act chapter 6 paragraph 11 Peab has chosen to present the statutory sustainable report outside of the Board of Directors' Report. The required parts of a sustainable report can be found under sections Goals and strategies, Our take on sustainable business, Social, Environment, Economic, Risks and risk management and Corporate governance report.

OPERATIONS REQUIRED TO HAVE PERMITS OR SUBMIT REPORTS

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

Swerock's concrete factories and Skandinaviska Byggelement's concrete product factories as well as Peab Asphalt's permanent and mobile asphalt plants are operations that must submit reports.

RESEARCH AND DEVELOPMENT

The purpose of Peab's research and development is to provide society, our customers and ourselves with added value and sustainable development by using new discoveries to improve or to develop new products, services and production processes. Research and development is run close to operations in the different business areas in order for it to be steered by current needs. Therefore Peab does not have a central unit for research and development. Peab collaborates with universities, colleges and trade organizations and is an active participant in many trade organization projects.

Some examples of trade organization projects in business area Construction in 2018 were "Regulations for function procurement of turnkey contracts", "Efficient framework construction in concrete" and "Digitalized Production Processes". Some in business area Civil Engineering: "Control of land stabilization with resistivity", "Packing embankments for high velocity railroads with varying foundation conditions" and "Productivity in the deep foundation acoustic method". Examples in business area Industry: "Sustainable community building with resistant concrete", "Radon gas reduction with alternative binders and blends in concrete" and "Measures regarding diffuse particle emissions".

IMPORTANT EVENTS DURING THE YEAR

Camila Buzaglo was appointed Chief Communications Officer at Peab and a member of executive management. Camila Buzaglo left a position as CCO at IP-Only. She has previously worked with communication and public relations at Telia and in the Government and Parliament Offices as press secretary. Camila Buzaglo assumed her role as CCO on 1 November 2018.

Lotta Brändström became the Business Area Civil Engineering Manager at Peab on 1 January 2019. Lotta Brändström held the position of Assistant Business Area Civil Engineering Manager. She has previously been the CEO of Göteborg Energi and held various positions within the Swedish Transport Administration and the Swedish Railway Authority. Lotta Brändström took the place of Karl-Gunnar Karlsson who was the combined Business Areas Civil Engineering and Industry Manager for several years. Karl-Gunnar Karlsson will continue in his role as Business Area Industry Manager. Lotta Brändström also became a member of executive management which now consists of:

Jesper Göransson, President and CEO
Niclas Winkvist, CFO
Roger Linnér, COO
Camila Buzaglo, CCO
Stefan Danielsson, Business Area Construction Manager
Lotta Brändström, Business Areas Civil Engineering Manager
Karl-Gunnar Karlsson, Business Area Industry Manager
Göran Linder, Business Area Project Development Manager

THE PEAB SHARE

At the end of 2018 Peab's share capital amounted to SEK 1,583,866,056 divided among a total of 296,049,730 shares, resulting in a nominal value of SEK 5.35 per share. Of the shares, 34,319,957 are A shares with ten votes per share, and 261,729,773 are B shares with one vote per share. All shares carry equal rights to participation in the company's assets, profits and dividends. There are no restrictions in the articles of association concerning transferring shares or the disposal of votes at the AGM. On 31 December 2018 there were approximately 37,000 shareholders in Peab. At the beginning of 2017 Mats Paulsson with companies held 28.6 percent of the votes, Fredrik Paulsson with family and companies held 14.5 percent of the votes and Anita Paulsson with family and companies held 14.5 percent of the votes. As part of the generation shift, in the spring of 2017 the Paulsson families merged the majority of their indirect holdings into a holding company, Ekhaga Utveckling AB, which is controlled by Mats Paulsson's son Fredrik Paulsson. Ekhaga Utveckling AB has 48.2 percent of the votes. At the end of 2018 the collective ownership connected to the Paulsson families amounted to a total of 25.5 percent of the capital and 57.6 percent of the votes. The company has no knowledge of any agreements between shareholders that can result in restriction of the right to transfer shares.

Peab's AGM decided on 7 May 2018 to authorize the Board to decide, during the period up to the next AGM, on new issues of B shares with rights for current shareholders to participate in the issue or without preferential rights for current shareholders to participate in the issue in connection with acquisitions. The authorization may be used on one or more occasions and correspond to, at the most, a total of 10 percent of the registered share capital at the time of the authorization. During the year the Board has not decided to issue any new shares.

In 2007 Peab established a profit-sharing foundation. According to the foundation's placement policy its capital should be placed primarily in Peab shares. On 31 December 2018 the foundation owned 10,408,000 B shares in Peab, corresponding to 3,5 percent of the the total number of shares.

HOLDINGS OF OWN SHARES

At the beginning of 2018 Peab's own B shareholding was 1,086,984 which corresponds to 0.4 percent of the total number of shares. Peab's AGM on 7 May 2018 resolved to authorize the Board to, during the period until the next AGM, acquire shares so that the company would have at most 10 percent of the total shares in Peab. No own shares were purchased nor divested during 2018 which means that Peab's own shareholding was 1,086,984 B shares at the end of 2018. For more information see note 28.

CORPORATE GOVERNANCE

For a detailed description of the work of the Board of Directors, corporate governance and systems for internal control see pages 124–127, Corporate governance report.

RENUMERATION FOR SENIOR OFFICERS

The Board will submit unchanged remuneration principles to the AGM on 9 May 2019.

For more information about adopted guidelines regarding salaries and other remuneration to the CEO and other members of executive management, see note 10.

ANTICIPATED FUTURE DEVELOPMENT

In Sweden new production of homes is expected to decrease in 2019 and 2020. The forecast for other building construction is difficult to make but growth in employment and the population as well as an aging population are forces driving the demand for premises. On top of that the need to modernize in particular schools and healthcare facilities promotes renovation investments. All in all building construction investments are expected to contract in 2019 and then level out in 2020. Civil engineering investments look like they might increase during the coming years and the new government will most likely strive to achieve the ambitions laid out in the latest infrastructure proposition.

Housing construction investments in Norway declined in 2018 and are expected to level out in 2019 before they turn up again in 2020. Other building construction is expected to have the opposite development, partly as a reaction to the increase in 2018 and partly because of interest hikes and a global recession. Civil engineering investments, however, are expected to grow at a good rate in 2019.

In Finland housing investments increased in 2018 and are expected to grow in 2019 as well, which is largely due to higher income in households and a pent up need for investments. Investments are then expected to level off in 2020. Weaker growth in the economy is reflected in the forecasts for other building construction which is basically showing no growth in the period 2018–2020. The forecasts for civil engineering investments signal weak growth for the period 2019 on the whole.

PARENT COMPANY

The parent company's business consists of executive management and Group functions. Net sales in 2018 were SEK 299 million (262) and consisted primarily of internal Group services. Operating profit for the year was SEK -171 million (-150). Profit after net financial items amounted to SEK 1,128 million (-100). Net financial items included dividends from subsidiaries for SEK 1,509 million (-). In 2017 net financial items included a capital gain of SEK 163 million from sale of shares in Lemminkäinen Oyj. During the year the parent company received net Group contributions of SEK 2,698 million (3,419). Profit for the year amounted to SEK 2,809 million (2,017).

Proposed appropriation of profit

The following amounts in SEK are at the disposal of the Annual General Meeting;	
Share premium reserve	2,308,208,948
Profit brought forward	2,010,948,188
Profit for the year	2,808,819,450
Total	**7,127,976,586**

The Board of Directors propose the following appropriation of disposable profit and non-restricted reserves;	
Dividend, 296.049.730 shares at SEK 4.20 per share	1,243,408,866
Carried forward [1]	5,884,567,720
Total	**7,127,976,586**
[1] of which to share premium reserve	2,308,208,948

Income statement – the Group

MSEK	Note	2018	2017
Net sales	4,5	52,233	49,981
Production costs	12	-47,045	-45,229
Gross profit		**5,188**	**4,752**
Sales and administrative expenses	12	-2,784	-2,614
Other operating income	7	216	305
Other operating costs	8	-47	-25
Operating profit	5,9,10,11,19,36	**2,573**	**2,418**
Financial income		100	191
Financial expenses		-155	-151
Net finance	13	**-55**	**40**
Pre-tax profit		**2,518**	**2,458**
Tax	15	-418	-391
Profit for the year		**2,100**	**2,067**
Profit for the year attributable to:			
Shareholders in parent company		2,100	2,067
Non-controlling interests		0	0
Profit for the year		**2,100**	**2,067**
Profit per share before and after dilution, SEK		7.12	7.01

Statement of comprehensive income – the Group

MSEK	Note	2018	2017
Profit for the year		**2,100**	**2,067**
Other comprehensive income			
Items that have been reclassified or can be reclassified to profit for the year			
Translation differences when translating foreign operations for the year		86	-53
Translation differences transferred to profit for the year		–	-2
Change for the year in fair value of financial assets available-for-sale		–	103
Change in fair value of financial assets available-for-sale transferred to profit for the year		–	-158
Change for the year in fair value of cash flow hedges		23	53
Change in fair value of cash flow hedges carried over to profit for the year		-3	59
Shares in joint ventures' other comprehensive income		0	0
Tax referring to items that have been reclassified or can be reclassified to profit for the year	15	-3	-16
Other comprehensive income for the year		**103**	**-14**
Total comprehensive income for the year		**2,203**	**2,053**
Total comprehensive income for the year attributable to:			
Shareholders in parent company		2,203	2,053
Non-controlling interests		0	0
Total comprehensive income for the year		**2,203**	**2,053**

Balance sheet – the Group

MSEK	Note	2018	2017
Assets			
Intangible assets	16	2,250	2,167
Tangible assets	17	5,741	5,508
Investment property	18	589	871
Participation in joint ventures	19	1,076	936
Other securities held as fixed assets	22,34,35	109	80
Interest-bearing long-term receivables	21,30,34,35	1,445	1,520
Deferred tax recoverables	15	–	13
Other long-term receivables	23	107	131
Total fixed assets		**11,317**	**11,226**
Project and development properties	24	9,685	7,612
Inventories	25	441	399
Accounts receivable	26,34,35	10,166	8,709
Interest-bearing current receivables	21,34,35	640	411
Tax assets		118	33
Worked-up but not invoiced income	27	2,312	2,408
Prepaid expenses and accrued income		529	455
Other current receivables	23	732	277
Liquid funds	34,35	1,376	595
Total current assets		**25,999**	**20,899**
Total assets		**37,316**	**32,125**
Equity	28		
Share capital		1,584	1,584
Other contributed capital		2,576	2,576
Reserves		-68	-167
Profit brought forward including profit for the year		7,255	6,338
Equity attributable to shareholders in parent company		**11,347**	**10,331**
Non-controlling interests		1	1
Total equity		**11,348**	**10,332**
Liabilities			
Interest-bearing long-term liabilities	29,34,35	5,194	2,573
Other long-term liabilities	32,34	161	203
Deferred tax liabilities	15	123	201
Provisions	31	816	637
Total long-term liabilities		**6,294**	**3,614**
Interest-bearing current liabilities	29,34,35	1,818	1,169
Accounts payable	34,35	5,177	4,882
Tax liabilities		69	311
Invoiced income not yet worked-up	27	6,841	6,252
Accrued expenses and deferred income		4,046	3,778
Other current liabilities	32,34	1,457	1,425
Provisions	31	266	362
Total current liabilities		**19,674**	**18,179**
Total liabilities		**25,968**	**21,793**
Total equity and liabilities		**37,316**	**32,125**

Report on changes in Group equity

MSEK	Share capital	Other contri-buted capital	Transla-tion reserve	Fair value reserve	Hedging reserve	Profit brought forward inclu-ding profit for the year	Total	Non-controlling interests	Total equity
	Equity attributable to owners in parent company								
Opening balance equity 2017-01-01	**1,584**	**2,576**	**-79**	**59**	**-133**	**5,373**	**9,380**	**0**	**9,380**
Adjustment for retroactive application of IFRS 15 per 1 January 2017						-40	-40		-40
Adjusted equity 2017-01-01	**1,584**	**2,576**	**-79**	**59**	**-133**	**5,333**	**9,340**	**0**	**9,340**
Total comprehensive income for the year									
Profit for the year						2,067	2,067		2,067
Other comprehensive income for the year			-59	-55	100		-14		-14
Total comprehensive income for the year	**–**	**–**	**-59**	**-55**	**100**	**2,067**	**2,053**	**0**	**2,053**
Contribution from, and value transferred to, owners									
Cash dividends						-1,062	-1,062		-1,062
Acquisition of non-controlling interests, previous controlling interests						0	0		0
Acquisition of partially owned subsidiaries, non-controlling interests already								1	1
Total contribution from, and value transfers to, owners	–	–	–	–	–	-1,062	-1,062	1	-1,061
Closing balance equity 2017-12-31	**1,584**	**2,576**	**-138**	**4**	**-33**	**6,338**	**10,331**	**1**	**10,332**

MSEK	Share capital	Other contri-buted capital	Transla-tion reserve	Fair value reserve	Hedging reserve	Profit brought forward inclu-ding profit for the year	Total	Non-controlling interests	Total equity
Opening balance equity 2018-01-01	**1,584**	**2,576**	**-138**	**4**	**-33**	**6,338**	**10,331**	**1**	**10,332**
Adjustment for retroactive application of IFRS 9 per 1 January 2018				-4		-3	-7		-7
Adjusted equity 2018-01-01	**1,584**	**2,576**	**-138**	**–**	**-33**	**6,335**	**10,324**	**1**	**10,325**
Total comprehensive income for the year									
Profit for the year						2,100	2,100		2,100
Other comprehensive income for the year			87		16		103		103
Total comprehensive income for the year	**–**	**–**	**87**	**–**	**16**	**2,100**	**2,203**	**0**	**2,203**
Contribution from, and value transferred to, owners									
Cash dividends						-1,180	-1,180		-1,180
Closing balance equity 2018-12-31	**1,584**	**2,576**	**-51**	**–**	**-17**	**7,255**	**11,347**	**1**	**11,348**

Cash flow statement – the Group

MSEK	Note	2018	2017
Current operations	43		
Pre-tax profit		2,518	2,458
Adjustments for non-cash items		961	989
Income tax paid		-785	-651
Cash flow from current operations before working capital changes		**2,694**	**2,796**
Cash flow from changes in working capital			
Increase (-) /Decrease (+) project and development properties		-2,068	-687
Increase (-) /Decrease (+) inventories		-39	-28
Increase (-) /Decrease (+) current receivables		-1,921	-381
Increase (+) /Decrease (-) current liabilities		1,084	1,139
Cash flow from changes in working capital		**-2,944**	**43**
Cash flow from current operations		**-250**	**2,839**
Investment operations			
Acquisition of subsidiaries/businesses, net effect on liquid funds		-23	-160
Sale of subsidiaries/businesses, net effect on liquid funds		15	4
Acquisition of intangible assets		-100	-56
Acquisition of tangible assets		-1,285	-1,256
Sale of tangible assets		455	109
Acquisition of investment property		-249	-265
Sale of investment property		597	–
Acquisition of financial assets		-456	-388
Sale of financial assets		275	1,468
Cash flow from investment operations		**-771**	**-544**
Cash flow before financing		**-1,021**	**2,295**
Financing operations			
Raised loans		2,127	952
Loan amortization		-1,062	-933
Raised bonds		1,698	–
Bond amortization		-100	-349
Leasing liabilities amortization		-243	-229
Change in issued commercial papers		530	-1,129
Dividend distributed to shareholders in parent company		-1,180	-1,062
Cash flow from financing operations		**1,770**	**-2,750**
Cash flow for the year		**749**	**-455**
Cash at the beginning of the year		595	1,062
Exchange rate differences in cash		32	-12
Cash at year-end		**1,376**	**595**

Income statement – the parent company

MSEK	Note	2018	2017
Net sales	5	299	262
Administrative expenses	10,11	-470	-412
Operating profit		**-171**	**-150**
Profit/loss from financial investments	13		
Profit/loss from participation in Group companies		1,388	0
Profit/loss from securities and receivables held as fixed assets		3	180
Interest expenses and similar profit/loss items		-92	-130
Profit/loss after financial items		**1,128**	**-100**
Appropriations	14	2,083	2,626
Pre-tax profit		**3,211**	**2,526**
Tax	15	-402	-509
Profit for the year		**2,809**	**2,017**

Statement of comprehensive income – the parent company

MSEK	2018	2017
Profit for the year	**2,809**	**2,017**
Other comprehensive income		
Items that can be reclassified or have been reclassified to profit for the year		
Change for the year in fair value of financial assets available-for-sale	–	94
Changes in fair value of financial assets available-for-sale transferred to profit for the year	–	-169
Other comprehensive income for the year	**–**	**-75**
Total comprehensive income for the year	**2,809**	**1,942**

Balance sheet – the parent company

MSEK	Note	2018	2017
Assets			
Fixed assets			
Intangible assets	16	**51**	**38**
Tangible assets	17	**1**	**1**
Financial assets			
Participation in Group companies	41	12,045	12,116
Other securities held as fixed assets	22,34,35	0	0
Deferred tax recoverables	15	111	110
Total financial assets		**12,156**	**12,226**
Total fixed assets		**12,208**	**12,265**
Current assets			
Current receivables			
Accounts receivable	26,34,35	0	1
Receivables from Group companies	34	2,736	3,472
Current tax assets		85	–
Other current receivables	23	2	4
Prepaid expenses and accrued income		11	15
Total current receivables		**2,834**	**3,492**
Cash and bank	34	0	0
Total current assets		**2,834**	**3,492**
Total assets		**15,042**	**15,757**
Equity and liabilities			
Equity	28		
Restricted equity			
Share capital		1,584	1,584
Statutory reserve		300	300
Fund for development costs		21	17
Non-restricted equity			
Share premium reserve		2,308	2,308
Special reserve		–	55
Profit brought forward		2,011	1,123
Profit for the year		2,809	2,017
Total equity		**9,033**	**7,404**
Untaxed reserves	42	**1,930**	**1,315**
Provisions			
Other provisions	31	36	32
Total provisions		**36**	**32**
Long-term liabilities			
Liabilities to Group companies	29,34	3,883	6,326
Total long-term liabilities		**3,883**	**6,326**
Current liabilities			
Accounts payable	34	31	25
Liabilities to Group companies	34	59	347
Current tax liabilities		–	225
Other current liabilities	32	4	7
Accrued expenses and deferred income	33	66	76
Total current liabilities		**160**	**680**
Total liabilities		**4,043**	**7,006**
Total equity and liabilities		**15,042**	**15,757**

Report on changes in equity – the parent company

MSEK	Restricted equity: Share capital	Restricted equity: Statutory reserve	Restricted equity: Fund for develop-ment costs	Non-restricted equity: Share premium reserve	Non-restricted equity: Special reserve	Non-restricted equity: Fair value reserve	Non-restricted equity: Profit brought forward	Non-restricted equity: Profit for the year	Total equity
Opening balance equity, 2017-01-01	**1,584**	**300**	**–**	**2,308**	**55**	**75**	**981**	**1,221**	**6,524**
Profit for the year								2,017	2,017
Other comprehensive income for the year						-75			-75
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**-75**	**–**	**2,017**	**1,942**
Allocation of profit							1,221	-1,221	–
Change in fund for development costs			17				-17		–
Cash dividends							-1,062		-1,062
Closing balance equity, 2017-12-31	**1,584**	**300**	**17**	**2,308**	**55**	**–**	**1,123**	**2,017**	**7,404**
Opening balance equity, 2018-01-01	**1,584**	**300**	**17**	**2,308**	**55**	**–**	**1,123**	**2,017**	**7,404**
Profit for the year								2,809	2,809
Other comprehensive income for the year									–
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,809**	**2,809**
Allocation of profit					-55		2,072	-2,017	–
Change in fund for development costs			4				-4		–
Cash dividends							-1,180		-1,180
Closing balance equity, 2018-12-31	**1,584**	**300**	**21**	**2,308**	**–**	**–**	**2,011**	**2,809**	**9,033**

Cash flow statement – the parent company

MSEK	Note	2018	2017
Current operations	43		
Pre-tax profit		1,128	-100
Adjustments for non-cash items		128	-158
Income tax paid		-714	-634
Cash flow from current operations before working capital changes		**542**	**-892**
Cash flow from changes in working capital			
Increase (-) /Decrease (+) current receivables		37	-7
Increase (+) /Decrease (-) current liabilities		-27	30
Cash flow from changes in working capital		**10**	**23**
Cash flow from current operations		**552**	**-869**
Investment operations			
Shareholder contributions		-311	-35
Acquisition of intangible assets		-16	-39
Settlement of previous purchase price for shares		–	6
Sale of financial assets		0	568
Cash flow from investment operations		**-327**	**500**
Cash flow before financing		**225**	**-369**
Financing operations			
Received Group contribution		3,427	2,393
Paid Group contribution		-8	-16
Loan amortization		-2,464	-946
Dividend distributed		-1,180	-1,062
Cash flow from financing operations		**-225**	**369**
Cash flow for the year		**0**	**0**
Cash at the beginning of the year		0	0
Cash at year-end		**0**	**0**

Notes

Note 1 Accounting principles

COMPLIANCE WITH STANDARDS AND LEGISLATION

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

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

The Annual Report and the consolidated accounts have been approved of by the Board and CEO for publication on 26 March 2019. The consolidated income statement and balance sheet and parent company income statement and balance sheet will be presented for adoption by the AGM on 9 May 2019.

VALUATION BASIS

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

FUNCTIONAL CURRENCY AND REPORTING CURRENCY

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

ASSESSMENTS AND ESTIMATES IN THE FINANCIAL REPORTS

Preparing the financial reports requires on the one hand making assessments concerning the application of accounting principles and on the other hand estimating the value of assets, liabilities, revenues and costs. Estimates and assumptions are based on historical experience and other factors considered relevant. Estimates and assumptions are regularly reviewed and compared to the actual outcome. Important assessments are described in more detail in note 3.

AMENDED ACCOUNTING PRINCIPLES

IFRS 15 Revenue from contracts with customers

IFRS 15 Revenue from contracts with customers replaced as of 2018 former standards related to revenue recognition such as IAS 18 Revenue, IAS 11 Construction contracts and IFRIC 15 Agreements for the construction of real estate. Implementation of the new standard has entailed a new way of determining how and when income is recognized. However, IFRS 15 has not had any material effects on Peab. The effects of IFRS 15 are described in note 2.

IFRS 9 Financial instruments

IFRS 9 Financial instruments, replaced IAS 39 Financial instruments: Recognition and measurement, as of 1 January 2018. Compared to IAS 39 IFRS 9 entails changes in the classification and valuation of financial assets and financial liabilities, write-downs of financial assets and hedge accounting. The effects of IFRS 9, described in note 2, have been immaterial.

Other amended IFRSs applied as of 2018 have had little effect on consolidated financial reports.

NEW IFRSS AND INTERPRETATIONS THAT HAVE NOT YET BEEN APPLIED

IFRS 16 Leases

IFRS 16 Leases, replaces IAS 17 Leases, as of 1 January 2019. The changes stemming from IFRS 16 are described in note 45.

Other

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

OPERATING SEGMENTS

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

CLASSIFICATION

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

CONSOLIDATION PRINCIPLES

Subsidiaries

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

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

Joint ventures

For accounting purposes, joint ventures are entities where the Group through cooperation agreements with one or more parties exercises a joint controlling interest, where the Group has the indirect right to net assets.

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

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

Joint operations

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

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Associated companies

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

Business combinations

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

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

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

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

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

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

If partial disposal of a subsidiary results in the loss of controlling interest any residual holding is revalued to fair value and the amount of the change is recognized in profit/loss.

Asset acquisition

When acquisitions of subsidiaries involve the acquisition of net assets which do not comprise operations, the acquisition cost of each identifiable asset and liability is divided up based on its fair value at the time of acquisition. Transaction costs are added to the purchase price of the acquired net assets when assets are acquired and changes in contingent consideration after acquisition are added to the purchase price of the acquired assets. If the acquisition of a subsidiary is successive and is an asset acquisition no remeasuring of previous acquisitions is performed when controlling interest occurs. If the holding diminishes through partial divestiture of shares in subsidiaries and is an asset divestiture, unlike a transfer of operations, the remaining holdings are not remeasured if the remaining holdings constitute a joint venture or associated company. Holdings of non-controlling interest in subsidiaries recognized as asset acquisitions are recognized according to the same principles as for business combinations but without the inclusion of goodwill.

Transactions eliminated upon consolidation

Internal Group receivables and liabilities, revenues or costs or unrealized gains or losses stemming from internal Group transactions are eliminated completely when preparing the consolidated accounts.

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

FOREIGN CURRENCY

Transactions in foreign currency

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

Foreign company financial reports

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

Net investment in a foreign company

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

REVENUE

The Group recognizes revenue when the Group meets a performance obligation, which is when a promised good or service is delivered to the customer and the customer takes control over the good or service. Control of a performance obligation can be transferred over time or at a certain point in time. The revenue consists of the amount the company expects to receive as compensation for the transferred goods or services. The Peab Group's revenue primarily consists of the following revenue flows: Construction contracts, Sales of goods, Sales of property projects, Transportation services, Rent revenue and Other revenue.

Revenue recognition requires assessing the facts and relationships in each contract at the same time the legal environment must be taken into account. These assessments primarily concern identification of one or more performance obligations, anticipated variable compensation and whether or not the revenue is recognized over time or at one point in time.

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The following principles are applied on each revenue flow.

Construction contracts

Revenue from construction contracts comes from business areas Construction, Civil Engineering, parts of business area Industry and parts of business area Project Development, primarily Housing Development, i.e. tenant-owned housing projects in Sweden and single homes (Own Home).

A contract exists when enforceable rights and obligations occur for the Group as well as the customer. These rights and obligations normally occur when both parties sign the contract. In the case of a framework agreement without guaranteed volumes a contract exists with a customer first when the customer places an order/call-off based on the framework agreement's terms since it is at that point in time enforceable rights and obligations occur for the Group and the customer. In certain situations two or more contracts are combined into one contract if they are negotiated as a package with a single commercial purpose, if the price in one contract is dependent on the price or performance in the other contract or if the goods and services promised in the contracts are a single performance obligation.

In certain transactions, like Swedish tenant-owned housing projects, two contracts are signed between Peab and the customer at the same time, a sale of land contract and a construction contract. Both these contracts are contingent on each other and treated in accounting as a single contract. The combined contract comprises a single performance obligation where land and construction are input in the process of delivering a completed new building.

Recognition of revenue due to contract changes related to changes or additional work, compensation for shortcomings in procurement conditions and such does not begin until enforceable rights and obligations occur between the Group and the customer. This normally occurs when both parties have agreed on a change in the contract and there is a legal right to payment. Contract changes are normally recognized as if they were a part of the existing contract.

A determination is made for every contract or combined contract on whether one or more performance obligations exist. This can vary from contract to contract. Normally a construction contract constitutes one performance obligation.

The transaction price in each contract with the customer consists normally of fixed amounts, variable amounts or a combination thereof. To the extent that the transaction price includes variable compensation amounts the transaction price consists of an estimated anticipated value. Variable compensation is only recognized when it is very likely that a material reversal of accumulated income will not occur when uncertainty ceases and the compensation sum becomes definite.

Revenue from construction contracts is recognized over time since Peab performs the work on the customer's land or the asset or service does not create any alternative use for Peab and where Peab has the right to compensation including a margin for the performance reached at specific points in time. This means that control is transferred over time which is why the income is recognized over time. In addition to construction contracts some other contracts for services such as operation contracts exist. Control is also transferred over time in these contracts since the customer consumes the service at the same it is received. This revenue is recognized through the input method based on the worked-up rate in each project. This means that expenses are recognized as costs when they occur and the worked-up rate is determined on the basis of project costs in relationship to the project's calculated total expenses, which mirrors how control is transferred to the buyer and how the Group's lowest right to compensation including a margin from customers is worked-up. This is the basis of revenue recognition.

Recognition over time entails some uncertainty since unforeseen events can occur leaving the final level of profit/loss higher or lower than expected. The degree of uncertainty is higher at the start of a project, particularly in projects spanning over a long period of time. Reviews of a project's total estimated revenue and expenses are performed regularly during the entire production period.

Feared losses are charged to income as soon as they become known, and these amounts charge profit/loss.

Construction contracts are recognized on the balance sheet project by project either as Worked-up not invoiced revenue under current assets or as Invoiced revenue not worked-up under current liabilities. Projects with higher worked-up revenue than invoiced are recognized as assets while projects which have been invoiced in excess of the worked-up revenue are recognized as liabilities. The not worked-up part of a feared loss is recognized as a provision.

Obligations issued by Peab to acquire homes from tenant-owned housing associations that remain unsold for a given period of time after final inspection are recognized according to the regulations regarding loss-making contracts in IAS 37 Provisions, contingent liabilities and contingent assets. Assessments are made based on the probability of the obligation being invoked and the risk that the acquisition will be a loss-making contract. Fulfillment of the obligation means Peab pays the purchase price and acquires a share in the tenant-owned housing association. The shares are financial instruments. The obligation is therefore not a variable compensation according to IFRS 15. Recognition of Swedish tenant-owned housing associations is also described in note 3 Important estimates and assessments.

Sales of goods

Revenue from the sales of goods comes primarily from business area Industry and is recognized at the point in time the good is transferred to the customer.

Sales of property projects

Own developed housing projects in Finland and Norway

In this revenue flow revenue is recognized from housing projects in Finland and Norway included in the segment Project Development, i.e. the sections of Housing Development that are not Construction contracts according to the above. Peab does not have an external independent other party at the start of a project in our housing projects in Finland and Norway, i.e. there is no customer, which is why revenue recognition cannot begin. When a customer signs a contract enforceable rights and obligations occur for the Group and the customer. Normally these consist of a performance obligation for a fixed price. Control is not transferred over time in these contracts since the customer does not consume the service at the same it is received. Peab is building on its own land and even if an asset that does not have any alternative use for Peab is created, there is no right to compensation including a margin for work performed at a specific point in time. Since none of these criteria are met control is considered to be transferred at one point in time which normally coincides with the customer taking over the home.

Expenses are recognized as work-in-progress on the balance sheet under Project and development property. On account invoices to customers are recognized as non-interest-bearing liabilities and loans to finance housing projects are recognized as interest-bearing liabilities.

Sales of properties

In this revenue flow revenue is recognized from project and development property, operations property and investment property, primarily in business area Project Development. These sales are either direct sales of the asset or via the sale of shares. The underlying sales value of project and development property sold in the form of a company via shares is recognized as net sales. The net profit effect from the sales of operations property or investment property is recognized as other operating income or other operating cost.

Revenue from the sales of property is recognized at one point in time, normally on the takeover date when control is transferred to the customer. The transaction price is fixed although there can be instances of variable compensation such as rent guarantees in the case of unrented space and operation guarantees.

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Transportation services
Revenue from transportation services comes primarily from business area Industry and is recognized at the point in time the transportation/service is carried out.

Rent revenue
Rent revenue from investment property as well as from cranes and machinery is recognized linearly according to IAS 17 Leases. Rent rebates are spread linearly as a reduction in rent over the contract period, except for rebates given because certain factors temporarily curtail a renter's ability to fully utilize an already rented premise (for example, delayed customization to a renter). These rebates are recognized during the period the curtailment exists.

Other revenue
Other revenue refers to administrative revenue as well as various other revenue. This revenue is recognized both over time and at one point in time based on when control is transferred from Peab to the customer.

LEASING COSTS

Operational leasing agreements
Costs for operational leasing agreements where the Group is the lessee are recognized linearly in profit/loss for the year over the leasing period. Benefits obtained from signing an agreement are recognized linearly in profit/loss for the year over the term of the leasing agreement. Variable costs are expensed in the periods they occur.

Financial leasing agreements
Assets that are rented under a financial leasing agreement are depreciated over their estimated useful life. Minimum leasing charges are divided between interest costs and amortization of the outstanding debt. Interest costs are distributed over the leasing term so that an amount corresponding to a fixed interest rate for the calculated debt in the respective period is recognized in each accounting period. Variable costs are expensed in the period they occur. See also Leased assets under heading Tangible assets below.

FINANCIAL INCOME AND EXPENSES

Financial income and expenses consist of interest income on cash in bank, receivables and interest-bearing securities, interest expenses on loans, dividend revenues, changes in fair value of financial investments and changes in fair value of derivatives used within the financial business.

Interest income on receivables and interest expenses on liabilities are calculated in accordance with the effective interest rate method. The effective interest rate is the exact discount rate for estimated future payments and disbursements during the expected life of the financial instrument at the recognized gross value of a financial asset or the accrued acquisition value of a financial liability. Interest income and interest expenses include accrued transaction costs as well as possible discounts or premiums.

Dividend income is recognized when the right to payment is established. The results of sales of financial investments are recognized on the trade date.

Interest costs are charged to profit/loss during the period to which they refer except to the extent that they are included in an asset's acquisition value. An asset for which interest is included in the acquisition price is an asset which must necessarily require considerable time to prepare for the intended use or sale.

TAXES

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

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

Deferred tax is calculated according to the balance sheet method based on temporary differences between the reported and fiscal values of assets and liabilities. Valuation of deferred tax is based on how the underlying value of assets or liabilities is expected to be realized or regulated. Temporary differences for the difference generated by recognition of consolidated goodwill or the temporary difference from the acquisition of subsidiaries that are so-called asset acquisitions are not taken into account.

When shares in subsidiaries are acquired such acquisitions are either business combinations or an asset purchase. An asset purchase refers to, for example, acquiring a company that only owns one or more properties with tenancy agreements but the acquisition does not comprise the processes required to operate a business. In business combinations deferred tax is recognized at the nominally valid tax rate with no discount according to the principles presented above. When an asset is acquired deferred tax is not recognized at the time of acquisition. Instead the asset is recognized at a purchase value corresponding to the asset´s fair value after deductions for a discount received in the transaction for the current value of the fiscal value of future fiscal deductions regarding the difference between recognized and fiscal value that do not materialize. After the acquisition only deferred tax on temporary differences that occur after the acquisition is recognized.

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

FINANCIAL INSTRUMENTS

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

Recognition on and removal from the balance sheet
Financial assets and financial liabilities are recognized on the balance sheet when Peab becomes involved according to the instrument's contractual terms. Receivable are recognized when Peab has performed and the other party has a contractual responsibility to pay, even if the invoice has not yet been sent. Accounts receivable are recognized on the balance sheet when the invoice has been sent. Liabilities are recognized when the counterparty has performed the service and there is a contractual payment obligation even if the invoice has not been received. Accounts payable are recognized when the invoice is received.

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

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

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

Valuation at initial recognition
Financial instruments are initially recognized at fair value with the addition/reduction of transaction costs except for instruments current recognized at fair value via profit/loss for which transaction costs are instead expensed as they occur. Receivables (without any material financing components) are initially valued at the transaction price determined according to IFRS 15.

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Classification and following valuation of financial assets
Financial assets are initially classified as valued at accrued acquisition value, at fair value via other comprehensive income (liability instrument investment), at fair value via other comprehensive income (equity investment) or fair value via profit/loss. How the Group's various holdings of financial assets are classified is described below.

Holdings of unlisted funds
The Group has participations in unlisted funds. The fund participations do not meet the criteria for an equity instrument and cash flows from the funds do not consist solely of payments of principal and interest. The funds are therefore valued at fair value via profit/loss.

Holdings of shares and participations in unlisted companies
The Group's holdings of shares and participations in unlisted companies (that are not subsidiaries, associated companies or joint ventures) are valued at fair value via profit/loss.

Derivatives not used for hedge accounting
Derivatives that for Peab have a positive fair value on the balance sheet day are recognized as assets in the report on financial position. Derivatives that are not used for hedge accounting are valued at fair value via profit/loss.

Other financial assets
All other financial assets are recognized at accrued acquisition value. This is because they are held within the framework for a business model aimed at receiving the contractual cash flows at the same time that cash flows from the assets consist solely of payments of principal and interest.

Classification and following valuation of financial liabilities
Financial liabilities are classified as valued at accrued acquisition value or valued at fair value via profit/loss. The financial liabilities valued at fair value via profit/loss consist of contingent considerations for business combinations and derivatives that for Peab have a negative fair value and are not hedged. All other financial liabilities are recognized at accrued acquisition value by applying the effective interest rate method.

Classification and valuation of financial instruments before 1 January 2018
Before the implementation of IFRS 9 on 1 January 2018 the Group's holdings of financial assets were classified in the following valuation categories in accordance with IAS 39: "Financial assets valued at fair value via profit/loss", "Financial assets available-for-sale" (valued at fair value via other comprehensive income) and "Loan receivables and accounts receivable" (valued at accrued acquisition value).

Financial liabilities were classified in accordance with IAS 39 as "Financial liabilities valued at fair value via profit/loss" and "Other financial liabilities" (valued at accrued acquisition value).

Hedge accounting
Peab's holds interest, currency and raw materials derivatives utilized to hedge risks of changes in exchange rates, interest rate changes and changes in the price of raw materials.

Hedging interest risks (cash flow hedging)
Interest rate swaps and hedge accounting (cash flow hedging) are used to hedge against interest risks connected to Group loans. Interest rate swaps are valued at fair value in the balance sheet. The coupon rate part is recognized on a current basis as a correction of the interest expense in net financial items. Unrealized changes in the fair value of interest rate swaps are recognized in other comprehensive income and are part of the hedging provision until the hedged item (i.e. payment of interest on the hedged loan) affects profit/loss and as long as the criteria for hedge accounting is met.

Hedging raw materials price risks (cash flow hedging)
The Group uses derivatives to hedge the price risk of purchasing bitumen. The hedges are identified as cash flow hedging of very probable future purchases of bitumen. The derivative is recognized at fair value on the balance sheet and the unrealized value changes for the period are recognized in the hedging reserve via other comprehensive income.

Hedging currency risks (cash flow hedging)
From time to time the Group uses forward exchange contracts to hedge currency risks when purchasing foreign currency. The forward exchange contracts are valued at fair value on the balance sheet and the period's unrealized value changes are recognized in the hedging reserve via other comprehensive income.

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

Hedge accounting before 1 January 2018
Fair value hedges
Until the end of 2017 The Group held shares in foreign currency classified as financial assets available-for-sale under IAS 39. Forward exchange contracts were used to currency hedge the holdings. The hedges were identified as fair value hedges. The hedges were accounted for by corresponding the exchange rate effects that occurred when the shares were translated into functional value with changes in the hedging instrument's fair value. The hedges were terminated in 2017 when the Group's holdings of shares in foreign currency were divested.

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

PROPERTY
Group property holdings are recognized as follows:

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

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

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

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

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

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

TANGIBLE ASSETS

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

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

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

Write-downs are described in separate section below.

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

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

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

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

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

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

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

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

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

INTANGIBLE ASSETS

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

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

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

- Brands
- Customer relations
- Utilization rights, primarily gravel and rock quarries

Depreciation policies
Depreciation is linearly recognized in profit/loss for the year over the estimated useful life of the intangible asset. Goodwill and other intangible assets with an indeterminate useful life is not depreciated but is tested for impairment annually or as soon as there are indications that the asset in question has declined in value. Depreciable intangible assets are depreciated from the date when the asset became available for use.

The estimated useful lives are:

Brands that refer to business area	
Industry when repurchased by Peab 2008	20 years
Brands, other	5–10 years
Customer relations	3–5 years
Balanced development costs	5–10 years
Utilization rights	The term of the contract

The useful life of assets are assessed annually.

INVENTORIES

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

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

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

IMPAIRMENT LOSSES

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

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

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

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

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

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

Impairment tests for financial assets

The Group recognizes loss reserves for anticipated credit losses on financial assets valued at accrued acquisition value. The loss reserve for receivables is valued at an amount that corresponds to the anticipated losses for the remaining time to maturity. For other receivables the loss reserve is valued at an amount that corresponds to 12 months anticipated credit losses, given that the credit loss has not significantly increased from when the receivable was first recognized. If the credit loss has significantly increased from when the receivable was first recognized the loss reserve is valued at an amount that corresponds to the anticipated losses for the remaining period time to maturity.

The loss reserve is calculated as the current value of all deficits in cash flows (i.e. the difference between cash flows according to a contract and the cash flows the Group anticipates receiving). Current receivables are, however, not discounted. Assets are recognized in the balance sheets net after any write-downs. Write-downs are recognized in profit/loss.

The reserve for anticipated credit losses regarding accounts receivables is calculated by, for receivables where no individual impairment has been identified, making a further reserve for anticipated credit losses based on the Group's history of credit losses in the different business areas. The model is updated regularly to take into account changes in loss statistics over time.

The loss reserve for other receivables is calculated by the Group assessing the probability of default in the counterpart based on available statistics from rating institutes as well as the loss the Group would suffer in the eventuality of a loss given default.

The gross value of a financial asset is written off when the Group no longer has any feasible expectations of recovering part of or the entirety of a financial asset.

Impairment testing of financial assets before 1 January 2018

Before the implementation of IFRS 9 on 1 January 2018 the Group assessed whether there were objective indications that a financial asset or a group of financial assets were impaired. Objective indications consisted in part of occurred observable circumstances which negatively impacted the possibility to recover the acquisition value and in part of significant or long, drawn out reductions in the fair value of an investment in a financial asset classified as a financial asset available-for-sale. Equity instruments classified as financial instruments available-for-sale were written down if the fair value was significantly lower than the acquisition value, or when the decline in value had been a long, drawn out process.

Impairment tests for other assets

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

EQUITY

Repurchase of own shares

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

Dividends

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

Earnings per share

The calculation of earnings per share is based on consolidated profit/loss for the year attributable to the shareholders of the parent company and on the weighted average number of outstanding shares during the year. There have been no effects from diluting potential shares since 2012.

EMPLOYEE BENEFITS

Defined contribution pension plans

Pension plans are only classified as defined contribution pension plans when the Group's obligations are limited to the contributions

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the Group has undertaken to pay to an insurance Group or to another independent legal entity. In such cases the size of an employee's pension depends on the size of the contributions the company pays to this legal entity and the yield it generates on the capital. The Group's obligations concerning contributions to defined contribution plans are expensed in profit/loss for the year as they are earned by the employee performing work for the company during the period.

Defined benefit pension plans

Pension plans that are not defined contribution plans are defined benefit plans, which means the employer is obligated to pay pension fees on a certain benefit level. The Group's defined benefit plans consist of the Swedish ITP 2 Plan for Salaried Staff which is managed through insurance with Alecta. The ITP 2 pension plan, which is secured through insurance from Alecta, is recognized as a defined benefit plan that encompasses several employers. However, the plan is recognized as a defined contribution plan since Alecta cannot provide the necessary information required for each member company to report its proportional share of the plan obligations, assets and expenses. There are no other defined benefit pension plans.

Pension plans with endowment insurance

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

Remuneration upon resignation or dismissal

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

Short-term remuneration

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

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

PROVISIONS

Provisions are recognized on the balance sheet when the Group has a legal or informal obligation due to events that have occurred and it is likely that financial resources will be required to meet the obligation, and a reliable estimate of the amount can be made.

Guarantees

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

Restoration costs

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

CONTINGENT LIABILITIES

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

PARENT COMPANY ACCOUNTING PRINCIPLES

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

Changed accounting principles

IFRS 15 Revenue from contracts

The parent company applies IFRS 15 retroactively since 2017. Previously IAS 18 was applied. Net sales in the parent company are primarily attributable to internal Group services. Implementation of IFRS 15 had no effect on parent company revenue accounting.

IFRS 9 Financial instruments

The parent company applies IFRS 9 as of 1 January 2018. Previously IAS 39 was applied. As with the Group the changeover to IFRS 9 has meant a change in the impairment principal for receivables. Even the parent company's current receivables from Group companies fall within the area of application for the impairment rules in IFRS 9. However, the receivables are overwhelmingly Group contributions that are settled shortly after the balance sheet date. On material grounds no reserve is reported for anticipated credit losses regarding these receivables. Otherwise IFRS 9 has not had any effect on the parent company.

New IFRSs and interpretations that have not yet been applied

The new standard IFRS 16 Leasing, does not effect the parent company since the standard is exempt from application in corporations and leasing in the parent company is insignificant. Other new or amended IFRSs including interpretations that have been adopted by IASB are not expected to have any material effect on parent company accounting.

Differences between the Group's and parent company's accounting principles

Classification and presentation

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

Subsidiaries and joint arrangements

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

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Financial guarantees

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

Taxes

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

Shareholder contributions

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

Group contributions

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

Fund for development costs

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

Note 2 New IFRSs 2018

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 Revenue from contracts with customers, replaces as of 2018 existing standards related to revenue recognition such as IAS 18 Revenue, IAS 11 Construction contracts and IFRIC 15 Agreements for the construction of real estate. According to IFRS 15 revenue is recognized when control over a product or service is transferred to a customer, which is a change from the current reporting standards that are based on the transfer of risks and benefits. Even if IFRS 15 entails a new method of determining how and when revenue is recognized it has not led to any material effects for the Peab Group.

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

Until the end of 2017 there were differences between operative and legal reporting in business area Project Development. The differences have also been reflected in how executive management and the Board have followed up the Group on the whole. Peab applied IFRIC 15, Agreements for the construction of real estate, in legal reporting. This principle requires applying IAS 18, Revenue, for housing projects in Finland and Norway as well as our own home developments (villas) in Sweden, which meant revenue from projects was first recognized when the home is turned over. Operative and segment reporting was based on the percentage of completion. After implementing IFRS 15, our own home developments in Sweden are reported according to so-called "revenue over time". IFRS 15 did not lead to any changes in reporting regarding housing projects in Finland and Norway compared to the current application since revenue was first recognized when the home is turned over to the buyer. After implementation of IFRS 15 segment reporting will mirror legal reporting. The differences between operative and legal reporting will therefore no longer exist after implementation of IFRS 15, for neither Project Development nor the Group as a whole.

According to IFRS 15 the sales price of the identified performance obligations in contracts with customers is divided up. Revenue is recognized when a performance obligation is met, which can be at a certain point in time or over time. IFRS 15 does not entail any material change in when the revenue is recognized or for what amount regarding Peab's construction contract operations in business area Construction and Civil Engineering. Business area Industry recognizes revenue according to both IFRS 15 and IAS 17 Leases, but the shift to IFRS 15 does not entail any material change in the way revenue is recognized. In business area Project Development most revenue is recognized over time. Swedish tenant-owned projects are reported according to IFRS 15 over time, which is the same as previously. Contracts with tenant-owned associations are all signed at the same time, they are priced as one unit and considered one performance obligation. This means that revenue is recognized depending on the project's level of completion based on expenses in relation to the project's total calculated costs. Land is sold and buildings are constructed according to the contract with the tenant-owned association, which is an independent legal entity. Fore more information see note 3.

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

No material effects have been identified due to Peab's recalculation to IFRS 15. As of 1 January 2017 the recalculation effected equity by SEK -40 million. The recalculation to IFRS 15 reduced net sales in 2017 by SEK 109 million to SEK 49,981 million and operating profit improved by SEK 13 million to SEK 2,418 million. Total comprehensive income in 2017 improved by SEK 10 million and therefore equity at the end of 2017 was SEK 10,332 million.

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

Reclassification of work-in-progress

In connection with the implementation of IFRS 15 the decision was made to incorporate the previous balance item Work-in-progress into balance item Project and development properties. Per 1 January 2017 the transferred amount was SEK 1,203 million.

Orders received and order backlog

Implementation of IFRS 15 Revenue from contracts with customers entails new disclosures demands. One of the disclosures demands refers to remaining performance obligations, more often called order backlog. In quarterly reports Peab has previously chosen to present information on orders received and order backlog in business areas Construction, Civil Engineering and Project Development. As of 2018 Industry will also present orders received and order backlog for product areas Asphalt, Construction System and part of Rentals.

IFRS 9 FINANCIAL INSTRUMENTS

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

Classification and valuation of financial assets and financial liabilities

Peab has holdings of unlisted funds that under IAS 39 have been classified as "Financial assets available-for-sale" which means that the funds have been valued at fair value via other comprehensive

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

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

IFRS 9 has not had any effect on the recognition of Peab's financial liabilities.

The table below shows how financial assets and financial liabilities were classified under IAS 39 per 2017-12-31 as well as the new classification under IFRS 9 per 2018-01-01. For more information see note 34 Valuation of financial assets and financial liabilities at fair value.

Group, MSEK	Original classification according to IAS 39	New classification according to IFRS 9	Original recognized value according to IAS 39	New recognized value according to IFRS 9
Financial assets				
Other securities held as fixed assets	Financial assets available-for-sale	Valued at fair value via the income statement	80	80
Interest-bearing long-term receivables	Accounts and loan receivables	Accrued acquisition value	1,520	1,515
Other long-term receivables	Accounts and loan receivables	Accrued acquisition value	108	108
Other long-term receivables	Derivatives used in hedge accounting	Derivatives used in hedge accounting	2	2
Accounts receivable	Accounts and loan receivables	Accrued acquisition value	8,709	8,704
Interest-bearing current receivables	Accounts and loan receivables	Accrued acquisition value	411	411
Prepaid expenses and accrued income	Accounts and loan receivables	Accrued acquisition value	28	28
Other current receivables	Financial assets valued at fair value via the income statement	Valued at fair value via the income statement	4	4
Other current receivables	Accounts and loan receivables	Accrued acquisition value	96	96
Liquid funds	Accounts and loan receivables	Accrued acquisition value	595	595
Total financial assets			**11,553**	**11,543**
Financial liabilities				
Interest-bearing long-term liabilities	Other financial liabilities	Other financial liabilities	2,573	2,573
Other long-term liabilities	Derivatives used in hedge accounting	Derivatives used in hedge accounting	44	44
Other long-term liabilities	Other financial liabilities	Other financial liabilities	136	136
Other long-term liabilities	Financial liabilities valued at fair value via the income statement	Valued at fair value via the income statement	23	23
Interest-bearing current liabilities	Other financial liabilities	Other financial liabilities	1,169	1,169
Accounts payable	Other financial liabilities	Other financial liabilities	4,882	4,882
Accrued expenses and deferred income	Other financial liabilities	Other financial liabilities	14	14
Other current liabilities	Derivatives used in hedge accounting	Derivatives used in hedge accounting	2	2
Other current liabilities	Other financial liabilities	Other financial liabilities	141	141
Other current liabilities	Financial liabilities valued at fair value via the income statement	Valued at fair value via the income statement	11	11
Total financial liabilities			**8,995**	**8,995**

Write-downs of financial assets

IFRS 9 requires loss reserves for anticipated credit losses. This differs from current regulations that only require loss reserves if something occurs that leads Peab to believe a customer may not be able to pay the entire balance due. Historically Peab has only had small credit losses in current operations. Implementation of IFRS 9 will therefore only raise Group reserves for credit losses to a certain extent. The loss reserve per item affected as of 1 January 2018 is shown in the table below. The increase in loss reserves due to the transition to IFRS 9 has been charged to profit brought forward in the opening balance on 1 January 2018 by SEK -7 million net after reductions for deferred tax.

Group, MSEK	
Loss reserve per 31 December 2017 according to IAS 39	**46**
Further write-downs per 1 January 2018 for:	
Accounts receivable and other receivables	5
Interest-bearing long-term receivables	5
Loss reserve per 1 January 2018 according to IFRS 9	**56**

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REPORT ON GROUP BALANCE SHEET IN SUMMARY, 2017-01-01

Group, MSEK	Reported balance sheet	Reclassification work-in-progress	Adjustment IFRS 15	Adjusted balance sheet
2016-12-31	**2017-01-01**	**2017-01-01**	**2017-01-01**	**2017-01-01**
Assets				
Intangible assets	2,036			2,036
Tangible assets	4,277			4,277
Interest-bearing long-term receivables	1,762			1,762
Other financial fixed assets	1,757			1,757
Deferred tax recoverables	69			69
Total fixed assets	**9,901**	**–**	**–**	**9,901**
Project and development properties	7,007	1,203	-292	7,918
Inventories	364			364
Work-in-progress	1,203	-1,203		–
Interest-bearing current receivables	336			336
Other current receivables	11,736		32	11,768
Liquid funds	1,062			1,062
Total current assets	**21,708**	**–**	**-260**	**21,448**
Total assets	**31,609**	**–**	**-260**	**31,349**
Equity and liabilities				
Equity	**9,380**	**–**	**-40**	**9,340**
Liabilities				
Interest-bearing long-term liabilities	2,728			2,728
Deferred tax liabilities	372		-12	360
Other long-term liabilities	776			776
Total long-term liabilities	**3,876**	**–**	**-12**	**3,864**
Interest-bearing current liabilities	2,294			2,294
Other current liabilities	16,059		-208	15,851
Total current liabilities	**18,353**	**–**	**-208**	**18,145**
Total liabilities	**22,229**	**–**	**-220**	**22,009**
Total equity and liabilities	**31,609**	**–**	**-260**	**31,349**

REPORT ON GROUP INCOME STATEMENT, JAN-DEC 2017

Group, MSEK	Reported income statement	Adjustment IFRS 15	Adjusted income statement
Net sales	50,090	-109	49,981
Production costs	-45,345	116	-45,229
Gross profit	**4,745**	**7**	**4,752**
Sales and administrative expenses	-2,620	6	-2,614
Other operating income	305		305
Other operating costs	-25		-25
Operating profit	**2,405**	**13**	**2,418**
Financial income	191		191
Financial expenses	-151		-151
Net finance	**40**	**–**	**40**
Pre-tax profit	**2,445**	**13**	**2,458**
Tax	-388	-3	-391
Profit for the year	**2,057**	**10**	**2,067**
Profit for the year attributable to:			
Shareholders in parent company	2,057	10	2,067
Non-controlling interests	0		0
Profit for the year	**2,057**	**10**	**2,067**

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REPORT ON GROUP BALANCE SHEET IN SUMMARY, 2017-12-31 RESPECTIVELY 2018-01-01

Group, MSEK	Reported balance sheet	Reclassification work-in-progress	Adjustment IFRS 15	Adjusted balance sheet	Adjustment IFRS 9	Adjusted balance sheet
	2017-12-31	2017-12-31	2017-12-31	2017-12-31	2018-01-01	2018-01-01
Assets						
Intangible assets	2,167			2,167		2,167
Tangible assets	5,508			5,508		5,508
Investment property	871			871		871
Interest-bearing long-term receivables	1,520			1,520	-5	1,515
Other financial fixed assets	1,147			1,147		1,147
Deferred tax recoverables	15		-2	13		13
Total fixed assets	**11,228**	**–**	**-2**	**11,226**	**-5**	**11,221**
Project and development properties	6,439	1,349	-176	7,612		7,612
Inventories	399			399		399
Work-in-progress	1,349	-1,349		–		–
Interest-bearing current receivables	411			411		411
Other current receivables	11,855		27	11,882	-5	11,877
Liquid funds	595			595		595
Total current assets	**21,048**	**–**	**-149**	**20,899**	**-5**	**20,894**
Total assets	**32,276**	**–**	**-151**	**32,125**	**-10**	**32,115**
Equity and liabilities						
Equity	**10,362**	**–**	**-30**	**10,332**	**-7**	**10,325**
Liabilities						
Interest-bearing long-term liabilities	2,573			2,573		2,573
Deferred tax liabilities	211		-10	201	-3	198
Other long-term liabilities	840			840		840
Total long-term liabilities	**3,624**	**–**	**-10**	**3,614**	**-3**	**3,611**
Interest-bearing current liabilities	1,169			1,169		1,169
Other current liabilities	17,121		-111	17,010		17,010
Total current liabilities	**18,290**	**–**	**-111**	**18,179**	**–**	**18,179**
Total liabilities	**21,914**	**–**	**-121**	**21,793**	**-3**	**21,790**
Total equity and liabilities	**32,276**	**–**	**-151**	**32,125**	**-10**	**32,115**

Note 3 Important estimates and assessments

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

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

The sources of uncertainty in the assessments given below refer to those that entail a risk that the value of assets or liabilities may have to be significantly adjusted in future financial years.

Peab's operative business is sensitive to changes in, among other things, volume and margins. The financial risks are connected to the business' tied-up capital, capital needs, interest risk and currency risk. For more information about how the changes in important variables affect Group profit/loss, see the section Risks and risk management under the Sensitivity Analysis.

CONSTRUCTION CONTRACTS RECOGNIZED OVER TIME

Profit/loss recognized for construction projects in progress is calculated over time based on the degree of completion of the project. This requires that project revenue and expenses can be calculated in a reliable manner. A prerequisite is a well functioning system for calculation, forecasting and project monitoring. Forecasts regarding the final outcome of the projects are critical estimates crucial to profit/loss recognition during the project. Project forecasts are evaluated on a regular basis as each project progresses and if necessary adjusted. There is a risk that the final profit/loss of a project may deviate from the profit/loss recognized over time.

IMPAIRMENT TESTS OF GOODWILL

Total Group goodwill amounts to SEK 1,843 million (1,820). When calculating cash generating units' recoverable amount in order to assess the need to write-down goodwill several estimations and assessments about the future have been made. They are presented in note 16. As is apparent in the description in note 16, changes beyond what can reasonably be expected during 2019 in these estimations and assessments could have a significant effect on goodwill. This risk, however, is very low since the recoverable values are to a large extent higher than the recognized values in those cases where goodwill values are substantial.

PROJECT AND DEVELOPMENT PROPERTY

Project and development property amounts to SEK 9,685 million (7,612). The recognized value has been calculated as the lowest of the purchase price and the net sales price based on current price levels in the respective locations. Changes in supply and demand may alter recognized values and write-downs may be required. Peab is using an internal model to test the value of project and development property. As a complement to this valuation external market values are annually reviewed for some of the properties. For more information on project and development property, see note 24.

DISPUTES

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

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

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

TAXES

Changes in tax legislation and changed practice in the interpretation of tax laws can have a considerable impact on the size of recognized deferred taxes. For more information on taxes, see note 15.

ACCOUNTING PRINCIPLES

Revenue recognition of tenant-owned housing projects in Sweden

The standard IFRS 15 Revenue from contracts with customers is applicable on Peab's recognition of revenue from the sales of land and construction contracts with tenant-owned associations. Peab has made the assessment that tenant-owned associations are customers according to IFRS 15 Revenue from contracts with customers, IFRS 15:6, and that the definition of a contract is met in the same standard, IFRS 15:9-16. In addition, the criteria in IFRS 15:17 concerning why the two contracts, one for land and one for construction, have been fused into one contract are also met. The fused contract contains a single performance obligation where land and construction performance constitute the input in the process of delivering a new, finished building. This single performance obligation is recognized over time according to IFRS 15:C35, i.e. "The company's performance does not create an asset with an alternative use for the company and the company has the right to payment for the performance to date."

The turnkey contracts that Peab signs with tenant-owned associations stipulate that the construction contract is regulated in accordance with the standard terms in ABT 06. The contract states that the contract amount is fixed ("Fixed price") with the right to invoice corresponding to executed performance. The right to receive payment for executed work means that Peab, in a situation where the customer (tenant-owned association) wishes to cancel the construction contract, has the right to compensation for executed work, i.e. incurred expenses and the margin stipulated by the contract.

Assessments behind why Swedish tenant-owned associations are not consolidated

Peab makes the assessment that the Swedish tenant-owned associations which are the counterparties to Peab in tenant-owned projects in Sweden should not normally be consolidated into Peab's Group accounting. Standard IFRS 10 Consolidated financial statements, provides guidance in assessing whether or not Peab has controlling interest over a tenant-owned association. Controlling interest exists if all three of the following criteria are met:

- Peab has power over the investment object (tenant-owned association),
- Peab is exposed to, or has the rights to, variable returns from its involvement in the investee (tenant-owned association), and
- Peab can use its power over the investee (tenant-owned association) to affect its returns.

Since the majority of all relevant activities are predetermined through the turnkey contracts signed between the tenant-owned association and Peab there is limited room for decision-making in relevant activities for both parties. Peab is not considered to have controlling interest over a tenant-owned association after an external board is appointed in the tenant-owned association. Below is a summary of the factors Peab's assessment is based on.

Planning phase

Peab's tenant-owned project is preceded by planning and the acquisition of land. These costs are activated in Peab's balance sheet. When the necessary zoning plans have been received Peab initiates the formation of a tenant-owned association.

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Tenant-owned association board
The board in tenant-owned associations consist of external and independent board members with adequate professional competence and experience from board work in tenant-owned associations and developer responsibility for construction projects. These board members are also often members of boards of tenant-owned associations that have not been initiated by Peab. No member of the tenant-owned association board represents Peab. After a tenant-owned association board has been appointed Peab cannot replace a board member. Remuneration to board members is paid for by the tenant-owned association.

The duty of the board of the tenant-owned association is to represent the members (i.e. the tenant-owners) when called for and to look after their interests, and their interests alone. The board has a strict responsibility and is subject to review by members at the first tenant-owned association meeting after the building has been completed, gone through a final inspection and been approved. This means that the board members must be able to show that they have acted in the best interests of the association's members and not on behalf of Peab.

Board members usually have liability insurance. The tenant-owned association pays for the board members' liability insurance.

Sales of homes through a real estate agent
Different external real estate agents are signed on through a three-party listing agreement between Peab, the tenant-owned association and the real estate agents. The signed real estate agents handle the marketing and sales of the tenant-owned apartments. Customers who wish to reserve a tenant-owned apartment and a share in the tenant-owned association sign a binding preliminary agreement according to the Tenant Act (1991:614) with the tenant-owned association. The preliminary agreement is binding for both the homebuyer and the tenant-owned association. The board of the tenant-owned association approves tenant-owners after having evaluated their financial capacity to conclude the purchase. It is through a purchase agreement that a homebuyer becomes a member of the tenant-owned association.

Contract between Peab and the tenant-owned association for the transfer of land and the construction work
Peab and the tenant-owned association sign a contract for the transfer of land and the construction work only when a considerable portion of the homes have been reserved through a binding preliminary agreement. The contract for the transfer of land and the construction work are based on offered terms from Peab with supplements for any modifications and additions that have been agreed on with the tenant-owned association. Consequently the project is no longer recognized on Peab's balance sheet since the tenant-owned association is considered to be an external customer to Peab.

Financing the tenant-owned association
In order to acquire the land and pay for the construction work during construction the tenant-owned association finances the land and the construction work with a building loan from a bank. Because of its size and expertise Peab can be of great help to the association in procuring financing with favorable terms. Peab therefore requests offers from different banks. The board of the tenant-owned association decides which loan offers to accept and signs the contracts with the bank. The banks normally require a minimum level of sales in the form of signed preliminary agreements before they grant a loan. The construction contract specifically stipulates that Peab aid the tenant-owned association with the final financing procurement as well as handle administration of the tenant-owned association's financing.

In order to limit the cost of mortgages tenant-owned associations take out mortgages for the amount that corresponds to what is needed for the final financing of the completed building and accompanying land. The other building loan, that Peab provides surety for, is for temporary financing corresponding to the homebuyers' not yet paid contributed capital.

The costs the tenant-owned association incurs until the time the funds can be lifted from building loans are paid for by the association through credit terms where payment is not made until financing has been solved. These costs can be, for example, remuneration for the board members' work in the tenant-owned association and fees to the real estate agent. In many cases Peab pays these costs for the tenant-owned association as an advance. The costs the tenant-owned association incurs before contract signing and financing through the building loans are relatively insignificant.

Interest on building loans is paid for by the tenant-owned association. In cases where it is paid by Peab it is an advance.

Tenant-owned association's financial management and accounting
The construction contract includes management obligations for the administration of the associations' economy and accounting where Peab takes on responsibility for administration as long as the tenant-owned association desires. Normally the tenant-owned association hires Peab for administration under construction and sometimes even after construction is completed. Sometimes Peab handles administration for other external customers and community associations that are not tenant-owned associations. The board of the tenant-owned association approves and attests all payments.

Obligations and customer rights
The construction contract provides the tenant-owned association the same customer rights from Peab that all other external construction contracts provide to counterparties that are not tenant-owned associations initiated by Peab. In order to create an attractive offer at an early stage of a housing project with limited risk Peab foremost offers fixed prices and, in addition, conventional obligations regarding the completed building's occupancy level. In the construction contract with the tenant-owned association Peab promises to acquire the tenant-owned apartments not sold six months after the final inspection. The acquisition obligation is usually a requirement from the certifiers as well as insurance companies and banks that finance tenant-owned associations. These obligations are also made to customers that are not tenant-owned associations, in the form of guaranteed lowest levels of rented units or guaranteed operating net, which is common in the construction and real estate trades regarding real estate sales to commercial customers.

The risk Peab takes in obligations to acquire unsold apartments during a certain period is in reality limited since Peab and tenant-owned associations do not sign construction contracts until a large part of the homes have been reserved by homebuyers. Historically Peab's costs due to unsold apartments are not material. The few apartments bought by Peab are normally sold within a short amount of time without any more costs than a few months fees to the tenant-owned association. On the average 0.7 percent of the total number of tenant-owned apartments in production between 2012 and 2018 were acquired. However, fluctuations in the market can lead to Peab having to repurchase a larger number than has previously been necessary.

Peab also issues a guarantee regarding advances and contributions paid by homebuyers. The guarantee ensures the tenant-owner's right to repayment of amounts paid if the tenant-owner terminates the contract due to significantly higher fees during the first year after the general meeting where the project's final costs are presented. After that the guarantee ceases to exist. The guarantee has never been invoked. For further information regarding advances and contribution guarantees see note 38.

Accounting standards and interpretations
New or changed accounting standards and interpretations of other existing standards can lead to changes that may entail handling certain transactions in the future differently from current practice. IFRS 16 Leases replace IAS 17 Leases as of 1 January 2019. The changes entailed by IFRS 16 are described in note 45.

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

Note 4 Revenue

The Group recognizes revenue when the Group meets a performance obligation, which is when a promised good or service is delivered to the customer and the customer takes control over the good or service. Control of a performance obligation can be transferred over time or at a certain point in time. The Peab Group's revenue primarily consists of the following revenue flows: Construction contracts, Sales of goods, Sales of property projects, Transportation services, Rent revenue and other revenue.

RECOGNITION OVER TIME

Revenue from Construction contracts and some other revenue is recognized over time. The transaction price of contracts with customers usually consists of fixed amounts, variable amounts or a combination of the two.

Revenue in ongoing construction projects is recognized over time based on the project's degree of completion. This requires being able to calculate project revenue and project costs in a reliable manner. Project forecasts are regularly evaluated as a project progresses and are adjusted as needed.

Some contracts include several different performance obligations such as construction sales and contracts for operation and maintenance. Since operation and maintenance are not dependent on the construction contract this part is recognized as a separate performance obligation. In cases where contracts contain several performance obligations the transaction price is divided into each separate performance obligation based on their stand-alone sales prices.

In fixed price contracts the customer pays the agreed price on an established payment schedule. A receivable from the customer is recognized if a promised good or service Peab has delivered exceeds the payment. A liability to the customer is recognized if the payment exceeds the delivered services.

No financing component is considered to exist at the time of invoicing since the credit period is normally short. Terms of payment are usually 30 days. The Group's obligations to fix errors and shortcomings concerning completed projects are recognized as provisions. Guarantee periods are usually two to five years.

RECOGNITION AT ONE POINT IN TIME

Revenue from the sales of goods, property, transportation and certain other revenue is recognized at one point in time. Sales of goods is recognized as revenue when control of the goods is transferred to the customer, which normally occurs when the goods are delivered.

Revenue from the sales of property is recognized when control of the property is transferred to the customer, which normally coincides with the customer taking over the property.

Revenue is recognized based on the price in the contract, which is normally a fixed price. Variable components, such as rent guaranties, reduce the recognized revenue.

Normally invoicing takes place upon delivery and the credit period is usually short and therefore there is no financing component. Terms of payment are almost always 30 days. Credit periods exceeding 12 months are rare and in those cases the transaction price is adjusted for the effects of financing components.

The Group's obligations to fix errors and shortcomings connected to delivered goods are recognized as provisions. These are conventional guarantees and are not considered to be separate performance obligations.

Group 2018, MSEK	Construction	Civil Engineering	Industry	Project Development	Group functions	Eliminations	Group
Allocation per internal/external customer							
External sales	22,850	12,032	9,474	7,775	102		52,233
Internal sales	5,490	1,713	3,810	69	941	-12,023	–
Total	**28,340**	**13,745**	**13,284**	**7,844**	**1,043**	**-12,023**	**52,233**
Allocation per country							
Sweden	21,578	11,878	11,791	5,949	889	-10,149	41,936
Norway	3,389	1,712	935	494	91	-741	5,880
Finland	3,368	155	539	1,401	63	-1,128	4,398
Other	5		19			-5	19
Total	**28,340**	**13,745**	**13,284**	**7,844**	**1,043**	**-12,023**	**52,233**
Allocation per type of customer							
Public sector	10,178	7,958	2,727	119	88		21,070
Private customers	12,672	4,074	6,747	7,656	14		31,163
Internal customers	5,490	1,713	3,810	69	941	-12,023	–
Total	**28,340**	**13,745**	**13,284**	**7,844**	**1,043**	**-12,023**	**52,233**
Allocation per point in time							
At one point in time	67	32	5,652	2,361	121	-1,593	6,640
Over time	28,269	13,706	5,663	5,256	810	-9,056	44,648
Rent revenue [1)]	4	7	1,969	227	112	-1,374	945
Total	**28,340**	**13,745**	**13,284**	**7,844**	**1,043**	**-12,023**	**52,233**
Allocation per type of revenue							
Construction contracts	28,262	13,706	5,663	5,254		-8,240	44,645
Sales of goods	5		3,545			-822	2,728
Sales of property projects				2,188			2,188
Transportation services		1	1,901			-672	1,230
Administrative services	7			2	810	-816	3
Rent revenue	4	7	1,969	227	112	-1,374	945
Other	62	31	206	173	121	-99	494
Total	**28,340**	**13,745**	**13,284**	**7,844**	**1,043**	**-12,023**	**52,233**

[1)] Rent revenue is recognized according to IAS 17

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Group 2017, MSEK	Construction	Civil Engineering	Industry	Project Development	Group functions	Eliminations	Group
Allocation per internal/external customer							
External sales	22,073	10,319	9,206	8,282	101		49,981
Internal sales	4,653	1,506	3,555	61	892	-10,667	–
Total	**26,726**	**11,825**	**12,761**	**8,343**	**993**	**-10,667**	**49,981**
Allocation per country							
Sweden	20,694	10,470	11,226	6,969	862	-9,329	40,892
Norway	3,304	1,237	1,075	434	84	-391	5,743
Finland	2,722	118	446	940	47	-942	3,331
Other	6		14			-5	15
Total	**26,726**	**11,825**	**12,761**	**8,343**	**993**	**-10,667**	**49,981**
Allocation per type of customer							
Public sector	8,712	7,388	2,685	19	92		18,896
Private customers	13,361	2,931	6,521	8,263	9		31,085
Internal customers	4,653	1,506	3,555	61	892	-10,667	–
Total	**26,726**	**11,825**	**12,761**	**8,343**	**993**	**-10,667**	**49,981**
Allocation per point in time							
At one point in time	96	51	6,251	3,015	119	-2,107	7,425
Over time	26,625	11,771	4,914	5,161	832	-7,589	41,714
Rent revenue [1]	5	3	1,596	167	42	-971	842
Total	**26,726**	**11,825**	**12,761**	**8,343**	**993**	**-10,667**	**49,981**
Allocation per type of revenue							
Construction contracts	26,619	11,771	4,911	5,159		-6,750	41,710
Sales of goods	6		3,847			-1,238	2,615
Sales of property projects				2,802		-26	2,776
Transportation services		2	2,186			-728	1,460
Administrative services	6		3	2	832	-839	4
Rent revenue	5	3	1,596	167	42	-971	842
Other	90	49	218	213	119	-115	574
Total	**26,726**	**11,825**	**12,761**	**8,343**	**993**	**-10,667**	**49,981**

[1] Rent revenue is recognized according to IAS 17

The remaining performance obligations are presented in the tables below, otherwise known as order backlog.

Group 2018-12-31, MSEK	Coming financial year	Next financial year	Thereafter	Total
Construction	20,552	7,482	1,742	29,776
Civil Engineering	8,385	2,915	2,320	13,620
Industry	1,799	447	0	2,246
Project Development	4,982	1,875	277	7,134
Eliminations	-5,154	-1,667	-136	-6,957
Total	**30,564**	**11,052**	**4,203**	**45,819**

Group 2017-12-31, MSEK	Coming financial year	Next financial year	Thereafter	Total
Construction	18,534	6,975	1,296	26,805
Civil Engineering	6,262	3,616	954	10,832
Industry	1,820	713	0	2,533
Project Development	5,152	1,962	1,084	8,198
Eliminations	-5,288	-2,358	-517	-8,163
Total	**26,480**	**10,908**	**2,817**	**40,205**

Note 5 Operating segments

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

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

IFRS 15 Revenue from contracts with customers, has as of 2018 replaced previous standards related to revenue recognition such as IAS 18 Revenue, IAS 11 Construction contracts and IFRIC 15 Agreements for the construction of real estate. No material effects have been identified. IFRS 15 has not entailed any material change in when, or for what amount, revenue is recognized regarding Peab's construction contracts in business areas Construction and Civil Engineering. Business area Industry recognizes revenue according to both IFRS 15 and IAS 17 but the changeover to IFRS 15 has not entailed any material change in the way revenue is recognized. Business area Project Development recognizes most of its revenue as revenue over time. Swedish tenant-owned housing projects will continue to be recognized as previously through revenue over time while our own home developments in Sweden are now recognized according to revenue over time due to the implementation of IFRS 15. IFRS 15 has not led to any changes in recognition regarding housing projects in Finland and Norway since revenue is first recognized when the home is turned over to the buyer. After implementation of IFRS 15 segment reporting mirrors legal reporting. For more information regarding accounting principles as well as important estimates and assessments, see note 1 and note 3.

Business area Construction recognizes net sales and profit referring to the construction contract part of our own housing developments, rental project developments and other property development projects to business area Project Development. Recognition takes place over time as the project is completed. Net sales for both the developer part and the construction contract part of our own housing developments are recognized in business area Project Development. The recognized profit/loss consists of the profit/loss in the developer part recognized over time. The underlying sales value of property projects on our own balance sheet, recognized as project and development property, that are sold in the form of a company via shares is recognized as net sales and the recognized value on the balance sheet is recognized as an expense. When property projects recognized as operations property or investment property are divested the net effect on profit/loss is recognized as other operating income or other operating cost. Internal net sales between business area Construction and business area Project Development regarding the construction cost of our own housing developments are eliminated in consolidated reporting. Net sales and profit/loss referring to the construction contract part of property development projects on our own balance sheets are eliminated on Group level. Internal profit is returned when the project is divested.

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

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

Segments' operating profit includes directly attributable items and items that can be reasonably and reliably allocated to a segment. Non-allocated items consist of financial income and expenses, and taxes.

OPERATING SEGMENTS
The Group consists of the following operating segments:

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

- **Civil Engineering:** Business area Civil Engineering works with the construction of large infrastructure and civil engineering projects and smaller projects on the local market. Civil Engineering also operates and maintains roads and municipal facilities. The operations are run in geographical regions in Sweden, Norway and Finland. Customers are the Swedish Transport Administration, municipalities and local businesses.

- **Industry:** Business area Industry is run in six product areas; Asphalt, Concrete, Gravel and Rock, Transportation and Machines, Rentals and Construction System. All of them work on the Nordic construction and civil engineering markets. Customers are mainly Nordic construction and civil engineering companies.

- **Project Development:** Business area Project Development comprises Peab's developments in housing and property in Sweden, Norway and Finland. The business is run in two segments, Housing Development and Property Development. Housing Development develops all kinds of housing such as apartment buildings in tenancy ownership, ownership and rental form as well as single homes. Operations in Property Development revolve around the acquisition, development, management and divestiture of commercial properties. The business includes projects in wholly owned and partly owned companies. Included in partly owned companies are among others Peab's holdings in Fastighets AB Centur (ownership, management and development of commercial property and homes), Tornet Bostadsproduktion AB (conctruction and ownership of rentals), Fastighets AB ML4 (ownership and management of the research facility Max IV in Lund) and Point Hyllie Holding AB (ownership and development of the office building The Point as well as ownership and management of the hotel property Värdshuset 5). Projects in wholly owned subsidiaries consist of a number of holdings that include everything from land for development where zoning is being worked out to completed projects ready for sale. Net sales and operating profit from operations are derived from running our wholly owned property, shares in the profit from partly owned companies as well as capital gains from the divestiture of completed property and shares in partly owned companies.

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

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Group 2018, MSEK	Construction	Civil Engineering	Industry	Project Development	Group functions	Elimination	Group
External sales	22,850	12,032	9,474	7,775	102		52,233
Internal sales	5,490	1,713	3,810	69	941	-12,023	–
Total revenue	**28,340**	**13,745**	**13,284**	**7,844**	**1,043**	**-12,023**	**52,233**
Operating costs	-27,680	-13,392	-12,379	-7,069	-1,313	12,004	-49,829
Other operating income	12	68	81	35	1	19	216
Other operating costs	-2	-6	-9	-25	-5		-47
Operating profit	**670**	**415**	**977**	**785**	**-274**	**0**	**2,573**
Operating margin, %	**2.4**	**3.0**	**7.4**	**10.0**			**4.9**
Financial income							100
Financial expenses							-155
Pre-tax profit							**2,518**
Tax							-418
Profit for the year							**2,100**
Depreciation	-17	-73	-819	-63	-19	1	-990
Write-downs in operating profit			-5	-29			-34
Capital gains/losses	1	53	55	131		19	259
Other significant non-cash items	9	6	-91	119	12	19	74
Capital employed on 31 December	-1,215	192	6,432	12,984		-33 [1]	18,360

Group 2017, MSEK	Construction	Civil Engineering	Industry	Project Development	Group functions	Elimination	Group
External sales	22,073	10,319	9,206	8,282	101		49,981
Internal sales	4,653	1,506	3,555	61	892	-10,667	–
Total revenue	**26,726**	**11,825**	**12,761**	**8,343**	**993**	**-10,667**	**49,981**
Operating costs	-26,138	-11,488	-11,943	-7,706	-1,230	10,662	-47,843
Other operating income	15	42	68	167	9	4	305
Other operating costs	-1	-5	-19	0	0		-25
Operating profit	**602**	**374**	**867**	**804**	**-228**	**-1**	**2,418**
Operating margin, %	**2.3**	**3.2**	**6.8**	**9.6**			**4.8**
Financial income							191
Financial expenses							-151
Pre-tax profit							**2,458**
Tax							-391
Profit for the year							**2,067**
Depreciation	-19	-66	-754	-54	-13	2	-904
Write-downs in operating profit	-1		-8	-33	-11		-53
Capital gains/losses	11	15	43	145		4	218
Other significant non-cash items	104	-7	5	-98	8		12
Capital employed on 31 December	-856	200	5,781	9,986		-1,037 [1]	14,074

[1] Non-allocated capital employed.

COMMENTS ON THE TABLES

A favorable construction and civil engineering market has had a positive effect on the business areas in both 2018 and 2017. In business areas Construction and Civil engneering, which perform contract work, net sales increased and margin levels were stable in 2018. Net sales and operating profit increased in business area Industry compared to 2017 and the operating margin improved. Net sales and operating profit was lower in business area Project Development in 2018 compared to 2017. Fewer production starts in Sweden, particularly around Stockholm, reduced both net sales and operating profit in Housing Development, and in addition income recognition from projects in Norway and Finland was lower. Net sales in Property Development contracted but operating profit improved through higher profit contributions from wholly owned and partially owned companies. In January 2017 Peab sold a number of assets in Arenastaden and Ulriksdal in Solna to Fabege which affected net sales by SEK 577 million. The transactions had no net effect on profit/loss since the divestitures in Ulriksdal had a positive effect on operating profit by SEK 180 million and the sales of assets in Arenastaden had a negative effect of SEK 180 million. In 2017 Property Development also included capital gains of SEK 75 million from the divestiture of Peab's share in joint venture companies to Catena.

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GEOGRAPHIC AREAS

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

	Sweden		Norway		Finland		Other markets		Total	
Group, MSEK	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
External sales	**41,936**	40,892	**5,880**	5,743	**4,398**	3,331	**19**	15	**52,233**	49,981
Intangible and tangible assets and investment property	**7,046**	7,334	**594**	586	**939**	626	**1**	–	**8,580**	8,546

	Sweden		Norway		Finland		Total [1]	
Parent company, MSEK	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Net sales	**267**	239	**17**	16	**15**	7	**299**	262

[1] Included in Group functions.

Note 6 Business combinations

2018

In 2018 Peab acquired 100 percent of the shares in Asfaltpartner i Väst Produktion AB (name changed to Peab Asfalt Väst AB). The company operates in Western Götaland, particularly in the Gothenburg and Borås regions. During the year Peab also acquired Hoffmans Entreprenad AB (name changed to ATS Entreprenad AB) which does electrical power contract work in Norrbotten. Røstad Maskin 2 AS (name changed to Røstad Maskin AS), which works in civil engineering in Tromsö was also acquired.

The above acquisitions in 2018 individually do not have any material acquisition effect from a Group perspective and the information on acquisition effects is therefore given collectively.

In the period after acquisition the above subsidiaries contributed with SEK 91 million to Group revenue and SEK 2 million to profit in 2018. If the acquisitions had taken place on 1 January 2018, the combined effect of these acquisitions on Group revenue would have been SEK 134 million and on profit for the year by SEK 5 million.

EFFECTS OF ACQUISITIONS IN 2018

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

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

Total transferred compensation amounted to SEK 34 million.

During the year, the acquisition of assets also occurred through the acquisition of shares (asset acquisitions which are not business combinations) which resulted in a cash flow of SEK -45 million and primarily refer to project and development properties with development rights in Stockholm and Örebro.

ACQUISITIONS AFTER THE BALANCE SHEET DATE

No substantial acquisitions have been made during 2019 as of the presentation of these financial reports.

2017

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

The above acquisitions in 2017 individually did not have any material acquisition effect from a Group perspective and the information on acquisition effects is therefore given collectively.

In the period after acquisition the above subsidiaries and businesses contributed SEK 275 million to Group revenue and SEK 14 million to profit in 2017. If the acquisitions had taken place on 1 January 2017, the combined effect of these acquisitions on Group revenue would have been SEK 648 million and on profit for the year by SEK 27 million.

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

During the year, the acquisition of assets also occurred through the acquisition of shares (asset acquisitions which are not business combinations) which resulted in a cash flow of SEK -121 million and primarily refer to project and development properties with development rights in Kungsängen, Oslo and Västerås.

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

MSEK	2018	2017
Intangible assets	–	60
Tangible assets	30	27
Financial assets	–	40
Deferred tax recoverables	–	2
Project and development properties and inventories	1	211
Accounts receivable and other receivables	8	84
Liquid funds	9	53
Interest-bearing liabilities	-18	-25
Deferred tax liabilities	-3	-42
Provisions	–	-3
Accounts payable and other current liabilities	-9	-152
Net identifiable assets and liabilities	**18**	**255**
Non-controlling interests	–	-1
Previous value of share in joint venture	–	-60
Group goodwill	16	67
Consideration transferred	**34**	**261**

CONSIDERATION TRANSFERRED

MSEK	2018	2017
Liquid funds	32	213
Contingent consideration	2	11
Option liabilities	–	37
Total consideration transferred	**34**	**261**

Note 7 Other operating income

Group, MSEK	2018	2017
Capital gains from shares sold in businesses/ joint ventures	6	139
Insurance compensation	20	28
Profit from sales of fixed assets	141	67
Exchange gains from receivables/liabilities relating to operations	5	3
Revaluation effect in successive acquisitions	–	26
Profit from participation in joint ventures	12	6
Other	32	36
Total	**216**	**305**

Note 8 Other operating costs

Group, MSEK	2018	2017
Capital loss from shares sold in businesses	–	-6
Loss from sales of fixed assets	-5	-3
Exchange loss from receivables/liabilities relating to operations	-9	-5
Other	-33	-11
Total	**-47**	**-25**

Note 9 Government grants

Government grants related to assets amounted in the Group to SEK 2 million (3) in 2018. The grants have reduced the recognized values of the assets on the balance sheet.

Government grants received as compensation for operating costs amounted to SEK 4 million (3) in 2018, and have reduced costs in the income statement.

Note 10 Employees, personnel costs and remuneration to senior officers

COSTS FOR REMUNERATION TO EMPLOYEES

Group, MSEK	2018	2017
Salaries and remuneration etc.	7,217	6,792
Pension costs, defined contribution plans	798	702
Social security	2,132	2,034
Total	**10,147**	**9,528**

AVERAGE NUMBER OF EMPLOYEES

	No. of employees 2018	Of which were men 2018 percent	No. of employees 2017	Of which were men 2017 percent
Parent company				
Sweden	146	45	136	46
Subsidaries				
Sweden	12,219	88	12,022	88
Norway	1,548	90	1,692	92
Finland	744	83	724	84
Poland	4	50	4	50
Total in subsidaries	**14,515**	**88**	**14,442**	**89**
Group	**14,661**	**87**	**14,578**	**88**

GENDER DISTRIBUTION IN BOARDS AND OTHER SENIOR OFFICERS

	2018 Percentage of women	2017 Percentage of women
Parent company		
The Board of Directors	27	27
Other senior officers	25	0
Group		
Boards [1]	23	11
Other senior officers [2]	22	15

[1] Refers to the Board of Directors in the parent company and boards in subsidiaries.
[2] Other senior officers in the Group refers to the other senior officers in the parent company along with business area management.

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

Group, MSEK	Board of Directors and senior officers (15 persons) 1) 2018	Board of Directors and senior officers (14 persons) 2) 2017
Salaries and other remuneration	29	25
– of which variable remuneration etc.	–	–
Pension costs	23	25
– of which pension costs for variable remuneration	12	16

1) The group leading senior officers refers to executive management. During January-October 2018 the group consisted of six persons, three of which were in the parent company. From November 2018 the group consisted of seven persons, four of which were in the parent company.
2) The group leading senior officers refers to executive management. During 2017 the group consisted of six persons, three of which were in the parent company.

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

Parent company, MSEK	Board of Directors and senior officers (12 persons) 1)	Other employees	Total	Board of Directors and senior officers (11 persons) 2)	Other employees	Total
	2018			2017		
Salaries and other remuneration	20	102	122	17	93	110
– of which variable remuneration etc.	–	2	2	–	2	2
Social security costs	24	69	93	26	63	89
– of which pension costs	7	22	29	6	19	25
– of which pension costs for variable remuneration	8	4	12	10	3	13

1) The group leading senior officers refers to executive management. During January-October 2018 the group consisted of six persons, three of which were in the parent company. From November 2018 the group consisted of seven persons, four of which were in the parent company.
2) The group leading senior officers refers to executive management. During 2017 the group consisted of six persons, three of which were in the parent company.

SALARIES AND OTHER REMUNERATION FOR LEADING SENIOR OFFICERS IN 2018

Thousands, SEK	Basic salary/Board remuneration	Variable remuneration	LTI-program 1)	Other benefits/ remunerations	Pension costs	Total
Chairman of the Board, Göran Grosskopf	980					980
Vice Chairman of the Board, Mats Paulsson	460					460
Other members of the Board						
Karl-Axel Granlund	520					520
Lars Sköld	520					520
Fredrik Paulsson	460					460
Kerstin Lindell	460					460
Liselott Kilaas	460					460
Malin Persson	400					400
Board of Directors fees, remuneration from the parent company	**4,260**					**4,260**
CEO, Jesper Göransson	7,200	2,477	1,389	563	3,668	15,297
Other senior officers, remuneration from the parent company	7,500	2,519	1,389	729	3,604	15,741
Other senior officers, remuneration from subsidiaries	8,412	2,893	1,625	641	3,395	16,966
Total	**27,372**	**7,889**	**4,403**	**1,933**	**10,667**	**52,264**
Remuneration from the parent company	18,960	4,996	2,778	1,292	7,272	35,298
Remuneration from subsidiaries	8,412	2,893	1,625	641	3,395	16,966

1) For more information see Long-term incentive program (LTI program).

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SALARIES AND OTHER REMUNERATION FOR LEADING SENIOR OFFICERS IN 2017

Thousands, SEK	Basic salary/Board remuneration	Variable remuneration	LTI-program [1]	Other benefits/ remunerations	Pension costs	Total
Chairman of the Board, Göran Grosskopf	720					720
Vice Chairman of the Board, Mats Paulsson	330					330
Other members of the Board						
Karl-Axel Granlund	360					360
Lars Sköld	420					420
Fredrik Paulsson	330					330
Kerstin Lindell	360					360
Nina Udnes Tronstad	300					300
Malin Persson	300					300
Board of Directors fees, remuneration from the parent company	**3,120**					**3,120**
CEO, Jesper Göransson	6,600	3,270	1,806	516	3,250	15,442
Other senior officers, remuneration from the parent company	6,600	3,270	1,754	651	3,153	15,428
Other senior officers, remuneration from subsidiaries	7,740	3,835	2,008	587	3,135	17,305
Total	**24,060**	**10,375**	**5,568**	**1,754**	**9,538**	**51,295**
Remuneration from the parent company	16,320	6,540	3,560	1,167	6,403	33,990
Remuneration from subsidiaries	7,740	3,835	2,008	587	3,135	17,305

[1] For more information see Long-term incentive program (LTI program).

COMMENTS ON THE TABLES

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

Pension costs refer to costs charged to the year. See note 30 for additional information about pensions. In 2018 the group senior officers consisted of seven persons (six), of which four officers (three) were in the parent company. Until October 2018 the group senior officers consisted of six persons, of which three officers were in the parent company.

THE BOARD OF DIRECTORS

The 2018 AGM decided on a total remuneration to members of the Board of SEK 4,260 thousand (3,120), of which SEK 3,600 thousand (2,700) refers to Board work and SEK 660 thousand (420) refers to committee work. Compensation to the Chairman of the Board was SEK 800 thousand (600) and SEK 2,800 thousand (2,100) was divided among the other Board members. Compensation for work on the Remuneration Committee was SEK 180 thousand (90), SEK 180 thousand (90) for work on the Finance Committee and SEK 300 thousand (240) for work on the Audit Committee.

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

PRINCIPLES FOR REMUNERATION TO SENIOR OFFICERS

The group senior officers is comprised of seven senior officers who are members of executive management. Until 1 November 2018 the group was comprised of six senior officers. The principles for remuneration to senior officers were adopted by the 2018 AGM.

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

From time to time, senior officers may be offered variable remuneration. Such variable remuneration may not exceed 60 percent of their regular salary and is primarily based on the Peab Group's profitability and, from time to time, essential Group goals. Variable remuneration is decided for each financial year. Variable remuneration for the financial year 2018 was maximized at SEK 4,320 thousand (3,960) for the CEO and a total of SEK 9,442 thousand (8,604) for the other senior officers.

Variable remuneration is settled the year after being earned and may either be paid out as salary or placed as pension in financial instruments connected to the Peab share. If it is paid out as a one-off defined pension contribution adjustments are made so as to neutralize the total cost for Peab.

From time to time, senior officers may be offered to participate in a LTI program. For senior officers and the CEO the upper limit (including social security) is 40 percent of their fixed annual salary. The result of the LTI program is placed in a pension savings in a financial instrument connected to the Peab share. Provisions for the LTI program for 2018 were maximized at SEK 2,880 thousand (including social security) for the CEO and a total of SEK 6,245 thousand (including social security) for the other senior officers.

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

THE CEO

The CEO of Peab AB, Jesper Göransson, has in 2018 received a salary and other remuneration, including benefits, totaling SEK 7,763 thousand (7,116). In addition, he has received variable remuneration for 2018 of SEK 2,477 thousand (3,270) and a provision for the LTI program of SEK 1,389 thousand (1,806) has been made, which was placed in a pension savings in a financial instrument connected to the Peab share. Pension contributions for the year were SEK 3,668 thousand (3,250).

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

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

OTHER SENIOR OFFICERS

The term other senior officers refers to the six other persons (until 31 October five persons) in addition to the CEO that make up Peab's executive management. Salary and other remuneration including benefits for other senior officers amounted to SEK 17,282 thousand (15,578). In addition, variable remuneration for 2018 amounted to SEK 5,412 thousand (7,105) and provisions for the LTI program amounted to SEK 3,014 thousand (3,762), which will be placed in pension savings in a financial instrument connected to the Peab share. Pension contributions paid for other senior officers amounted to SEK 6,999 thousand (6,288) during the year.

The pension policy for senior officers means that pension contributions are based on a contribution ladder within, alternatively, ITP or defined contributions entailing that the total contribution amounts to 35–47 percent of fixed salaries. Certain senior officers have an agreement with Peab that their employment ends the month they turn 62 years old. The other senior officers have an agreement that their employment ends the month they turn 65 years old.

Notice on the part of Peab is twelve months with a reduction for any salary from a new employer combined with severance pay consisting of six-twelve months salary. Notice on the part of the other senior officers is six months combined with severance pay consisting of six months salary.

LONG-TERM INCENTIVE PROGRAM (LTI PROGRAM)

From time to time, senior officers may be offered to participate in a LTI program. A LTI program was launched for 2015–2017 with annual provisions based on meeting the operating margin goal for the Group. The provisions' size was related to the total dividends disbursed to shareholders for the year. The program was open to approximately 500 of the Group's key employees. In order for an employee to receive their share of the result of the LTI program the employee had to have been working consistently for Peab from 2015 to 31 December 2017. In 2017 the cost of the LTI program amounted to SEK 83 million including social security.

A new LTI program was launched for 2018-2020 and will be annually reconciled with operating margin goals for the Group. The program is open to approximately 500 of the Group's key employees. In order for an employee to receive their share of the result of the LTI program the employee has to still be working for Peab on 31 December 2020. For senior officers and the CEO the upper limit (including social security) is 40 percent of their fixed annual salary. For other positions the upper limit (including social security) is 15–35 percent of their fixed annual salary, depending on their position. The result of the LTI program will be placed in a pension savings connected to the Peab share. In 2018 the cost of the LTI program amounted to SEK 94 million including social security.

PROFIT-SHARING FOUNDATION

In 2007, Peab founded a profit-sharing foundation. The object of the profit-sharing foundation is to create greater participation through employee co-ownership and to better employees' financial situation after retirement. Individual annual shares in profits is related to the employee's profit-sharing entitling work hours. Upon retirement employees can withdraw their share in the foundation. Under the foundation's investment policy, its assets must be mainly invested in shares in Peab. In 2018 Peab allocated SEK 80 million. This amount less payroll tax will be paid into the foundation in 2019. In 2017 Peab allocated SEK 73 million including payroll tax.

Senior officers and other employees with other variable remuneration are not entitled to benefits from the profit-sharing foundation.

Note 11 Fees and cost remuneration to accountants

	Group		Parent company	
MSEK	2018	2017	2018	2017
KPMG AB				
Auditing assignments	15	14	4	4
Other additional audit-related work	1	1	1	1
Other services	3	2	1	1
Total	**19**	**17**	**6**	**6**

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

Note 12 Operating costs divided by type

Group, MSEK	2018	2017
Production costs [1]	36,471	35,168
Personnel expenses	10,930	10,673
Depreciation	990	904
Write-downs	34	53
Other operating costs	1,404	1,045
Total	**49,829**	**47,843**

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

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Note 13 Net financial income/expenses

Group, MSEK	2018	2017
Interest income [1]	73	75
Gains from financial assets available-for-sale	–	93
Dividends received related to financial assets available-for-sale	–	16
Dividends received related to financial assets valued at fair value via profit/loss	3	–
Change in value of financial assets valued at fair value via profit/loss:		
Unlisted shares	11	–
Unlisted funds	11	–
Change in value currency swaps (trading)	0	7
Other items	2	0
Financial income	**100**	**191**
Interest expenses [2]	-88	-118
Net exchange rate fluctuation	-35	-22
Change in value currency swaps (trading)	-17	-8
Increase in discounted amounts during the year in provisions for restoration costs	-1	–
Write-downs [3]	–	-3
Other items	-14	0
Financial expenses	**-155**	**-151**
Net financial income/expenses	**-55**	**40**

1) Refers to items valued at accrued acquisition value.
2) Refers to items valued at accrued acquisition value except current net interest from the interest coupon portion of interest swaps totaling SEK -29 million (-55).
3) For 2017 write-downs of SEK 3 million were included referring to unlisted funds, which are categorized as financial assets available-for-sale.

PROFIT FROM PARTICIPATIONS IN GROUP COMPANIES

Parent company, MSEK	2018	2017
Dividends	1,509	–
Write-downs [1]	-122	0
Liquidation result	1	–
Total	**1,388**	**0**

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

PROFIT FROM OTHER SECURITIES AND RECEIVABLES HELD AS FIXED ASSETS

Parent company, MSEK	2018	2017
Dividend received related to financial assets available-for-sale	–	16
Interest income, external	1	1
Gains from financial assets available-for-sale	–	163
Other items	2	–
Total	**3**	**180**

INTEREST EXPENSES AND SIMILAR PROFIT/LOSS ITEMS

Parent company, MSEK	2018	2017
Interest expenses, Group [1]	-92	-130
Total	**-92**	**-130**

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

Note 14 Appropriations

Parent company, MSEK	2018	2017
Change in additional depreciation, intangible assets	-3	-5
Change in additional depreciation, machinery and equipment	0	0
Transfer to tax allocation reserve	-612	-788
Received Group contribution	2,699	3,427
Paid Group contribution	-1	-8
Total	**2,083**	**2,626**

Note 15 Taxes

RECOGNIZED IN THE INCOME STATEMENT

Group, MSEK	2018	2017
Current tax expenses/income		
Tax expenses for the year	-451	-548
Adjustment of tax attributable to previous years	-2	7
	-453	**-541**
Deferred tax expenses/income		
Temporary differences	7	126
Capitalized tax value of loss carry-forwards during the year	4	3
Utilisation of capitalized tax value of loss carry-forwards	-75	-30
Changed tax rates	-38	-1
Revaluation of recognized deferred tax values	137	52
	35	**150**
Total recognized tax expenses in the Group	**-418**	**-391**

Parent company, MSEK	2018	2017
Current tax expenses/income		
Tax expenses for the year	-404	-520
Adjustment of tax attributable to previous years	1	–
	-403	**-520**
Deferred tax expenses/income		
Temporary differences	8	11
Changed tax rates	-7	–
	1	**11**
Total recognized tax expenses in the parent company	**-402**	**-509**

RECONCILIATION OF EFFECTIVE TAX

Group, MSEK	2018	2018 (%)	2017	2017 (%)
Pre-tax profit	**2,518**		**2,458**	
Tax in accordance with tax rate for the parent company	-554	22.0	-541	22.0
Effect of other tax rates for foreign subsidiaries	4	-0.2	1	-0.0
Non-deductible expenses	-52	2.1	-106	4.3
Tax exempt income	51	-2.0	172	-7.0
Deductible non profit-influencing items	6	-0.2	8	-0.3
Revaluation of reported deferred tax values	137	-5.5	52	-2.1
Utilized non-capitalized loss carry-forwards	8	-0.3	2	-0.1
Tax attributable to previous years	-2	0.1	7	-0.3
Changed tax rates	-38	1.5	-1	0.0
Increase in loss carry-forwards without corresponding capitalization of deferred tax	-3	0.1	-24	1.0
Effect net profit of joint ventures	25	-1.0	39	-1.6
Recognized effective tax	**-418**	**16.6**	**-391**	**15.9**

Parent company, MSEK	2018	2018 (%)	2017	2017 (%)
Pre-tax profit	**3,211**		**2,526**	
Tax according to tax rate for the parent company	-706	22.0	-556	22.0
Non-deductible expenses	-29	0.9	-1	0.0
Tax exempt income	333	-10.4	40	-1.6
Deductible non profit-influencing items	6	-0.2	8	-0.3
Tax attributable to previous years	1	-0.0	–	–
Changed tax rates	-7	0.2	–	–
Recognized effective tax	**-402**	**12.5**	**-509**	**20.1**

TAX ATTRIBUTABLE TO OTHER COMPREHENSIVE INCOME

	Pre-tax	Tax	After tax	Pre-tax	Tax	After tax
Group, MSEK		**2018**			**2017**	
Translation difference for the year foreign operations	86	1	87	-55	-4	-59
Financial assets available-for-sale	–		–	-55		-55
Cash flow hedges	20	-4	16	112	-12	100
Other comprehensive income	**106**	**-3**	**103**	**2**	**-16**	**-14**

REPORTED ON THE BALANCE SHEET
DEFERRED TAX RECOVERABLES AND TAX LIABILITIES

	Deferred tax recoverables		Deferred tax liabilities		Net		Changes recognized in profit/loss for the year	
Group, MSEK	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Intangible assets			-60	-68	-60	-68	8	6
Tangible assets			-389	-396	-389	-396	-9	-52
Investment property			-2	-11	-2	-11	0	-13
Financial fixed assets	1	1			1	1	0	41
Project and development properties		10	-152		-152	10	-175	16
Inventories	0	1			0	1	0	0
Accounts receivable	3	18			3	18	-15	15
Worked-up not invoiced income	72			-75	72	-75	154	-7
Other receivables			0	-1	-0	-1	1	0
Interest-bearing liabilities	107	102			107	102	5	5
Provisions for pensions	125	107			125	107	17	25
Provisions	64	79			64	79	-22	17
Invoiced income not worked-up	223	267			223	267	-43	31
Other liabilities	263	224			263	224	44	63
Loss carry-forwards	200	151			200	151	51	22
Tax allocation reserves			-427	-289	-427	-289	-138	-173
Safety reserve			-151	-308	-151	-308	157	154
Tax recoverables/tax liabilities	**1,058**	**960**	**-1,181**	**-1,148**	**-123**	**-188**		
Offset	-1,058	-947	1,058	947	–	–		
Net	**–**	**13**	**-123**	**-201**	**-123**	**-188**	**35**	**150**

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

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

	Deferred tax recoverables		Changes recognized in profit/ loss for the year	
Parent company, MSEK	**2018**	**2017**	**2018**	**2017**
Provisions for pensions	109	107	2	10
Other liabilities	2	3	-1	1
Net	**111**	**110**	**1**	**11**

UNRECOGNIZED DEFERRED TAX RECOVERABLES REGARDING LOSS CARRY-FORWARDS
Ongoing correspondence with the Swedish Tax Authorities as well as assessments made together with external experts on the deductability of individual deductions have been taken into consideration when evaluating deferred tax recoverables. The judgement per 2018-12-31 is that there are no uncertainties regarding the deductability of loss carry-forwards in Sweden and because of that tax recoverables of loss carry-forwards are recognized as assets without any adjustments. The value of deferred tax in Sweden that has not been recognized as an asset per 2017-12-31 because of uncertainties regarding the deductability was SEK 137 million.

In the Norwegian operations the ability to use loss carry-forwards of SEK 508 million (504) remains uncertain. They have not been capitalized. The fiscal value of the non-capitalized loss carry-forward is SEK 112 million (116).

CHANGED TAX RATES
As of 2019 the tax rate in Sweden has changed to 21.4 percent from 22 percent which was the tax rate during 2018. From 2021 the tax rate in Sweden will change to 20.6 percent.

As of 2019 the tax rate in Norway has changed to 22 percent from 23 percent which was the tax rate during 2018. 2017 the tax rate was 24 percent in Norway.

The fiscal temporary differences in Sweden and Norway are valued at the tax rate valid at the time the temporary differences are expected to cease to exist.

Note 16 Intangible assets

	Intangible assets, external purchase					Intangible assets, internally developed	
Group 2018, MSEK	**Goodwill**	**Brands**	**Customer relations**	**Tenancies gravel and rock quarries**	**Other intangible assets**	**Balanced development costs**	**Total**
Opening acquisition value	1,844	306	51	202	73	39	2,515
Purchases					66	34	100
Purchases through acquired companies	16						16
Sales and disposals		-21	-1		-3		-25
Exchange rate differences	7	3			1		11
Closing accumulated acquisition value	**1,867**	**288**	**50**	**202**	**137**	**73**	**2,617**
Opening depreciation	–	-163	-39	-72	-17	-16	-307
Sales and disposals		8	1				9
Depreciation [1]		-17	-3	-8	-6	-4	-38
Exchange rate differences		-1					-1
Closing accumulated depreciation	**–**	**-173**	**-41**	**-80**	**-23**	**-20**	**-337**
Opening write-downs	-24	-11	–	–	–	-6	-41
Sales and disposals		12					12
Exchange rate differences		-1					-1
Closing accumulated write-downs	**-24**	**–**	**–**	**–**	**–**	**-6**	**-30**
Closing recognized value	1,843	115	9	122	114	47	2,250

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

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

MSEK	2018	2017
Production costs	-34	-31
Sales and administrative expenses	-4	-1
Total	**-38**	**-32**

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

MSEK	2018	2017
Production costs	–	-11
Total	**–**	**-11**

GOODWILL IMPAIRMENT TESTING IN CASH GENERATING UNITS
The Peab Group balance sheet 2018-12-31 included total goodwill of SEK 1,843 million (1,820). The table below shows goodwill per group of cash generating units for which goodwill is tested for impairment.

MSEK	2018	2017
Construction		
Construction Sweden	68	68
Construction Finland	66	63
Construction Norway	155	151
Civil Engineering		
Civil Engineering Sweden	165	165
Civil Engineering Norway	7	6
Industry		
Business area level, when repurchased by Peab 2008	1,274	1,274
Industry Sweden	66	51
Project Development		
Property Development Sweden	21	21
Housing Development Sweden	14	14
Housing Development Norway	7	7
Total	**1,843**	**1,820**

GOODWILL WRITE-DOWNS
Group goodwill has not been written down in 2018 or in 2017. For the cash generating units where a calculation of the recovery value was made and no write-down need was identified, executive management has assessed that no feasible possible changes in important assumptions would result in a recovery value lower than the recognized value.

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

IMPORTANT VARIABLES WHEN CALCULATING USEFUL VALUE
The following variables are important and common to all cash generating units in calculation of useful value:

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

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

Operating margin: Historic profitability levels and operative efficiency, access to key personnel and qualified manpower, access to internal resources and hikes in salary, material and subcontractor costs.

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

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

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

Discount rate: Forecasted cash flows and residual values are discounted to current value applying a weighted average cost of capital (WACC). Interest rates on borrowed capital have been market adjusted to each country. The required return on equity is based on the Capital Asset Pricing Model. A weighted discount rate after tax has been used in calculating useful values. The discount rate after tax used on cash generating units in Sweden is on average 7.9 percent (8.7), in Norway 9.0 percent (9.4) and in Finland 8.4 percent (9.2) The corresponding pre-tax discount in Sweden was on average 8.0 percent (8.8), in Norway 9.3 percent (9.4) and in Finland 8.5 percent (9.3).

	Intangible assets, external purchase	Intangible assets, internally developed	
Parent company 2018, MSEK	**Other intangible assets**	**Balanced development costs**	**Total**
Opening acquisition value	22	17	39
Purchases	8	8	16
Closing accumulated acquisition value	**30**	**25**	**55**
Opening depreciation	–	-1	-1
Depreciation [1]	–	-3	-3
Closing accumulated depreciation	**–**	**-4**	**-4**
Closing recognized value	**30**	**21**	**51**

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

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

MSEK	2018	2017
Administration expenses	-3	-1
Total	**-3**	**-1**

Note 17 Tangible assets

Group 2018, MSEK	Buildings and land	Machinery and equipment	Construction in progress	Total
Opening acquisition value	2,849	8,778	320	11,947
Purchases	71	1,030	440	1,541
Purchases through acquired companies		36		36
Sales/disposals	-440	-444		-884
Sales via sold company	-28			-28
Reclassifications	26	159	-216	-31
Exchange rate differences	18	41		59
Closing accumulated acquisition value	**2,496**	**9,600**	**544**	**12,640**
Opening depreciation	-910	-5,509	–	-6,419
Accumulated depreciation in acquired companies		-6		-6
Sales/disposals	89	384		473
Sales via sold company	15			15
Depreciation	-105	-827		-932
Reclassifications	-5	12		7
Exchange rate differences	-4	-23		-27
Closing accumulated depreciation	**-920**	**-5,969**	**–**	**-6,889**
Opening write-downs	-4	-16	–	-20
Sales/disposals		8		8
Reversing previously made write-downs	2			2
Closing accumulated write-downs	**-2**	**-8**	**–**	**-10**
Closing recognized value	**1,574**	**3,623**	**544**	**5,741**

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

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

[2] Write-downs and reversed write-downs are recognized in the following line of the income statement:

MSEK	2018	2017
Production costs	2	-2
Total	**2**	**-2**

Loan interest of SEK 4 million (0) has been activated during the year.

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

Parent company, MSEK	Machinery and equipment 2018	2017
Opening acquisition value	5	5
Sales/disposals	-3	–
Closing accumulated acquisition value	**2**	**5**
Opening depreciation	-4	-4
Sales/disposals	3	–
Closing accumulated depreciation	**-1**	**-4**
Closing recognized value	**1**	**1**

GROUP FINANCIAL LEASING

Companies in the Group lease vehicles, construction machinery and other production equipment through many different leasing agreements. The recognized value related to Group financial leasing amounted to SEK 636 million (598). When the leasing agreements terminate Peab normally has a liability to buy equipment at its residual value. The leased assets are owned by the lessors.

Note 18 Investment property

Group 2018, MSEK	Investment property	Construction in progress	Total
Opening acquisition value	819	117	936
Purchases	59	190	249
Sales/disposals	-588	-16	-604
Reclassification	90	-31	59
Closing accumulated acquisition value	**380**	**260**	**640**
Opening depreciation	-55	–	-55
Sales/disposals	24		24
Depreciation	-20		-20
Reclassification	10		10
Closing accumulated depreciation	**-41**	**–**	**-41**
Opening write-downs	-10	–	-10
Sales/disposals	10		10
Reclassification	-10		-10
Closing accumulated write-downs	**-10**	**–**	**-10**
Closing recognized value	**329**	**260**	**589**

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

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

1) Write-downs are recognized in the following line of the income statement:

MSEK	2018	2017
Production costs	–	-10
Total	**–**	**-10**

Loan interest of SEK 4 million (5) has been activated during the year.

ACCUMULATED FAIR VALUE

At year-end fair value amounted to SEK 707 million compared to the recognized value of SEK 589 million. At year-end 2017 fair value amounted to SEK 918 million compared to the recognized value of SEK 871 million.

VALUING TECHNIQUE, HIERARCHY AND SIGNIFICANT UNOBSERVABLE INPUTS

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

EFFECT ON PROFIT/LOSS FOR THE YEAR

Group, MSEK	2018	2017
Rental revenue	53	65
Direct costs for investment property that generated rent during the year (operational and maintenance costs, property tax and ground rent)	-21	-28
Direct costs for investment property that did not generate rent during the year (operational and maintenance costs, property tax and ground rent)	-4	-4

Note 19 Participation in joint ventures

INFORMATION REGARDING SIGNIFICANT JOINT VENTURES IN THE GROUP

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

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

Peab owns 33.33 percent of Tornet Bostadsproduktion AB. In December 2018 ownership in Tornet changed after Peab, Folksam and Balder acquired Riksbyggen´s 19 percent ownership share. Peab thereby increased its ownership from 31 percent to 33.33 percent. Tornet will build and manage attractive and environmentally friendly rentals in larger cities in Sweden.

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

Group, MSEK	Significant joint ventures 2018-12-31 Fastighets AB Centur	Fastig-hets AB ML4	Tornet Bostads-produk-tion AB	Point Hyllie Holding AB	Significant joint ventures 2017-12-31 Fastighets AB Centur	Fastig-hets AB ML4	Tornet Bostads-produk-tion AB	Point Hyllie Holding AB
Net sales	286	87	130	30	275	85	101	28
Operating profit [1]	239	44	78	11	220	43	59	10
Interest income and similar profit/loss items					4			
Interest expenses and similar profit/loss items	-63	-27	-80	-9	-68	-27	-50	-8
Tax	-30	-3		-1	-36	-4	-2	-1
Profit for the year	**146**	**14**	**-2**	**1**	**120**	**12**	**7**	**1**
Other comprehensive income					1			
Comprehensive income for the year	**146**	**14**	**-2**	**1**	**121**	**12**	**7**	**1**
Less non-controlling interest	-3				-6			
Total comprehensive income less non-controlling interest	**143**	**14**	**-2**	**1**	**115**	**12**	**7**	**1**
[1] Depreciation amounts to		42	19	14		41	15	14
Fixed assets		121	5			90		0
Investment property	5,378	1,849	2,921	975	4,382	1,854	2,393	785
Short-term investments and liquid funds	725	6	37	18	58	35	61	41
Other current assets	50	21	19	16	18	1	5	13
Total assets	**6,153**	**1,997**	**2,982**	**1,009**	**4,458**	**1,980**	**2,459**	**839**
Long-term financial liabilities	4,382	1,793	2,541	980	3,664	1,825	2,135	779
Other long-term liabilities	159	51	26		109	36		
Current financial liabilities		31				28		
Other current liabilities	839	28	47	42	58	11	86	80
Total liabilities	**5,380**	**1,903**	**2,614**	**1,022**	**3,831**	**1,900**	**2,221**	**859**
Net assets	**773**	**94**	**368**	**-13**	**627**	**80**	**238**	**-20**
Less non-controlling interest	-10				-7			
Net assets less non-controlling interest	**763**	**94**	**368**	**-13**	**620**	**80**	**238**	**-20**
Group share of net assets at the beginning of the year	**310**	**39**	**74**	**-10**	**252**	**11**	**72**	**-11**
Share of total comprehensive income	71	8	-1		58	28[2]	2	1
Acquisitions			19					
Contribution / new issues			31	3				
Group share of net assets at year-end	**381**	**47**	**123**	**-7**	**310**	**39**	**74**	**-10**
Group share of unrealized internal profit at the beginning of the year	**-30**	**-54**	**-21**	**-99**	**-30**	**-54**	**-20**	**-99**
Elimination of unrealized profit	-7	-1	1	-4			-1	0
Group share of unrealized internal profit at year-end	**-37**	**-55**	**-20**	**-103**	**-30**	**-54**	**-21**	**-99**
Recognized value at year-end	**344**	**-8**	**103**	**-110**	**280**	**-15**	**53**	**-109**

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

Comprehensive income is divided among the following items in the income statement:								
Production costs	64	7		-4	57	28	2	1
Other comprehensive income					1			
Total	64	7	0	-4	58	28	2	1
Recognized amount is divided among the following items in the balance sheet:								
Shares in joint ventures	344		103		280		53	
Accrued expenses and deferred income [3]		-8		-110		-15		-109
Total	344	-8	103	-110	280	-15	53	-109

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

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

INFORMATION ON OTHER JOINT VENTURE'S VALUE IN THE GROUP

Group, MSEK	2018	2017
Share of comprehensive income in other joint ventures	**41**	**83**
Comprehensive income is divided among the following items in the income statement:		
Productions costs	29	77
Other operating income	12	6
Total	**41**	**83**
Recognized value of other joint ventures	**559**	**547**
Recognized amount is divided among the following items in the balance sheet:		
Participation in joint ventures	629	603
Other provisions [1]	-60	-47
Accrued expenses and deferred income [2]	-10	-9
Total	**559**	**547**

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

Company	Corp. ID no.	Registered Office	Share percent 2018	Share percent 2017
Acturum Development AB	556910-5488	Stockholm	50.0	50.0
Arktek AS	913 955 889	Tromsø	33.4	33.4
Blindheim Kran AS	918 329 293	Hjörungavåg	45.0	45.0
Blåsut Åstorp AB	556627-4386	Stockholm	–	50.0
Bondistranda Utvikling AS	992 512 741	Lysaker	50.0	50.0
Brekkeveien 5 Bolig AS	991 935 177	Lysaker	50.0	50.0
Byggutveckling Svenska AB	556627-2117	Linköping	50.0	50.0
Fastighets AB Centur	556813-6369	Stockholm	50.0	50.0
Fastighets AB ML4	556786-2155	Malmö	50.0	50.0
Fastighets AB Tornet	559008-2912	Gothenburg	50.0	50.0
Fjällvärme i Sälen AB	556536-1895	Malung-Sälen	50.0	50.0
Flöjfjellet Eiendom AS	915 467 407	Tromsø	50.0	50.0
Fløtningen Park AS	992 212 330	Skien	50.0	50.0
Frenvikrönningen AS	986 838 325	Skien	50.0	50.0
Fri Sikt Volsdalsberga AS	990 529 396	Ulsteinvik	40.0	–
Hans Haslums Vei Utvikling AS	914 498 937	Lysaker	50.0	50.0
Hälsostaden Ängelholm Holding AB	556790-5723	Ängelholm	33.3	33.3
ITolv AB	556513-2478	Eksjö	35.0	35.0
Kaldslettneset AS	911 692 058	Tromsø	50.0	50.0
KB Älvhögsborg	916899-2734	Trollhättan	50.0	50.0
Kirkebakken Vest AS	988 796 174	Horten	50.0	50.0
Klosterfoss Utvikling AS	991 043 829	Skien	50.0	50.0
Kungsörs Grusaktiebolag	556044-4134	Kungsör	50.0	50.0
Lillegården Eiendom AS	886 804 512	Skien	50.0	50.0
Ljusta Projektutveckling AB	556668-4899	Sundsvall	50.0	50.0
Ljusta Projektutveckling KB	969700-6188	Sundsvall	50.0	50.0
Medkila Nord AS	998 565 545	Harstad	50.0	50.0
Mountain Resort Trysil AS	996 284 115	Trysil	50.0	50.0
Myren Parkering AS	912 024 733	Skien	26.4	26.4
Nedre Holte AS	985 911 495	Harstad	50.0	50.0
Nya Bara Utvecklings AB	556858-4311	Malmö	50.0	50.0
Nye Egne Hjem AS	913 624 149	Lysaker	50.0	50.0
PeKum AB	559041-7464	Kumla	50.0	50.0
Point Hyllie Holding AB	559023-4034	Solna	50.0	50.0
PPE Holding AB	559003-7304	Solna	50.0	50.0
Runö Fastigheter Handelsbolag	969723-2107	Stockholm	30.0	30.0
Scandinavian Mountains AB	556973-5631	Malung-Sälen	24.3	25.0
Sicklaön Bygg Invest AB	556911-5479	Solna	50.0	50.0
Sikrenodalen AB	556616-7242	Stockholm	–	50.0
Sjökrona Exploatering AB	556790-5624	Helsingborg	25.0	25.0
Skiab Invest AB	556848-5220	Malung-Sälen	50.0	50.0
Skiab Invest AS	915 659 454	Trysil	50.0	50.0
Solligården Bolig DA	913 765 516	Lysaker	50.0	50.0
Solligården Naering AS	913 764 862	Lysaker	50.0	50.0
Stadsliden Utveckling AB	556874-7413	Umeå	50.0	50.0
Steindalen AS	914 738 091	Stjördal	33.3	33.3
Storsvingen Blokk E AS	999 210 953	Hammerfest	50.0	50.0
Strömbrytaren Holding AB	559116-6391	Stockholm	50.0	50.0
Svenska Fräs och Asfalt-återvinning SFA AB	556214-7354	Markaryd	40.0	40.0
Sydpartner AB	556712-4952	Ängelholm	50.0	50.0
TCL S.à.r.l.	19982401227	Luxemburg	50.0	50.0
Tomasjord Park AS	983 723 853	Tromsø	50.0	50.0
Tornet Bostadsproduktion AB	556796-2682	Stockholm	33.3	31.0
Trysil Hotellutvikling AS	987 054 409	Trysil	50.0	50.0
Trysil Suiter AS	991 276 068	Trysil	50.0	50.0
Tunveien Eiendom AS	916 321 007	Oslo	50.0	50.0
Täljö Utveckling nr 4 AB	556750-5069	Stockholm	–	30.0
Vardenbakken 99 AS	998 347 211	Oslo	50.0	50.0
Visio Råsunda Garage AB	556952-9992	Solna	50.0	50.0
Överby Holding AB	559103-6818	Solna	50.0	50.0
Överby Trollhättan Fastigheter AB	559049-7482	Solna	–	50.0

Note 20 Joint operations

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

Company, Registered Office, Corp. ID no.	Share percent 2018	Share percent 2017
Dockan Exploatering AB, Malmö, 556594-2645	33.3	33.3
Mälarstrandens Utvecklings AB, Västerås, 556695-5414	44.0	44.0

Note 21 Interest-bearing receivables

INTEREST-BEARING LONG-TERM RECEIVABLES

Group, MSEK	2018	2017
Receivables in Group joint ventures	1,341	1,297
Receivables from tenant-owned associations	28	125
Other interest-bearing receivables	76	98
Total	**1,445**	**1,520**

INTEREST-BEARING CURRENT RECEIVABLES

Group, MSEK	2018	2017
Receivables in Group joint ventures	129	93
Receivables from tenant-owned associations	501	311
Other interest-bearing receivables	10	7
Total	**640**	**411**

Note 22 Other securities held as fixed assets

Group, MSEK	2018	2017
Financial assets valued at fair value via profit/loss		
Unlisted funds	89	–
Unlisted shares	20	–
Financial assets available-for-sale		
Holdings of unlisted funds	–	59
Unlisted shares and participations valued at purchase price	–	21
Total	**109**	**80**

Parent company, MSEK	2018	2017
Opening balance	0	480
Divested assets	–	-574
Change in value	–	94
Exchange rate differences	–	0
Closing balance	**0**	**0**

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

Note 23 Other receivables

OTHER LONG-TERM RECEIVABLES

	Group		Parent company	
MSEK	2018	2017	2018	2017
Receivables in Group joint ventures	33	48		
Other long-term receivables	74	81		
Derivate instruments held for hedging purposes	0	2		
Total	**107**	**131**	**–**	**–**

OTHER CURRENT RECEIVABLES

	Group		Parent company	
MSEK	2018	2017	2018	2017
Receivables in Group joint ventures	15	10	–	–
Other current receivables	716	263	2	4
Derivate instruments held for hedging purposes	1	4	–	–
Total	**732**	**277**	**2**	**4**

Note 24 Project and development properties

Group, MSEK	2018	2017
Housing development rights	5,394	5,116
Commercial development rights	656	627
On going housing projects	2,034	1,173
On going commercial projects	1,227	383
Completed projects	14	170
Other	360	143
Total	**9,685**	**7,612**

Project and development properties were written down during the year for a total of SEK 30 million (22). Loan interest of SEK 25 million (11) has been activated during the year.

RECOVERY

Of the recognized value of project and development property of SEK 9,685 million (7,612) some SEK 5,800 million (approximately 4,200) is expected to be recovered through the start of production or sales more than 12 months after the balance sheet day. The remaining part is expected to be recovered within 12 months of the balance sheet day.

Note 25 Inventories

Group, MSEK	2018	2017
Raw materials and consumables	133	118
Products in progress	3	3
Finished products and goods for resale	305	278
Total	**441**	**399**

Note 26 Accounts receivable

Total accounts receivables amounted to SEK 10,166 million (8,709). In business area Construction, Civil engineering and Project Development accounts receivables have increased while business area Industry has almost unchanged accounts receivables compared to 2017. For more information regarding accounts receivable see note 35.

Accounts receivables were written down in the income statement with actual and feared bad debts for a total of SEK 11 million (17). Actual bad debts amounted to SEK 22 million (11) in the Group, of which SEK 16 million were written down in 2017. The losses resulted from some of the company's customers going bankrupt. Most of the losses stemmed from business area Industry. The parent company had no bad debts.

Note 27 Construction contracts

WORKED-UP NOT INVOICED INCOME

Group, MSEK	2018	2017
Worked-up income on incomplete contracts	36,259	36,733
Invoiced sales on incomplete contracts	-33,947	-34,325
Total	**2,312**	**2,408**

INVOICED INCOME NOT WORKED-UP

Group, MSEK	2018	2017
Invoiced sales on incomplete contracts	55,619	45,467
Worked-up income on incomplete contracts	-48,778	-39,215
Total	**6,841**	**6,252**

Worked-up income from ongoing contracts is recognized over time. The degree of recognition is calculated on the basis of the project costs incurred at the end of the period in relation to the project costs corresponding to the project income for the whole project.

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

Group, MSEK	Worked-up not invoiced income	Invoiced income not worked-up	Worked-up not invoiced income	Invoiced income not worked-up
	2018		2017	
Income recognized in the period included in invoiced income not worked-up at the beginning of the period		6,252		5,904
Invoiced during the year, reduced by amounts recognized as income during the year		-6,841		-6,252
Transferred from worked-up not invoiced income at the beginning of the period to receivables	-2,408		-2,688	
Worked-up during the year, reduced by amounts invoiced during the year	2,312		2,408	
Exchange rate differences	29	24	-18	-15

Income recognized during the report period from performance obligations met during previous periods was SEK -330 million (-226).

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

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

Note 28 Equity

SHARES AND SHARE CAPITAL

Group	A shares	B shares	Number of issued fully paid shares	Share capital, SEK
Issued shares per 1 January 2018	34,319,957	261,729,773	296,049,730	1,583,866,056
Issued shares per 31 December 2018	**34,319,957**	**261,729,773**	**296,049,730**	**1,583,866,056**

An A share entitles the holder to 10 votes and a B share to 1 vote. The par value of all shares is SEK 5.35. All the rights for the shares held by the company (see below) have been revoked until these shares are reissued.

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

	Number of shares [1]		Amount that affected equity, MSEK [2]	
	2018	2017	2018	2017
Opening repurchased own shares	1,086,984	1,086,984	929	929
Closing repurchased own shares	**1,086,984**	**1,086,984**	**929**	**929**

[1] A withdrawal of 5,500,000 shares was made in 2007.
[2] Amount affecting equity refers to the accumulated net sum of acquired and divested own shares.

OTHER CONTRIBUTED CAPITAL

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

RESERVES

Translation reserve

The translation reserve comprises all exchange rate differences generated by translating the financial reports from foreign companies presented in another currency than the one used in Group financial statements. The parent company and the Group present their reports in Swedish krona (SEK). The translation reserve also consists of exchange rate differences that occur when revaluating liabilities recognized as hedge instruments of net investments in foreign operations.

Fair value reserve

In 2017 the fair value reserve includes the accumulated net change of the fair value of financial assets available-for-sale until the asset has been eliminated from the balance sheet.

Hedge reserve

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

PROFIT BROUGHT FORWARD INCLUDING PROFIT FOR THE YEAR

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

DIVIDEND

After the balance sheet day the Board of Directors proposed the following dividend; A cash dividend of SEK 4.20 (4.00) per share, totaling SEK 1,238,843,533 (1,179,850,984), calculated on the number of outstanding shares. Total dividends are calculated on outstanding shares at the time of distribution. The dividend will be proposed for adoption by the AGM on 9 May 2019.

PARENT COMPANY

Restricted equity

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

Statutory reserve

The purpose of the reserve fund is to retain a part of the net profit which is not allocated to cover balanced losses. Amounts transferred to the share premium reserve before 1 January 2006 have been transferred to, and are part of, the statutory reserve.

Fund for development costs

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

Non-restricted equity

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

Share premium reserve

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

Special reserve

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

Fair value reserve

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

Profit brought forward

Consists of the previous year's profit brought forward and profit less dividends paid out during the year.

Note 29 Interest-bearing liabilities

LONG-TERM LIABILITIES

Group, MSEK	2018	2017
Bank loans	2,657	1,555
Bonds	2,048	550
Financial leasing liabilities	431	411
Other long-term liabilities	58	57
Total	**5,194**	**2,573**

CURRENT LIABILITIES

Group, MSEK	2018	2017
Bank loans	726	685
Commercial paper	730	200
Bonds	200	100
Financial leasing liabilities	162	155
Liabilities to joint ventures	0	29
Total	**1,818**	**1,169**

FINANCIAL LEASING LIABILITIES

Financial leasing liabilities fall due for payment as follows;

	Minimum leasing charge	Interest	Capital amount	Minimum leasing charge	Interest	Capital amount
Group, MSEK	2018	2018	2018	2017	2017	2017
Within one year	171	9	162	164	9	155
Between one and five years	429	9	420	414	10	404
Later than five years	11	0	11	7	0	7
Total	**611**	**18**	**593**	**585**	**19**	**566**

VVariable leasing fees were SEK 0 million (1). For further information concerning Group financial leasing, see note 17.

CHANGES IN LOANS

			Items that do not effect cash flow			
Group, MSEK	2017-12-31	Cash flow	New leasing contracts	Acquisitions	Exchange rate difference	2018-12-31
Bank loans	2,240	1,100		2	41	3,383
Commercial paper	200	530				730
Bonds	650	1,598				2,248
Financial leasing liabilities	566	-243	256	9	5	593
Liabilities to joint ventures	29	-29				0
Other liabilities	57	-6		7		58
Total	**3,742**	**2,950**	**256**	**18**	**46**	**7,012**

			Items that do not effect cash flow				
Group, MSEK	2016-12-31	Cash flow	New leasing contracts	Acquisitions [1]	Divestments	Exchange rate difference	2017-12-31
Bank loans	1,961	74		185		20	2,240
Commercial paper	1,329	-1,129					200
Bonds	999	-349					650
Financial leasing liabilities	592	-229	218	8	-17	-6	566
Liabilities to joint ventures	36	-7					29
Other liabilities	105	-48					57
Total	**5,022**	**-1,688**	**218**	**193**	**-17**	**14**	**3,742**

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

Parent company, MSEK	2017-12-31	Cash flow [2]	2018-12-31
Liabilities to Group companies	6,326	-2,443	3,883
Total	**6,326**	**-2,443**	**3,883**

Parent company, MSEK	2016-12-31	Cash flow [2]	2017-12-31
Liabilities to Group companies	7,281	-955	6,326
Total	**7,281**	**-955**	**6,326**

2) According to the cash flow analysis, changes in loans amounted to SEK -2,464 million (-946), which also includes changes in balances in Group accounts by SEK -21 million (9).

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

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

Note 30 Pensions

DEFINED BENEFIT PENSION PLANS

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

ITP 2 defined benefit plan obligations for old age pension and family pension obligations for white-collar workers in Sweden are managed through insurance from Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 10 Reporting pension plan ITP 2 which is financed through insurance from Alecta, this is a defined benefit plan that encompasses several employers. For the financial year of 2018 the company did not have the necessary information required to recognize its proportional share of the plan's obligations, plan assets and expenses which has made it impossible to recognize this plan as a defined benefit plan. Therefore the ITP 2 pension plan which is secured through insurance from Alecta is recognized as a defined contribution plan. Premiums for the defined benefit old age and family plans are calculated individually taking into account salary, previously earned pension and anticipated remaining employment period. Anticipated premiums for the next report period for ITP 2 insurance that are covered by Alecta amount to SEK 169 million (168). The Group's share of total premiums for the plan and the Group's share of the total number of active members of the plan are 1.01 percent (0.96) respective 0.65 percent (0.61).

The collective consolidation level is made up of the market value of Alecta's assets as a percentage of the insurance obligations calculated in accordance with Alecta's insurance methods and adjustment assumptions, which are not in accordance with IAS 19. Normally the collective consolidation level is permitted to vary between 125 and 155 percent. If Alecta's collective consolidation level is less than 125 percent or exceeds 155 measures must be taken aimed at returning the consolidation level to the normal interval. If the consolidation level is low one measure may be raising the agreed price for new subscriptions and expanding existing benefits. If the consolidation level is high one measure may be implementing premium reductions. At the end of 2018, Alecta's surplus in the form of the collective consolidation level amounted to 142 percent (154).

DEFINED CONTRIBUTION PLANS

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

	Group		Parent company	
MSEK	2018	2017	2018	2017
Expenses for defined contribution plans	798	702	41	38
Of which ITP 2 plans financed in Alecta	*191*	*178*	*8*	*6*

Note 31 Provisions

PROVISIONS WHICH ARE LONG-TERM LIABILITIES

Group, MSEK	2018	2017
Guarantee risk reserve	442	342
Restoration costs	124	137
Special payroll tax on pensions	111	98
Disputes	14	–
Obligations in joint ventures	60	47
Other	65	13
Total	**816**	**637**

PROVISIONS WHICH ARE CURRENT LIABILITIES

Group, MSEK	2018	2017
Feared losses not worked-up	25	43
Guarantee risk reserve	180	184
Restoration costs	3	–
Disputes	25	56
Other	33	79
Total	**266**	**362**

PROVISIONS

Parent company, MSEK	2018	2017
Special payroll tax on pensions	36	32
Total	**36**	**32**

Group 2018, MSEK	Feared losses not worked-up	Guarantee risk reserve	Restoration costs	Special payroll tax on pensions	Disputes	Obligations in joint ventures	Other	Total
Opening recognized value	43	526	137	98	56	47	92	999
Provisions set aside during the year	1	416	10	19	37	12	79	574
Amounts requisitioned during the year	-19	-316	-21	-6	-32		-65	-459
Reversed unutilized provisions during the year		-9	0		-23		-10	-42
Increase in discounted amounts during the year			1					1
Exchange rate differences		5	0		1	1	2	9
Closing recognized value	**25**	**622**	**127**	**111**	**39**	**60**	**98**	**1,082**
Of which are long-term provisions		442	124	111	14	60	65	816
Of which are current provisions	25	180	3		25		33	266

Group 2017, MSEK	Feared losses not worked-up	Guarantee risk reserve	Restoration costs	Special payroll tax on pensions	Disputes	Commitments for joint ventures	Other	Total
Opening recognized value	37	414	136	85	55	43	66	836
Provisions set aside during the year	6	189	8	13	31	5	66	318
Increase through business combinations		2				1		3
Amounts requisitioned during the year		-103	-7		-20		-37	-167
Reversed unutilized provisions during the year		-11			-10		-2	-23
Reclassifications		35						35
Exchange rate differences			0		0	-2	-1	-3
Closing recognized value	**43**	**526**	**137**	**98**	**56**	**47**	**92**	**999**
Of which are long-term provisions		342	137	98		47	13	637
Of which are current provisions	43	184			56		79	362

Parent company, MSEK	2018	2017
Opening recognized value	32	28
Provisions set aside during the year	6	4
Amounts requisitioned during the year	-2	–
Closing recognized value	**36**	**32**
Of which are long-term provisions	36	32

FEARED LOSSES NOT WORKED-UP

Feared losses in contract work are expensed as soon as they are known. According to IFRS 15 the part of a feared loss that has not been worked-up is recognized as a provision. Provisions for feared losses not worked-up have been made in all four business areas.

GUARANTEE RISK RESERVE

Refers to the estimated cost of remedying faults and deficiencies in finished projects that arise while the project is under warranty, rental guarantees as well as repurchasing obligations to tenant-owned associations. Resources are consumed during the guarantee period of the project which is generally two to five years. As the effect of the point in time for payment is not material expected future disbursements are not valued at their current value. Provisions for guarantee risks have been made in all business areas.

RESTORATION COSTS

Refers to restoration costs in Industry operations for gravel pits and rock quarries after termination of operations.The provision grows in relation to the amount quarried and is reversed after restoration is complete. The reserved sum is expected to be used successively after operations are terminated. The estimated restoration time is 1 to 15 years. Our calculation of reserved amounts is based on estimated future payments for restoration and reflects Peab's best assessment taking risks in cash flows into consideration.

SPECIAL PAYROLL TAX ON PENSIONS

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

DISPUTES

Refers to disputes in business areas Construction and Industry.

OBLIGATIONS TO JOINT VENTURES

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

OTHERS

Refers to other minor provisions.

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

Note 32 Other liabilities

OTHER LONG-TERM LIABILITIES

	Group		Parent company	
MSEK	2018	2017	2018	2017
Contingent consideration	23	23		
Derivate instruments held for hedging purposes	22	44		
Other liabilities	116	136		
Total	**161**	**203**	**–**	**–**

OTHER CURRENT LIABILITIES

	Group		Parent company	
MSEK	2018	2017	2018	2017
Liabilities to joint ventures	13	6		
Contingent consideration	11	11		
Withholdings, social security costs	204	196	4	4
VAT	647	631		
On account work-in-progress	358	350		
Derivate instruments held for hedging purposes	1	2		
Other liabilities	223	229	0	3
Total	**1,457**	**1,425**	**4**	**7**

Note 33 Accrued expenses and deferred income

Parent company, MSEK	2018	2017
Accrued payroll expenses	38	43
Accrued social security expenses	18	18
Accrued overhead expenses	10	15
Total	**66**	**76**

Note 34 Valuation of financial assets and liabilities at fair value

Group financial instruments are valued either at accrued acquisition value or fair value depending on how the instrument is classified according to IFRS 9. Items which have been the object of valuation at fair value are unlisted shareholdings, different types of derivatives, unlisted funds and contingent consideration.

Group unlisted shareholdings are valued at fair value. The purchase price is a reasonable approximation of fair value on the balance sheet date. The fair value of the Group's shares in unlisted funds is based on the valuation received from the managing institute. The valuation belongs to level 3 in the fair value hierarchy. However, the Group does not have access to the information about the input data used by the institute for the valuation and therefore no information about such data is given. The fair value of the Group's contingent considerations has been calculated as the current value of the amounts expected to be paid out according to the individual contracts. The single largest Group contingent consideration will be paid out if Peab receives a certain permit for quarry operations. The valuation of the consideration is therefore dependent on how Peab judges the probability of receiving said permit. The value of this contingent consideration on the balance sheet date was SEK 22 million (22). Other contingent considerations are based on projects received and profit/loss in the acquired businesses.

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

Group, MSEK	Valued at fair value via the income statement 2018	2017	Derivatives used in hedge accounting 2018	2017	Financial assets available-for-sale [1] 2017	Accrued acquisition value [2] 2018	2017	Other financial liabilities 2018	2017	Total recognized value 2018	2017	Fair value 2018	2017
Financial assets													
Other securities held as fixed assets	109				80					109	80	109	80
Interest-bearing long-term receivables						1,445	1,520			1,445	1,520	1,449	1,525
Other long-term receivables			0	2		89	108			89	110	89	110
Accounts receivable						10,166	8,709			10,166	8,709	10,166	8,709
Interest-bearing current receivables						640	411			640	411	640	411
Prepaid expenses and accrued income						33	28			33	28	33	28
Other current receivables	1	4				513	96			514	100	514	100
Liquid funds						1,376	595			1,376	595	1,376	595
Total financial assets	**110**	**4**	**0**	**2**	**80**	**14,262**	**11,467**	**–**	**–**	**14,372**	**11,553**	**14,376**	**11,558**
Financial liabilities													
Interest-bearing long-term liabilities								5,194	2,573	5,194	2,573	5,187	2,573
Other long-term liabilities	23	23	22	44				116	136	161	203	161	203
Interest-bearing current liabilities								1,818	1,169	1,818	1,169	1,818	1,169
Accounts payable								5,177	4,882	5,177	4,882	5,177	4,882
Accrued expenses and deferred income								4	14	4	14	4	14
Other current liabilities	12	11		2				91	141	103	154	103	154
Total financial liabilities	**35**	**34**	**22**	**46**	**–**	**–**	**–**	**12,400**	**8,915**	**12,457**	**8,995**	**12,450**	**8,995**
Unrecognized profit/loss [3]												11	5

[1] Category valid only until the end of 2017.
[2] Financial assets classified 2017 as Accounts and loan receivables.
[3] In cases where there is a difference between recognized value and fair value the valuation belongs to level 3 in the fair value hierarchy.

The effect of valuing financial instruments at fair value was included in the Group's income statement for a total of SEK -17 million (-1). The effects stem from the market value of the outstanding currency swaps.

Parent company, MSEK	Valued at fair value via the income statement 2018	2017	Accrued acquisition value [1] 2018	2017	Other financial liabilities 2018	2017	Total recognized value 2018	2017	Fair value 2018	2017
Financial assets										
Other securities held as fixed assets	0						0		0	
Accounts receivable			0	1			0	1	0	1
Current receivables Group companies			2,736	3,472			2,736	3,472	2,736	3,472
Total financial assets	**0**	**–**	**2,736**	**3,473**	**–**	**–**	**2,736**	**3,473**	**2,736**	**3,473**
Financial liabilities										
Long-term liabilities Group companies					3,883	6,326	3,883	6,326	3,883	6,326
Accounts payable					31	25	31	25	31	25
Current liabilities Group companies					59	347	59	347	59	347
Total financial liabilities	**–**	**–**	**–**	**–**	**3,973**	**6,698**	**3,973**	**6,698**	**3,973**	**6,698**

[1] Financial assets classified 2017 as Accounts and loan receivables.

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

FAIR VALUE

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

Level 1: prices that reflect quoted prices on an active market for identical assets
Level 2: based on direct or indirect observable inputs not included in level 1
Level 3: based on inputs unobservable to the market

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

	Level 2		Level 3		Total	
Group, MSEK	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Financial assets						
Other securities held as fixed assets			109	59	109	59
Whereof shareholding in unlisted company			*20*		*20*	*–*
Whereof investment in unlisted funds			*89*	*59*	*89*	*59*
Other long-term receivables		2			–	2
Whereof commodity hedging with futures		*2*			*–*	*2*
Other current receivables	1	4			1	4
Whereof currency derivatives	*1*	*4*			*1*	*4*
Total financial assets	**1**	**6**	**109**	**59**	**110**	**65**
Financial liabilities						
Other long-term liabilities	22	44	23	23	45	67
Whereof interest rate swaps	*18*	*44*			*18*	*44*
Whereof commodity hedging with futures	*4*				*4*	*–*
Whereof contingent consideration			*23*	*23*	*23*	*23*
Other current liabilities	1	2	11	11	12	13
Whereof currency derivatives	*1*	*2*			*1*	*2*
Whereof contingent consideration			*11*	*11*	*11*	*11*
Total financial liabilities	**23**	**46**	**34**	**34**	**57**	**80**

The tables below shows reconciliation between the opening and closing balance for assets and liabilities included in level 3.

	Unlisted shares [1]	Unlisted funds	
Group, MSEK	**2018**	**2018**	**2017**
Opening balance	**21**	**59**	**54**
Investments during the year	–	19	17
Sales during the year	-12	–	–
Repayment during the year	–	–	-14
Dividends received	–	-3	-1
Reported in profit/loss for the year [2]	11	14	-2
Reported in other comprehensive income	–	–	5
Closing balance	**20**	**89**	**59**

[1] As of 2018 even unlisted shares are valued at fair value.
[2] Recognized in net financial items.

	Contingent consideration	
Group, MSEK	**2018**	**2017**
Opening balance	**34**	**23**
Acquisitions for the year	2	11
Payments during the year	-3	–
Reported in profit/loss for the year:		
Other operating costs	1	–
Interest expense (discount) [1]	0	0
Reported in other comprehensive income	0	–
Closing balance	**34**	**34**

[1] Recognized in net financial items.

The contingent consideration will amount to at least SEK 3 million and at most SEK 40 million.

Note 35 Financial risks and Finance policy

FINANCE AND TREASURY

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

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

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

AVAILABLE LIQUID FUNDS

Group, MSEK	2018-12-31	2017-12-31
Liquid funds and bank holdings	1,376	595
Unutilized overdraft facilities	1,000	750
Other unused credit lines	4,200	4,000
Liquidity commitment for outstanding commercial papers	-730	-200
Total	**5,846**	**5,145**

The Finance Policy dictates that Group net debt should mainly be covered by loan commitments that mature between 1 and 5 years. At the end of 2018, the average loan period for utilized credits was 66 months (98), for unutilized credits 18 months (27), and for all granted credits 45 months (58). Peab's basic financing is a credit facility totaling SEK 3,600 million which matures in September 2020, after extension options have been utilized. This loan facility is supplemented by capital market financing, other kinds of short-term operations financing, project-related credits, financial leasing and installment financing. The loan agreements contain financial covenants in the form of interest coverage ratios and equity/assets ratios that the Group must meet, which is standard for this kind of loan. Peab exceeded the key ratios by a broad margin at the end of 2018.

Peab set up a lending program for commercial papers in 2004. Under the program, Peab can issue commercial papers for a maximum of SEK 3.5 billion. The borrower is Peab Finans AB and the guarantor is Peab AB. At the end of the year, Peab had outstanding commercial papers worth SEK 730 million (200).

Peab set up a MTN program in 2012 with a loan limit of SEK 3 billion. In 2018 new bond loans were issued with a nominal value of SEK 1,700 million (–) under the MTN program while bonds nominally worth SEK 100 million (350) matured during the year. At the end of the year 2018 Peab had outstanding bonds with a nominal value of SEK 2,250 million (650).

Total credit commitments, excluding the unutilized part of the certificate program and the unutilized part of the MTN program, amounted to SEK 12,212 million (8,492) per 31 December 2018. Of the total credit commitments SEK 7,012 million (3,742) was utilized.

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

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

AGE ANALYSIS OF FINANCIAL LIABILITIES, UNDISCOUNTED CASH FLOW INCLUDING INTEREST

Group 2018, MSEK	Currency	Average interest rate on balance sheet day, %	Nominal value, original currency	Amount SEK	Matures 2019	Matures 2020	Matures 2021	Matures 2022	Matures 2023	Matures 2024–
Bank loans	SEK	1.6	1,010	1,010	179	500	179	91	54	7
Bank loans	NOK	3.2	735	753	522	220	2	2	5	2
Bank loans	EUR	1.3	174	1,788	65	657	8	8	8	1,042
Commercial papers	SEK	0.1	730	730	730					
Bonds	SEK	0.8	2,288	2,288	217	764	1,005	302		
Financial leasing liabilities	SEK	1.3	516	516	125	161	197	9	9	15
Financial leasing liabilities	NOK	3.2	102	104	37	32	19	11	5	
Financial leasing liabilities	EUR	7.8	2	19	11	5	3			
Total interest-bearing financial liabilities				**7,208**	**1,886**	**2,339**	**1,413**	**423**	**81**	**1,066**
Accounts payable	SEK		4,206	4,206	4,206					
Accounts payable	NOK		698	715	715					
Accounts payable	EUR		25	256	256					
Other liabilities	SEK		146	146	73	73				
Other liabilities	NOK		64	66	55	7		4		
Other liabilities	EUR		3	33	33					
Derivatives	SEK			23	12	6	5	0		
Total non-interest bearing financial liabilities				**5,445**	**5,350**	**86**	**5**	**4**		
Total financial liabilities				**12,653**	**7,236**	**2,425**	**1,418**	**427**	**81**	**1,066**

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

INTEREST RATE RISK

The interest rate risk is the risk that Peab's cash flow or the value of financial instruments may vary with changes in market interest rates. The interest rate risk can result in changes in fair values and cash flows. A crucial factor affecting interest rate risk is the fixed interest period. On 31 December 2018, interest-bearing net debt amounted to SEK 3,551 million (1,216). Interest-bearing liabilities amounted to SEK 7,012 million (3,742), of which SEK 1,818 million (1,169) were short-term. The Finance Policy dictates that the average fixed interest period on total borrowing may not exceed 24 months. Peab has chosen short fixed interest periods for outstanding credits. Per 31 December 2018 there was one interest rate swap of SEK 250 million (1,400) with maturity in 3 years at an effective interest rate of 2.4 percent (2.9) according to the table below. Peab pays a fixed annual interest rate and receives floating rates (Stibor 3 months) for the interest rate swap. Since Stibor 3 months was negative at the end of the year Peab will pay the floating rate as well. The swap agreement is recognized at fair value on the balance sheet day. Per 2018-12-31 this fair value was SEK -18 million (-44).

Interest rate derivates

MSEK	Currency	Effective rate %	Amount SEK	Matures 2018	Matures 2022
Interest rate swaps 2018-12-31	SEK	2.4	250		250
Interest rate swaps 2017-12-31	SEK	2.9	1,400	1,150	250

As the table below shows, the fixed interest period for SEK 6,337 million (3,278) of the Group's total interest-bearing liabilities, including derivatives, is less than 1 year. Interest-bearing asset items totaling SEK 1,677 million (1,048) have short fixed interest periods, with the result that the fixed interest period for SEK 4,660 million (2,230) of Group net debt, including derivatives, is less than 1 year, making these liabilities directly susceptible to changes in market interest rates. Since the majority of the financial liabilities have a short maturity most of the interest rate risk is considered a cash flow risk. For further information regarding Peab's risk sensitivity see the Sensitivity Analysis in the Board of Directors' report.

Fixed interest rate period on utilized credits, excluding derivates per 31 December 2018

Fixed interest period	Amount, MSEK	Average effective interest rate, percent	Share, percent
2019	6,587	1.3	94
2020-	425	1.4	6
Total	**7,012**	**1.3**	**100**

Fixed interest rate period on utilized credits, including derivates per 31 December 2018

Fixed interest period	Amount, MSEK	Average effective interest rate, percent	Share, percent
2019	6,337	1.3	90
2020-	675	1.8	10
Total	**7,012**	**1.4**	**100**

CURRENCY RISKS

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

FINANCIAL EXPOSURE

Group borrowing is done in local currencies to reduce currency risks in operations. Assets and liabilities in foreign currency are translated at the rate on the balance sheet date. Borrowing in the interest-bearing liabilities per 31 December 2018, including leasing but excluding currency and interest rate derivatives, was allocated as follows:

	2018-12-31		2017-12-31	
	Local currency in millions	MSEK	Local currency in millions	MSEK
SEK	4,439	4,439	2,061	2,061
EUR	170	1,746	136	1,340
NOK	807	827	341	341
Total		**7,012**		**3,742**

Internal loans from Peab Finans AB are used to handle temporary liquidity needs in Peab's foreign operations. Currency swaps are used to eliminate exchange risks. Currency swaps usually run less than three months. Currency swaps are recognized at fair value when closing the books and value changes are recognized as unrealized exchange rate differences in the income statement and as current receivables and liabilities on the balance sheet. At the end of the year, there were EUR 0 million (22) in outstanding currency swaps relating to financial exposure. Exchange rate differences in net financials items from financial exposure were SEK -35 million (-22) in 2018. Exchange rate differences in operating profit were SEK -4 million (-2).

Exposure of net assets in foreign currency

The translation exposure arising from investments in foreign net assets is primarily hedged through loans in foreign currency or forward exchange contracts. At the end of 2018 hedges in forward exchange contracts in EUR for foreign net assets in Finland were EUR 10 million (10).

Foreign net assets

Local currency in millions	2018	Of which hedged	2017	Of which hedged
NOK	1,433	–	1,360	–
EUR	72	10	30	10
PLN	2	–	2	–

A change in the euro rate as of December 31, 2018 by ten percent would involve a translation effect on equity of SEK 64 million (20). A corresponding change of the Norwegian krone would generate a translation effect on equity of SEK 147 million (136). The translation effects are calculated on that part of foreign net assets which are not hedged. The effects of corresponding exchange rate changes on profit/loss for the year are limited.

Annual translation differences in equity (net assets in foreign subsidiaries) amounted to SEK 86 million (-53).

Commercial exposure

Although international purchases and sales of goods and services in foreign currency are currently limited, they are expected to increase as the competition grows regarding purchasing goods and services. Contracted or forecasted currency flows can be hedged for 12 months from the date of the contract. At the end of 2018, there were exchange rate hedges related to forecasted currency flows of EUR 12 million (10). Peab did not apply hedge accounting for these hedges.

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

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

Effect of hedge accounting

The effect of hedge accounting on Group profit/loss and financial position is shown below.

Group, MSEK	2018-12-31				January – December 2018		
	Nominal amount/ volume	Recognized value		Item in report on financial position that contains hedge instruments	Change in value of hedge instruments recognized in other compre-hensive income	Amount reclassified from hedge reserve to profit/loss	Items in profit/loss affected by reclassification
		Assets	Liabilities				
Raw materials risk							
Commodity hedging with futures, thousand tons	8	–	4	Other long-term liabilities	-2	-3	Production costs
Interest rate risk							
Interest rate swaps	250	–	18	Other long-term liabilities	-4	29	Financial costs

CREDIT RISK

Credit risk refers to the risk of losing money if a counterparty fails to meet its obligations.

Credit risks in financial instruments

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

	2018		2017	
Group, MSEK	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Recognized gross amount	1	23	6	46
Amount covered by netting agreement	0	0	-5	-5
Net sum after netting agreement	**1**	**23**	**1**	**41**

Peab did not suffer any financial instrument credit losses in 2018. Total counterparty exposure related to derivative trading calculated as a net receivable per counterparty amounted to SEK 1 million (1) at the end of 2018. The estimated gross exposure to counterparty risks related to liquid funds and current investments amounted to SEK 1,376 million (595). Most of the Group's liquid funds are placed in banks with the credit rating AA- from Standard & Poors.

Loss reserves for interest-bearing receivables

Group 2018, MSEK	Loss reserves for anticipated credit losses according to IFRS 9
Opening balance per 1 January according to IAS 39	**–**
Adjustments retroactively application of IFRS 9	5
Adjusted opening balance per 1 January according to IFRS 9	**5**
Revaluating the loss reserve, net	0
Closing balance per 31 December	**5**

Credit risk in accounts receivable

The risk that Group customers cannot meet their obligations, i.e. payment is not received from customers, is a customer credit risk. Credit losses are relatively rare in the construction and civil engine-ering business since there are a great number of projects and customers that are invoiced at regular intervals during production. The Group's customers undergo a credit rating control providing information on customers' financial positions from various credit rating companies before a project is undertaken. The Group has established a credit policy for handling customer credit. For instan-ce, it specifies where decisions regarding credit limits of various sizes are taken and how uncertain receivables should be handled. Bank guarantees or other collateral are required for customers with low credit ratings or insufficient credit history. The maximum expo-sure to credit risk is the recognized value on the Group balance sheet. Total bad debts in 2018 amounted to SEK 22 million (11). The credit quality in accounts receivable that are not yet due is considered good. Accounts receivable that are more than 90 days overdue, exclusive loss provisions, amounted to SEK 2,538 million (1,779). Overdue accounts receivable are for the most part unclarities regarding contract terms relating to the customer about the final contract amount. Risks in accounts receivable have been taken into account in project forecasts or been handled as provisions.

The table below shows accounts receivable per customer category.

Group 2018, MSEK	Accounts receivable
Private customers	5,143
Public customers	3,376
Swedish tenant-owned associations	1,182
Joint ventures	501
Accounts receivable, gross	**10,202**
Loss reserves	-36
Accounts receivable, net	**10,166**

Age analysis, overdue not written down accounts receivable (information according to previous principles in IAS 39)

Group, MSEK	2017
Accounts receivable, not mature	6,217
Accounts receivable, overdue 0 – 30 days	610
Accounts receivable, overdue 31 – 90 days	149
Accounts receivable, overdue 91 – 180 days	492
Accounts receivable, overdue 181 – 360 days	212
Accounts receivable, overdue > 360 days	1,075
Total	**8,755**

Accounts receivable written down

Group, MSEK	2018	2017
Opening balance per 1 January according to IAS 39	**46**	**51**
Adjustments retroactively application of IFRS 9	5	–
Adjusted opening balance per 1 January according to IFRS 9	**51**	**51**
Reversed write-downs	-21	-15
Write-downs	5	12
Reclassifications	1	-2
Exchange rate differences	0	0
Balance carried forward	**36**	**46**

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

CAPITAL MANAGEMENT

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

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

Equity

Group, MSEK	2018	2017
Share capital	1,584	1,584
Other contributed capital	2,576	2,576
Reserves	-68	-167
Retained earnings including profit for the year	7,255	6,338
Equity attributable to shareholders in parent company	**11,347**	**10,331**

One of Peab's financial targets is an equity/assets ratio (equity divided by the balance sheet total) in excess of 25 percent. The Board of Directors believes that this level is well suited to Peab's construction and civil engineering activities in Sweden, Norway and Finland. The target is a part of the Group's strategic planning. If the equity/assets ratio is expected to exceed this level on a permanent basis, the capital should be transferred to the shareholders in an appropriate form. The equity/assets ratio at the end of 2018 was 30.4 percent (32.2).

It is the ambition of the Board of Directors to preserve a balance between a high return on equity, which can be done through increased lending, and the security and benefits associated with a higher equity ratio. Therefore, one of Peab's financial targets is a return on equity (profit for the period attributable to shareholders in the parent company divided by the average equity attributable to shareholders in the parent company) in excess of 20 percent. The return on equity was 19.6 percent (21.3) for 2018. The Board believes that the target figure is a relevant level long-term for Peab. In comparison, the Group's average interest expenses on interest-bearing borrowing, including derivatives, were 1.4 percent (2.6) on 31 December 2018.

Peab´s target for dividends is an annual distribution of at least 50 percent of profit for the year to shareholders. Dividends should be reasonably proportionate to Peab´s profit and consolidation requirements. An ordinary dividend of SEK 4.20 per share (4.00) is proposed for 2018. Excluding the 1,086,984 B shares owned by Peab AB on 31 December 2018, which do not entitle to dividends, the proposed dividend is equivalent to a total dividend distribution of SEK 1,239 million (1,180). Calculated as a share of the Group's recognized profit for the year, the proposed dividend amounts to 59 percent (57). Besides the ordinary dividend, extra cash dividends may be proposed if the Board of Directors finds there are sufficient funds which are not considered necessary to Group development. Extra dividends may also be made in other forms besides cash.

At the start of 2018, Peab's holding of own shares amounted to 1,086,984 B shares, corresponding to 0.4 percent of the total number of shares. On 7 May 2018, Peab's AGM authorized the Board of Directors to acquire shares in Peab AB up to an amount so that after acquisition Peab would hold a maximum of 10 percent of the registered shares in the company. The purpose of the purchase of own shares is to improve the capital structure of the company or to be used in the financing of acquisitions. During 2018 no repurchases or divestitures have taken place.

Note 36 Operational leasing contracts

LEASING CONTRACTS WHERE THE COMPANY IS LESSEE

Expensed leasing payments for the year:

Group, MSEK	2018	2017
Total leasing cost	258	246

Non-cancellable leasing payments amount to:

Group, MSEK	2018	2017
Within a year	236	238
Between one and five years	472	471
Later than five years	38	63
Total	**746**	**772**

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

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

LEASING CONTRACTS WHERE THE COMPANY IS LESSOR

Leasing payments for the year recognized as income:

Group, MSEK	2018	2017
Minimum lease payments	141	131
Variable fees	19	15
Total leasing income	**160**	**146**

Non-cancellable leasing payments amount to:

Group, MSEK	2018	2017
Within a year	75	118
Between one and five years	171	248
Later than five years	41	411
Total	**287**	**777**

A commercial property in Västerås was divested at the end of 2018. A long leasing contract had been signed for this property the previous year.

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

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

Note 37 Investment obligations

In 2018 the Group signed agreements to acquire tangible fixed assets amounting to SEK 101 million (136). In addition, the Group has decided to erect buildings (offices) where the remaining investments amount to SEK 255 million (461).

The Group had no obligations to invest in joint arrangements at the end of 2018 or 2017.

Companies classified as joint arrangements have obligations for investments of SEK 1,571 million (1,395). Most of the investments refer to construction of rental apartment buildings and other commercial property and are expected to be settled in the coming fiscal years.

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

Note 38 Pledged assets, contingent liabilities and contingent assets

PLEDGED ASSETS

	Group		Parent company	
MSEK	2018	2017	2018	2017
For own liabilities and provisions				
Real estate mortgages [1]	1,730	1,489		
Assets with retention of title	1,254	1,290		
Other	51	49		
Other pledged collateral and assets				
Real estate mortgages [2]	–	3		
Floating charges	–	8		
Total	**3,035**	**2,839**	**–**	**–**

[1] Pledged assets of which SEK 308 million (295) are recognized as fixed assets and SEK 1,422 million (1,194) as current assets.

[2] Pledged assets recognized as fixed assets.

CONTINGENT LIABILITIES

	Group		Parent company	
MSEK	2018	2017	2018	2017
Shared obligations as partial owners in limited partnerships	102	34	–	–
Surety and contract guarantees for Group companies	–	–	13,059	9,355
Surety for the benefit of joint arrangements	2,722	2,718	2,722	2,718
Surety for construction loans to tenant-owned associations [1]	7,580	7,750	7,580	7,750
Other surety	–	0	–	0
Total	**10,404**	**10,502**	**23,361**	**19,823**

[1] For more information concerning guaranties and sureties to tenant-owned associations see note 3.

In most of the tenant-owned associations Peab develops, Peab AB signs guarantees as surety for paid advances and down payments. These guarantees ensure the tenant-owner's right to repayment of a down payment if the tenant-owner makes a cancellation because of a substantial rise in fees during the first year after the annual meeting where the final cost of the project is presented. After that the guarantee is null and void. Those guarantees or equivalent insurance from an external insurer has never been used and Peab considers it highly unlikely that this will occur in the future. The guarantees are therefore not reported as contingent liabilities.

Note 39 Appropriation of profit

PROPOSED APPROPRIATION OF PROFIT

The following amounts in SEK are at the disposal of the Annual General Meeting;	
Share premium reserve	2,308,208,948
Profit brought forward	2,010,948,188
Profit for the year	2,808,819,450
Total	**7,127,976,586**

The Board of Directors propose the following appropriation of disposable profit and non-restricted reserves;	
Dividend, 296,049,730 shares at SEK 4.20 per share	1,243,408,866
Carried forward [1]	5,884,567,720
Total	**7,127,976,586**
[1] of which to share premium reserve	2,308,208,948

Note 40 Related parties

The Group is subject to considerable influence by Mats Paulsson, Fredrik Paulsson and Anita Paulsson together with families, children and companies. As part of the generation shift, in the spring of 2017 the Paulsson families merged the majority of their indirect holdings into a holding company, Ekhaga Utveckling AB, which is controlled by Mats Paulsson's son Fredrik Paulsson. Ekhaga Utveckling AB has 48.2 percent of the votes. Peab's Chairman of the Board, Göran Grosskopf, is a member of the board in Ekhaga Utveckling AB. At the end of 2018 the collective ownership connected to the Paulsson families amounted to a total of 25.5 percent of the capital and 57.6 percent of the votes.

SKISTAR

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

EKHAGA UTVECKLING AB/KRANPUNKTEN

Ekhaga Utveckling is subject to considerable influence by Mats and Fredrik Paulsson with families, children and companies through their ownership of the company. In June 2018 Kranpunkten was sold to Ekhaga Utveckling AB and is thereby included in Ekhaga's group structure. Fredrik Paulsson is CEO of Ekhaga Utveckling and Kranpunkten.

AB AXEL GRANLUND/VOLITO

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

JOINT ARRANGEMENTS

In addition to the related parties presented above the Group has a related party relation with its joint arrangements, see note 19 and 20.

SUBSIDIARIES

In addition to the related parties relations given above for the Group, the parent company has a related party relation with its subsidiaries, see note 41.

SUMMARY OF TRANSACTIONS WITH RELATED PARTIES

Group, MSEK	2018	2017
Transactions with joint arrangements		
Sales to joint arrangements [1]	1,631	1,462
Purchases from joint arrangements	116	201
Interest revenue from joint arrangements	47	53
Interest costs to joint arrangements	0	2
Receivables from joint arrangements	2,022	1,749
Liabilities to joint arrangements	44	50
Dividends from joint arrangements	94	82
Capital contributions to joint arrangements	81	40
Guarantee liabilities for the benefit of joint arrangements	2,722	2,718
Transactions with Skistar		
Sales to Skistar	57	1
Purchases from Skistar	2	1
Transactions with Ekhaga Utveckling AB/Kranpunkten [2]		
Sales to Ekhaga Utveckling AB/Kranpunkten	47	36
Purchases from Ekhaga Utveckling AB/Kranpunkten	67	52
Receivables from Ekhaga Utveckling AB/Kranpunkten	8	7
Liabilities to Ekhaga Utveckling AB/Kranpunkten	15	10
Dividends to Ekhaga Utveckling AB/Kranpunkten	245	–
Transactions with AB Axel Granlund/Volito		
Sales to AB Axel Granlund/Volito	23	12
Purchases from AB Axel Granlund/Volito	0	0
Receivables from AB Axel Granlund/Volito	2	11
Dividends to AB Axel Granlund/Volito	72	60

[1] In 2018 even the property Ångkraftverket 2 in Västerås, containing a hotel and Kokpunkten Actionbad was divested for a value of around SEK 800 million. The transaction was net recognized in the income statement and had no effect on operating profit.

[2] Kranpunkten has been a related party to Peab for many years. As of 2018 Kranpunkten is part of Ekhaga Utveckling AB.

SUMMARY OF TRANSACTIONS WITH RELATED PARTIES

Parent company, MSEK	2018	2017
Transactions with subsidiaries		
Sales to subsidiaries	286	253
Purchases from subsidiaries	72	71
Interest costs to subsidiaries	92	130
Receivables from subsidiaries	2,736	3,472
Liabilities to subsidiaries	3,943	6,673
Capital contributions to subsidiaries	51	311
Transactions with AB Axel Granlund/Volito		
Dividends to AB Axel Granlund/Volito	72	60
Transactions with Ekhaga Utveckling AB/Kranpunkten [1]		
Dividends to Ekhaga Utveckling AB/Kranpunkten	245	–

[1] Kranpunkten has been a related party to Peab for many years. As of 2018 Kranpunkten is part of Ekhaga Utveckling AB.

EXECUTIVE MANAGEMENT

For information on salaries and other remuneration to the Board of Directors, the CEO and senior officers along with information on costs relating to pensions and similar benefits and agreements on retirement remuneration, see note 10.

TRANSACTION TERMS

Transactions with related parties were on market terms.

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

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

Note 41 Group companies

Company	Corp.ID.nr	Registered office	Share of equity[1) 2)]	Recognized value in parent company, MSEK 2018	2017
Peab Finans AB	556552-1324	Båstad	100.0%	1,616	1,616
Peab Sverige AB	556099-9202	Båstad	100.0%	3,622	3,622
Peab Sp.z.o.o	40624	Warszawa	100.0%	–	–
Kompetenskraft i Solna AB	556737-7683	Solna	100.0%	–	–
Kompetansekraft AS	991 687 971	Lysaker	100.0%	–	–
KB Muraren 135	916837-9841	Båstad	100.0%	–	–
KB Möllevarvet	969639-7877	Båstad	100.0%	–	–
KB Snickaren 204	969684-0975	Båstad	100.0%	–	–
Torghuset i Värnamo AB	556607-6807	Båstad	100.0%	–	–
Undertak- och Fasadentreprenader Sverige AB	556058-5837	Stockholm	100.0%	–	–
Rörman Installation & Service Sverige AB	556026-0316	Sundbyberg	100.0%	–	–
Fastighetsförvaltningsbolaget Gasellen 2 HB	916563-4271	Stockholm	100.0%	–	–
Olsson & Zarins Baltinvest AB	556439-3592	Uppsala	100.0%	–	–
Kungsfiskaren Bygg & Fastighet AB	556471-2296	Stockholm	100.0%	–	–
Peab Construction Syd AB	556292-2368	Båstad	100.0%	–	–
Peab Byggservice AB	556066-3675	Båstad	100.0%	–	–
Peab Fastigheter i Växjö AB	556716-6664	Båstad	100.0%	–	–
HälsingeBygg i Hudiksvall AB	556624-4025	Hudiksvall	100.0%	–	–
Värby Fastighets AB	556703-4771	Båstad	100.0%	–	–
KB Brämaregården 18:4	969638-3364	Kristianstad	100.0%	–	–
Peab Bostadsproduktion AB	556554-6487	Båstad	100.0%	–	–
Norrberga Exploaterings AB	556809-1846	Solna	100.0%	–	–
Peab Anläggning AB	556568-6721	Båstad	100.0%	842	792
Peab Infra Oy	2303725-2	Helsinki	100.0%	–	–
Skillingenäs AB	556587-0192	Båstad	100.0%	–	–
Olof Mobjer Entreprenad AB	556445-1275	Båstad	100.0%	–	–
West Wind AB	556615-7797	Solna	100.0%	–	–
G Nilsson Last & Planering i Ranseröd AB	556236-0908	Båstad	100.0%	–	–
Peab Industribyggnad i Norr AB	556851-7121	Båstad	100.0%	–	–
Peab Anlegg AS	913 502 566	Lysaker	100.0%	–	–
Solberg Maskin AS [3)]	999 327 869	Heimdal	90,3%	–	–
Røstad Maskin AS	921 050 046	Tromsø	100.0%	–	–
Peab Grundläggning AB	556154-7364	Båstad	100.0%	–	–
Berg & Betongtätning i Sverige AB	559059-6473	Båstad	100.0%	–	–
TRANAB Markbyggnad AB	556687-3963	Örebro	100.0%	–	–
Peab Oy	1509374-8	Helsinki	100.0%	488	488
Kehitysyhtiö Pyynikki Oy	2214064-5	Helsinki	100.0%	–	–
Peab Bygg Norge AS	920 003 672	Tromsø	100.0%	861	861
K.Nordang AS	936 574 696	Stranda	100.0%	–	–
Björn Bygg AS	943 672 520	Tromsø	100.0%	–	–
Peab Eiendomsutvikling Nord AS	982 794 528	Tromsø	100.0%	–	–
Bogstrand AS	996 043 428	Harstad	100.0%	–	–
Peab Utbygging AS	915 464 254	Tromsø	100.0%	–	–
Strandvegen Utvikling AS	916 575 939	Tromsø	100.0%	–	–
Strandvegen Naering AS	921 986 017	Tromsø	100.0%	–	–
Peab AS	990 040 729	Lysaker	100.0%	–	–
Peab Eiendomsutvikling AS	987 099 011	Lysaker	100.0%	–	–
CBT Næring AS	921 682 298	Bærum	100.0%	–	–

Company	Corp.ID.nr	Registered office	Share of equity[1) 2)]	Recognized value in parent company, MSEK 2018	2017
CBT Næring 2 AS	921 682 301	Bærum	100.0%	–	–
Midtveien 8 Eiendom AS	914 308 461	Lysaker	100.0%	–	–
Trondheimsveien 113 AS	994 535 250	Lysaker	100.0%	–	–
ANS Solligården	957 524 346	Lysaker	100.0%	–	–
Peab Bolig Prosjekt AS	990 892 385	Lysaker	100.0%	–	–
Telemark Vestfold Utvikling AS	987 208 279	Skien	100.0%	–	–
Kjølnes Eiendom AS	991 085 033	Skien	75,0%	–	–
Peab Industri AB	556594-9558	Båstad	100.0%	2,588	2,588
Peab Industri Sverige AB	556594-9624	Ängelholm	100.0%	–	–
Grunnarbeid Lysaker AS	996 217 981	Lysaker	100.0%	–	–
Lambertsson Sverige AB	556190-1637	Båstad	100.0%	–	–
Lambertsson Kran AB	556543-5293	Båstad	100.0%	–	–
KB MURAREN 105	916837-9544	Mölndal	100.0%	–	–
Krantorp KB	969623-0540	Mölndal	100.0%	–	–
ATS Kraftservice AB	556467-5998	Båstad	100.0%	–	–
ATS Tjänster AB	556501-1011	Helsingborg	100.0%	–	–
ATS Entreprenad AB	559156-6061	Båstad	100.0%	–	–
Hagström i Nås AB	556377-1376	Vansbro	100.0%	–	–
Swerock AB	556081-3031	Helsingborg	100.0%	–	–
Rådasand AB	556042-8699	Lidköping	100.0%	–	–
Peab Transport & Maskin AB	556097-9493	Örkelljunga	100.0%	–	–
AB Roler	556100-0729	Örebro	100.0%	–	–
Ferdigbetong AS	987 013 117	Tromsø	100.0%	–	–
Swecem AB	556919-5760	Helsingborg	100.0%	–	–
Skandinaviska Byggelement AB	556034-2148	Helsingborg	100.0%	–	–
Aktiebolaget Smidmek Eslöv	556232-3963	Eslöv	60,0%	–	–
Lättklinkerbetong AB	556239-1721	Alingsås	100.0%	–	–
Peab PGS AB	556428-5905	Båstad	100.0%	–	–
Peab Asfalt AB	556098-8122	Båstad	100.0%	–	–
Peab Asfalt Väst AB	559132-6508	Gothenburg	100.0%	–	–
Bodenhus AB	556279-8768	Boden	100.0%	–	–
Peab Asfalt Norge AS	994 628 577	Lysaker	100.0%	–	–
Peab Bildrift Norden AB	556707-8380	Helsingborg	100.0%	–	–
Peab Bildrift Sverige AB	556313-9608	Helsingborg	100.0%	–	–
Peab Bildrift Norge AS	892 890 692	Lysaker	100.0%	–	–
Peab Vagnpark AB	556234-0371	Båstad	100.0%	–	–
Peab Industri Norge AS	990 609 527	Lysaker	100.0%	–	–
Kranor AS	976 313 062	Slemmestad	100.0%	–	–
Peab Industri Finland AB	556687-9226	Helsingborg	100.0%	–	–
Swerock Oy	1509160-3	Helsinki	100.0%	–	–
Lambertsson Oy	0937993-4	Helsinki	100.0%	–	–
Annehem Fastigheter AB	556683-4452	Båstad	100.0%	22	22
Fastighets AB Skeppsdockan i Malmö	556563-0711	Ängelholm	100.0%	0	0
Br Paulsson Peab AB	556113-4114	Båstad	100.0%	157	157
Stadiongatans Lokaluthyrning AB	556141-1736	Båstad	100.0%	–	–
Vejby Transport & Miljö AB	556240-2742	Ängelholm	100.0%	1	1
Peab Support AB	556061-1500	Stockholm	100.0%	57	56
Peab Support AS	998 622 670	Lysaker	100.0%	–	–
Peab Support Oy	2586326-7	Helsinki	100.0%	–	–
Peab Försäkrings AB	556511-5408	Båstad	100.0%	1,370	1,370
Birsta Fastigheter AB	556190-3765	Helsingborg	100.0%	60	60

Company	Corp.ID.nr	Registered office	Share of equity[1) 2)]	Recognized value in parent company, MSEK 2018	2017
Peabskolan AB	556442-7432	Båstad	100.0%	1	1
Kompetens och Kultur Norden AB	559141-0625	Båstad	100.0%	–	–
Peab Norden AB	556134-4333	Båstad	100.0%	1	1
Peab Skandinavien AB	556568-8784	Båstad	100.0%	0	0
Flygstaden Intressenter i Söderhamn AB	556438-9665	Båstad	100.0%	241	241
HDWG Finans AB	556470-0184	Båstad	100.0%	–	–
Skånska Stenhus AB	556233-8680	Stockholm	100.0%	–	–
Flygstaden Intressenter i Grevie AB	556541-5360	Båstad	100.0%	–	–
Peab Projektutveckling AB	556715-0254	Båstad	100.0%	21	21
Peab Bostad AB	556237-5161	Stockholm	100.0%	–	–
Peab BU Holding 5 AB	559091-5160	Solna	100.0%	–	–
Peab Jockeyn AB	559175-8635	Solna	100.0%	–	–
Peab Sopsug AB	559170-7715	Solna	100.0%	–	–
Peab Johanneslust AB	559175-9773	Stockholm	100.0%	–	–
Peab BU Holding 4 AB	559118-0871	Solna	100.0%	–	–
Rankhus Tomtutveckling AB	559175-9187	Stockholm	100.0%	–	–
Peab BU Holding 3 AB	559076-5466	Solna	100.0%	–	–
Peab Rankhus AB	559040-9974	Solna	100.0%	–	–
Verkstaden 17 i Västerås AB	559114-5916	Solna	100.0%	–	–
Peab BU Drift AB	559076-5516	Solna	100.0%	–	–
Peab BU Lager 2 AB	559076-5524	Solna	100.0%	–	–
Peab Österplan 3 i Örebro AB	559081-4603	Solna	100.0%	–	–
Fastighets AB Partille 11	556518-4354	Gothenburg	100.0%	–	–
Partille 11 Bostad Holding AB	556958-4146	Gothenburg	100.0%	–	–
Partille 11 Bostad BR 1 AB	556960-0330	Gothenburg	100.0%	–	–
Partille 11 Bostad BR 2 AB	556960-0348	Gothenburg	100.0%	–	–
Partille 11 Bostad BR 3 & 4 AB	556960-0355	Gothenburg	100.0%	–	–
Partille 11 Bostad 3A AB	556960-0363	Gothenburg	100.0%	–	–
Partille 11 Bostad 3B AB	556960-0371	Gothenburg	100.0%	–	–
Partille 11 Bostad 4A AB	556960-0389	Gothenburg	100.0%	–	–
Partille Port Holding AB	556960-0264	Gothenburg	100.0%	–	–
Fastighets AB Partille Port 3	556960-0272	Gothenburg	100.0%	–	–
Fastighets AB Partille Port 4	556960-0280	Gothenburg	100.0%	–	–
Peab BU Holding 2 AB	559036-7396	Solna	100.0%	–	–
Peab Riksten 1 AB	559036-7354	Solna	100.0%	–	–
Peab Riksten 2 AB	559036-7461	Solna	100.0%	–	–
Peab Riksten 3 AB	559036-7453	Solna	100.0%	–	–
Peab Riksten 4 AB	559036-7446	Solna	100.0%	–	–
Peab Sturefors AB	559065-7499	Solna	100.0%	–	–
Stockholms Kommersiella Fastighets AB	556105-6499	Stockholm	100.0%	–	–
Stora Hammars Exploatering AB	556763-4216	Vellinge	100.0%	–	–
Strömstad Exploatering AB	559002-4518	Solna	100.0%	–	–
Hatteskär AB	556874-6936	Båstad	100.0%	–	–
Peab Projektutveckling Väst AB	556092-9852	Gothenburg	100.0%	–	–
Peab Trading Väst AB	556594-9590	Gothenburg	100.0%	–	–
Smögen Exploatering AB	556090-5472	Båstad	100.0%	–	–
Peab Borås Exploatering AB	556651-7727	Båstad	100.0%	–	–
Kreaton AB	556644-5010	Gothenburg	100.0%	–	–
Peab Holding Väst AB	556900-2586	Gothenburg	100.0%	–	–
Kompligens Fastigheter AB	556691-2555	Båstad	100.0%	–	–

Company	Corp.ID.nr	Registered office	Share of equity[1) 2)]	Recognized value in parent company, MSEK 2018	2017
KB Klagshamn Exploatering	916563-4412	Båstad	100.0%	–	–
Peab Trading Nord AB	556715-4827	Solna	100.0%	–	–
Fastighets AB Ekudden	556628-0326	Alingsås	100.0%	–	–
Västgöta mark och entreprenad AB	556644-1308	Alingsås	100.0%	–	–
Husgruppen i Alingsås KB	969728-7887	Gothenburg	100.0%	–	–
Peab i Kungsbacka 8 AB	556789-7466	Gothenburg	100.0%	–	–
Peab i Kungsbacka 9 AB	556791-4493	Gothenburg	100.0%	–	–
Kista Gård 3 Parkering AB	556938-3648	Solna	100.0%	–	–
Fastighetsbolaget Måsbodarna Tre AB	556691-9907	Solna	100.0%	–	–
Telge Peab AB	556790-5889	Södertälje	100.0%	–	–
Peab Trading Öst AB	556778-8749	Stockholm	100.0%	–	–
Fastighets AB Isolatorn	556913-9644	Solna	100.0%	–	–
Perioden Fastighets AB	556832-7919	Solna	100.0%	–	–
Peab Trading Solna AB	556793-1554	Solna	100.0%	–	–
KB Messingen	916837-9817	Stockholm	100.0%	–	–
Fastighets AB Spelhagen	556795-0992	Solna	100.0%	–	–
DGV i Enskede AB	556750-3791	Stockholm	100.0%	–	–
Peab Förskolan AB	556707-9719	Sigtuna	100.0%	–	–
Hanbjelken AB	556699-4306	Solna	100.0%	–	–
Furuspecialen i Nyköping Fastighets AB	556695-9986	Solna	100.0%	–	–
Eldslundfastigheter Sverige AB	556750-2165	Linköping	100.0%	–	–
Råsta Arenabostäder AB	556789-3002	Solna	100.0%	–	–
Peab Hermelinen AB	556872-5633	Stockholm	100.0%	–	–
Peab Racketen AB	556721-1635	Stockholm	100.0%	–	–
Peab Söderbymalm 3:405 AB	556722-0735	Stockholm	100.0%	–	–
Norrvikens Fastigheter AB	556703-1470	Stockholm	100.0%	–	–
Peab Markutveckling AB	556949-4437	Solna	100.0%	–	–
Peab BU Holding 1 AB	559019-1846	Solna	100.0%	–	–
Peab Åkermyntan 10 AB	556910-9290	Solna	100.0%	–	–
Peab Slättö Exploatering AB	559065-1427	Solna	100.0%	–	–
Peab Hyllie Allé AB	559033-0543	Solna	100.0%	–	–
Ale Exploatering AB	556426-2730	Gothenburg	100.0%	–	–
Peab Drotten 10 AB	559032-4686	Solna	100.0%	–	–
Peab Högsbo 34:6 AB	556898-8553	Stockholm	100.0%	–	–
Peab i Valla AB	559019-1853	Solna	100.0%	–	–
Peab Alp Lodge AB	559019-1903	Solna	100.0%	–	–
Peab Innovation H AB	559019-2497	Solna	100.0%	–	–
Åkanten Smedstabäcken AB	559019-1929	Solna	100.0%	–	–
Peab Etage AB	559019-1895	Solna	100.0%	–	–
Paletten i Valla AB	559019-1887	Solna	100.0%	–	–
White Campus Corner AB	559019-1861	Solna	100.0%	–	–
Peab Råsunda Holding AB	559030-7723	Solna	100.0%	–	–
Visio Exploatering AB	556570-7030	Solna	100.0%	–	–
Peab Landskampen AB	559164-5907	Solna	100.0%	–	–
Peab Fastighetsutveckling AB	556824-8453	Båstad	100.0%	–	–
Peab Fastighet AB	559091-3538	Solna	100.0%	–	–
Peab FU Holding 6 AB	556649-9116	Båstad	100.0%	–	–
Båramo i Värnamo AB	556713-7871	Båstad	100.0%	–	–
Peab Invest Oy	1773022-9	Helsinki	100.0%	–	–
Property Gardener Oy	2558819-7	Helsinki	100.0%	–	–

Company	Corp.ID.nr	Registered office	Share of equity[1) 2)]	Recognized value in parent company, MSEK 2018	2017
K Oy Helsingin Karvaamokuja 1	2405933-0	Helsinki	100.0%	–	–
Kiinteistö Oy Eventes II	1582860-1	Esbo	100.0%	–	–
Kiinteistö Oy Mallanpuisto	1580499-2	Esbo	100.0%	–	–
Kiinteistö Oy City Garden	2625235-3	Tammerfors	100.0%	–	–
Ultimes Ky	2568845-4	Helsinki	100.0%	–	–
Ultimes Parking Ky	2568844-6	Helsinki	100.0%	–	–
Ultimes II Ky	2850052-5	Helsinki	100.0%	–	–
Peab Fastighetsutveckling Sverige AB	556825-9856	Båstad	100.0%	–	–
Peab Utveckling Nord AB	556341-7228	Båstad	100.0%	–	–
Peab Ägaarena 1 AB	556741-8552	Solna	100.0%	–	–
Peab Ägaarena 2 AB	556741-8560	Solna	100.0%	–	–
Peab Drivaarena AB	556741-8578	Solna	100.0%	–	–
Peab Hem AB	556077-8499	Båstad	100.0%	–	–
Peab Fabriksgatan AB	556963-9825	Solna	100.0%	–	–
Peab Kastanjeparken AB	556059-0910	Båstad	100.0%	–	–
Annehem Hylliecentrum AB	556683-4478	Båstad	100.0%	–	–
Annehem Bygg och Projekt AB	556699-8430	Båstad	100.0%	–	–
PeBri Glumslöv AB	556758-6853	Helsingborg	100.0%	–	–
PeBri Glumslöv HB	969717-3335	Helsingborg	100.0%	–	–
Åke & Clas Skoogh Holding AB	556722-9066	Kristianstad	100.0%	–	–
Peab FU Holding 1 AB	556855-6954	Solna	100.0%	–	–
Peab FU Måby AB	556874-6837	Solna	100.0%	–	–
INSPI Sweden AB	556796-7970	Stockholm	100.0%	–	–
Peab FU Sporthall AB	556901-4557	Solna	100.0%	–	–
Peab FU Holding 3 AB	556866-8635	Solna	100.0%	–	–
Peab FU Almnäs AB	556594-9160	Solna	100.0%	–	–
Peab FU Visby AB	556679-4862	Solna	100.0%	–	–
Peab FU Visby Exploatering AB	556800-9335	Solna	100.0%	–	–
Peab FU Fartygsmekano AB	556345-8586	Solna	100.0%	–	–
Peab FU Jupiter 11 AB	556892-3428	Solna	100.0%	–	–
Peab FU Jupiter 4 AB	556126-0745	Solna	100.0%	–	–
Peab FU ÖFU AB	556916-2596	Solna	100.0%	–	–
Annehem MAH AB	556919-5752	Solna	100.0%	–	–
Peab FU Bommen AB	556928-0752	Solna	100.0%	–	–
Peab FU Holding 2 AB	556864-4156	Solna	100.0%	–	–
Peab Projektfastigheter AB	556202-6962	Stockholm	100.0%	–	–
Peab Park AB	556107-0003	Båstad	100.0%	–	–
Kokpunkten Fastighets AB	556759-5094	Stockholm	100.0%	–	–
Ängelholms Flygplats AB	556814-2896	Båstad	100.0%	–	–
Ljungbyhed Park AB	556545-4294	Båstad	100.0%	–	–
Projektfastigheter Götaland AB	556259-3540	Båstad	100.0%	–	–
Skånehus AB	556547-6958	Båstad	100.0%	–	–
Peab FU Silhouette 1 AB	556895-0116	Solna	100.0%	–	–
Ulriksdal Utveckling AB	556509-6392	Solna	100.0%	–	–
Riksten Friluftsstad AB	556547-8764	Stockholm	100.0%	–	–
Peab Holding AB	556594-9533	Båstad	100.0%	–	–
Fältjägaren 7 AB	556855-7176	Östersund	100.0%	–	–
Visborg Infanteristen 1 AB	556970-5717	Solna	100.0%	–	–
Peab FU Rebbelberga 147 AB	556470-0176	Solna	100.0%	–	–
Peab FU Holding 4 AB	556946-9058	Solna	100.0%	–	–
Peab FU Vintrie 1 AB	559034-8925	Solna	100.0%	–	–
Peab FU Vintrie 2 AB	559034-8917	Solna	100.0%	–	–
Peab FU Husbacka AB	556946-9108	Solna	100.0%	–	–
Peab FU Gennakern AB	556949-4312	Solna	100.0%	–	–
Peab FU Holding 5 AB	556979-7698	Solna	100.0%	–	–
Peab FU Holding 7 AB	559030-7301	Solna	100.0%	–	–
Peab FU Lager 2 AB	559076-5508	Solna	100.0%	–	–
Peab Grevie AB	556715-0213	Båstad	100.0%	0	0
Peab Invest Yek AB	556753-4226	Borås	100.0%	–	–
Peab Vejby AB	556663-2682	Båstad	100.0%	0	50
Sieglo AB	556556-0595	Båstad	100.0%	97	169
Skåne Projektfastigheter AB	556471-9143	Båstad	100.0%	0	0
Lappmarken i Malmö AB	556796-2849	Båstad	100.0%	–	–
Mauritz Larsson Byggnads AB	556036-8242	Båstad	100.0%	–	–
Projektfastigheter Väst AB	556044-1866	Båstad	100.0%	–	–
Peab Lokal AB	559025-6607	Solna	100.0%	0	0
Total				**12,045**	**12,116**

[1)] The share of capital corresponds to the share of votes.
[2)] Except for the Group companies acquired in 2018 (see note 6), the share of capital in 2018 corresponds to the share of capital in 2017.
[3)] The company was 100 % consolidated through the anticipated acquisition method, since Peab has a put/call option for the acquisition of the rest of the shares.

Parent company, MSEK	2018	2017
Opening acquisition value	13,881	16,183
Purchases	–	861
Paid shareholder contribution	51	311
Reduction of share capital	–	-6
Sales/liquidation	-2	-3,468
Closing accumulated acquisition values	**13,930**	**13,881**
Opening revaluations	100	100
Closing accumulated revaluations	**100**	**100**
Opening write-downs	-1,865	-4,472
Sales/liquidation	2	2,607
Write-downs	-122	0
Closing accumulated write-downs	**-1,985**	**-1,865**
Closing balance	**12,045**	**12,116**

During the year, shares in Group companies were written down in the parent company by SEK -122 million (0) and refer to shares in dormant companies or companies with little activity where the value of the write-downs is equivalent to equity. Annual write-downs are reported in the income statement on the “Profit/loss from shares in Group companies” line.

Note 42 Untaxed reserves

Parent company, MSEK	2018	2017
Tax allocation reserve	1,922	1,310
Accumulated additional depreciation, intangible assets	8	5
Accumulated additional depreciation, machinery and equipment	0	0
Total	**1,930**	**1,315**

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

Note 43 Cash flow statement

PAID INTEREST AND DIVIDENDS RECEIVED

	Group		Parent company	
MSEK	2018	2017	2018	2017
Dividends received	99	98	1,509	16
Interest received	68	96	1	1
Interest paid	-132	-136	-92	-130

ADJUSTMENTS FOR ITEMS NOT INCLUDED IN CASH FLOW

	Group		Parent company	
MSEK	2018	2017	2018	2017
Profit from participation in joint ventures	-108	-171		
Dividends received from joint ventures	94	82		
Depreciation and write-downs	1,024	960	125	0
Unrealised exchange rate differences	19	6		
Profit/loss on sales of fixed assets	-86	10	-1	-163
Profit/loss on sales of subsidiaries/businesses	-6	6		
Provisions	81	118	4	4
Change in fair value of financial instruments	-11	4		
Other	-46	-26		1
Total	**961**	**989**	**128**	**-158**

TRANSACTIONS WITHOUT PAYMENTS

Group, MSEK	2018	2017
Acquisition of an asset through the issue of a promissory note or an option liability directly related to the asset	2	48
Aquisition of assets by financial leasing	256	218

ACQUISITION OF SUBSIDIARIES/BUSINESSES

Group, MSEK	2018	2017
Acquired assets and liabilities		
Intangible assets	16	127
Tangible assets	30	27
Financial assets	–	40
Deferred tax recoverables	–	2
Project and development properties and inventories	1	211
Accounts receivable and other receivables	8	84
Liquid funds	9	53
Interest-bearing liabilities	-18	-25
Non-controlling interests	–	-1
Deferred tax liabilities	-3	-42
Provisions	–	-3
Accounts payable and other current liabilities	-9	-152
	34	**321**
Less: Previous shares in joint ventures	–	-60
Acquired net assets	**34**	**261**
Purchase prices	34	261
Promissory note and option liability	-2	-48
Paid purchase sum	**32**	**213**
Less: Liquid funds in acquired companies	-9	-53
Effect on liquid funds	**23**	**160**

DISPOSAL OF SUBSIDIARIES/BUSINESSES

Group, MSEK	2018	2017
Disposed assets and liabilities		
Tangible assets	13	21
Deferred tax recoverables	1	–
Inventories	1	12
Accounts receivable and other receivables	3	–
Interest-bearing liabilities	–	-17
Accounts payable and other current liabilities	-9	-6
	9	**10**
Sales price	15	4
Received purchase sum	15	4
Effect on liquid funds	**15**	**4**

LIQUID FUNDS

The following components are included in liquid funds:

Group, MSEK	2018	2017
Cash and bank	1,376	595
Total	**1,376**	**595**

Note 44 Information on parent company

Peab AB is a Swedish registered limited company domiciled in Båstad. Peab AB's shares are listed on Nasdaq Stockholm. The address of the head office is Margretetorpsvägen 84, SE-269 73 Förslöv. The consolidated accounts for 2018 consist of the parent company and its subsidiaries, together referred to as the Group. The Group also includes shares of holdings in joint arrangements.

Note 45 New IFRSs 2019

IFRS 16 LEASES

IFRS 16 Leases replace IAS 17 Leases as of 1 January 2019. IFRS 16 will basically require Peab as a lessee to report all leasing contracts as assets and liabilities on the balance sheet, representing the right to use the leased asset respectively the obligation to pay leasing fees. Regarding leasing contracts, depreciation of the leasing asset and interest costs on the leasing liability are recognized in the income statement. Peab does not believe this will have any material effect on profit before tax. Affected leases primarily cover rent for offices and other premises, leaseholds, land rentals and vehicles.

When changing over to the new standard Peab has elected the modified retroactive method with the alternative to let the right-of-use asset be measured at the amount of the lease liability at the changeover with adjustments for any prepaid or accrued leasing fees. The elected changeover method does not require recalculating comparable periods.

Right-of-use leases shorter than 12 months or which end within 12 months from the changeover date are classified as current leases and therefore are not included in liabilities or right-of-use assets. In addition, Peab has elected not to recognize leases for which the underlying asset has a low value as a right-of-use asset respectively a lease liability.

Existing finance leases that were previously reported according to IAS 17 Leases have been reclassified according to IFRS 16 and are recognized at the amounts they were recognized on the immediate day prior to application of the new standard.

An incremental borrowing rate has been determined per country, right-of-use period and type of asset as of 1 January 2019.

Effects of the changeover to IFRS 16 are given below.

REPORT ON GROUP BALANCE SHEET IN SUMMARY, 2018-12-31 RESPECTIVELY 2019-01-01

Group, MSEK	Reported balance sheet 2018-12-31	Adjustment IFRS 16 2019-01-01	Adjusted balance sheet 2019-01-01
Assets			
Intangible assets	2,250		2,250
Tangible assets	5,741	618	6,359
Investment property	589	53	642
Interest-bearing long-term receivables	1,445		1,445
Other financial fixed assets	1,292		1,292
Total fixed assets	**11,317**	**671**	**11,988**
Project and development properties	9,685	206	9,891
Inventories	441		441
Interest-bearing current receivables	640		640
Other current receivables	13,857	-27	13,830
Liquid funds	1,376		1,376
Total current assets	**25,999**	**179**	**26,178**
Total assets	**37,316**	**850**	**38,166**
Equity and liabilities			
Equity	**11,348**	**–**	**11,348**
Liabilities			
Interest-bearing long-term liabilities	5,194	702	5,896
Deferred tax liabilities	123		123
Other long-term liabilities	977		977
Total long-term liabilities	**6,294**	**702**	**6,996**
Interest-bearing current liabilities	1,818	148	1,966
Other current liabilities	17,856		17,856
Total current liabilities	**19,674**	**148**	**19,822**
Total liabilities	**25,968**	**850**	**26,818**
Total equity and liabilities	**37,316**	**850**	**38,166**

The Board and CEO assure that the Annual Report has been prepared in accordance with good accounting practices in Sweden and the consolidated accounts have been prepared in accordance with International Accounting Standards, stated in the regulation of the European Parliament and the Council of Ministers (EG) no 1606/2002 of July 19, 2002, concerning the application of international accounting standards. The Annual Report and the consolidated accounts give a true and fair view of the parent company as well as of the Group's position and result. The Board of Directors' report for the parent company and the Group gives a true and fair view of the parent company's and Group's business development, position and result. It also describes the major risks and uncertainty factors facing the parent company and Group companies.

Förslöv, March 26 2019

Göran Grosskopf Chairman of the Board	Mats Paulsson Vice Chairman of the Board	Karl-Axel Granlund Member of the Board
Kerstin Lindell Member of the Board	Fredrik Paulsson Member of the Board	Malin Persson Member of the Board
Lars Sköld Member of the Board	Liselott Kilaas Member of the Board	Patrik Svensson Member of the Board
Kim Thomsen Member of the Board	Egon Waldemarsson Member of the Board	Jesper Göransson Chief Executive Officer

The Annual Report and the consolidated accounts have been approved for publication by the Board of Directors and the Chief Executive Officer on March 26, 2019. The consolidated income statement and balance sheet and the parent company's income statement and balance sheet will be presented for adoption by the AGM on May 9, 2019.

Our Auditor's report was submitted on March 28, 2019
KPMG AB

Dan Kjellqvist
Authorized Public Accountan

Auditor's report

To the general meeting of the shareholders of Peab AB (publ.), corp. id 556061-4330

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Peab AB (publ.) for the year 2018. The annual accounts and consolidated accounts of the company are included on pages 32–119 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 2018 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 2018 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. The Board of Directors´ report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the period in question. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Revenue recognition for construction projects

See notes 3 and 27 and accounting principles in note 1 in the annual account and consolidated accounts for detailed information and a description of the matter.

Description of key audit matter

The Group recognises ongoing construction projects according to the percentage of completion method, which means that revenue and expenses are recognised gradually in line with the contract's progress. Revenue and profits are recognised in relation to the progress of the project, based on expenses incurred as of the balance sheet date compared with estimated total expenses on completion of the project. Feared losses are recognized as expenses as soon as they become known.

Revenue and profit recognition is based on estimates of the total project cost and project revenue. An effective control environment, with ongoing forecast monitoring of the project's final financial outcome, is therefore of great importance to the Group. Changes in assumptions during the implementation of a project may have a material impact on the Group's profit and financial position. Project forecasts are evaluated regularly by the Group during the course of the project and are adjusted as necessary. Modifications and additional work and demands are considered when the Group considers it probable that the amount will be received from the client and when the amount can be measured reliably.

Response in the audit

We have obtained information about and evaluated management's process for reviewing projects, including their procedures for identifying loss-making projects and/or high risk projects as well as the process for forecasting revenue and expenses (including the assessment of modifications and additional work).

We selected a sample of construction projects for which we have evaluated and assessed the most significant areas. Among other things, we have:

- Tested to ensure that controls are effective throughout the year for expenses attributable to construction projects such as payroll expenses, expenses for subcontractors and purchasing costs,
- evaluated the financial result against the project estimate and forecasts to assess the Group's ability to deliver the forecast margin in projects,
- visited selected large sites that are deemed high risk to assess the actual degree of completion and the effectiveness of the Group's internal controls and
- assessed whether risks and opportunities in projects were accurately reflected in project forecasts.

Projects where particularly complex areas have been identified were discussed with executive management based on forecasted revenue and predicted final expenses.

We have assessed loss-making contracts and evaluated whether the reserves reflect the risks in projects, and challenged management's assessments of these risks.

We have also evaluated reports from the Group's own and externally engaged legal experts concerning disputes and assessed whether and how these were taken into consideration in project forecasts.

Valuation of project and development propertiesr

See notes 3 and 24 and accounting principles in note 1 in the annual accounts and consolidated accounts for detailed information and a description of the matter.

Description of key audit matter

Project and development properties amount to SEK 9,685 million (7,612). The properties are recognized as inventories among current assets. They are valued at the lower of cost and net realisable value, based on the prevailing price in the local area. Changes in supply and demand may change the assessments of carrying amounts and impairment may be necessary.

Given that development properties account for a material proportion of the Group's total assets and that the valuation process is based on subjective judgement this is a key area in our audit.

For valuation of development properties under construction, it is also necessary to assess the Group's process for project management, particularly how it is accouting for construction expenses and any commitments linked to these projects.

There may be a risk that the carrying amount for project and development properties is overestimated and that this would have a material impact on the Group's profit and financial position.

Response in the audit

The Group assesses the net realisable value of the project and development properties based on an internal valuation model. As a supplement to this valuation, it also obtain external market valuations for a number of the properties. Among other things, we have:

- Evaluated the Group's internal valuation process. We have examined the assumptions made and their application in the internal valuation model,
- assessed the internal valuations and carrying amounts, also taking into account the external market valuations and
- tested a sample of the property valuations in further detail. For the selected sample we have examined inputs and calculations in the internal valuation model.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–31 respectively 124–136. The Board of Directors and the CEO are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the CEO

The Board of Directors and the CEO are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the CEO are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the CEO are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the CEO intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Directors' responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility
Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the CEO.
- Conclude on the appropriateness of the Board of Directors' and the CEO's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the CEO of Peab AB (publ.) for the year 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the AGM that the profit be appropriated in accordance with the proposal in the Board of Directors' report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Basis for Opinions
We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the CEO
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the Group's type of operations, size and risks place on the size of the parent company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the Group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The CEO shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the CEO in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

AUDITOR'S OPINION REGARDING THE STATUTORY SUSTAINABILITY REPORT

The Board of Directors is responsible for the sustainability report on pages 10–31, 50–52 and 124–127, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

KPMG AB was appointed auditor of Peab AB (publ.) by the AGM on the 7 May 2018. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 1992.

Förslöv, 28 March 2019

KPMG AB

Dan Kjellqvist
Authorized Public Accountant

Corporate governance report 2018

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

Göran Grosskopf, Chairman

CORPORATE GOVERNANCE AND THE CORPORATE GOVERNANCE REPORT

Corporate governance refers to the decision-making systems that owners use to directly or indirectly govern the company. These systems consist in part of external laws and regulations such as the Company Act and other relevant laws, regulations for Nasdaq Stockholm issuers and the Swedish Code of Corporate Governance and in part Peab's articles of association, Peab's Code of Conduct as well as other internal regulations and policies that the Board of Directors and executive management decide on.

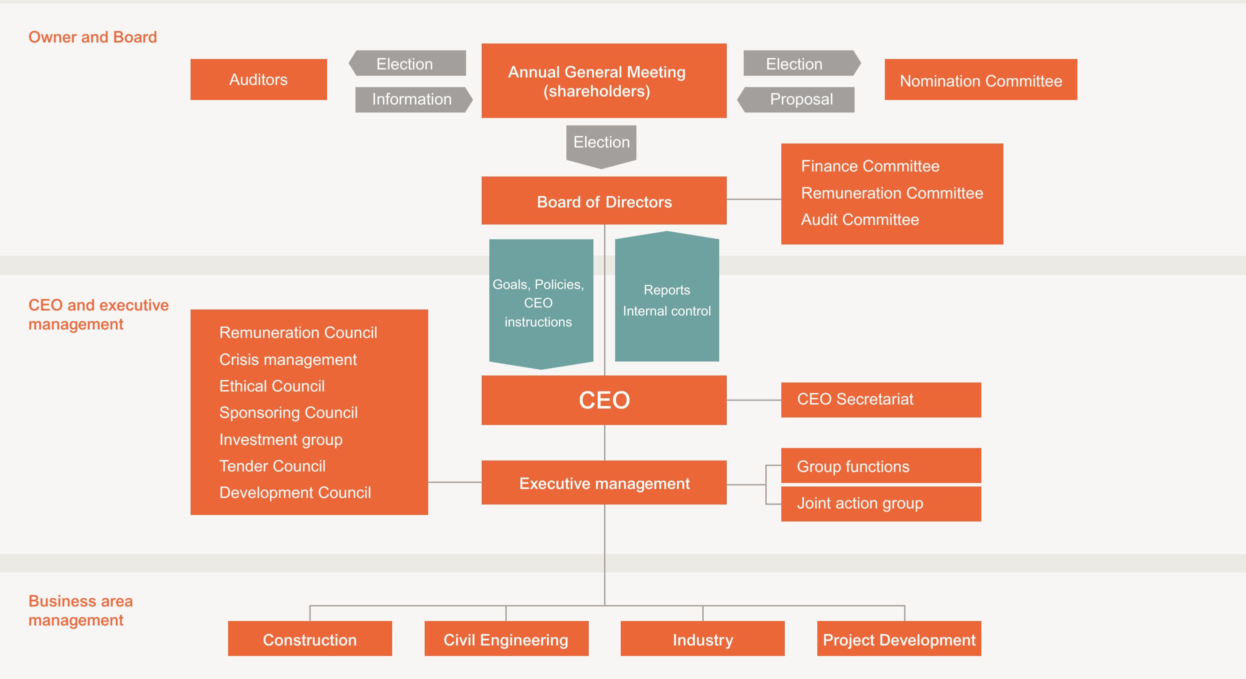
The corporate governance report is not a part of the financial reports. The company's auditor reads the corporate governance report and acknowledges that a corporate governance report has been drawn up and that its legally stipulated information is consistent with the annual accounts and Group accounts.

SHAREHOLDERS, ANNUAL GENERAL MEETING, THE NOMINATION PROCEDURE AND DIVERSITY POLICY

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

The process of nominating members of the Board of Directors and the auditor to the AGM follows the nomination procedure established at the previous AGM. In order to create diversity and breadth in the Board regarding experience, expertise and background, the Nomination Committee applied the following diversity policy when nominating Board members to the 2018 AGM (consistent with wording in the Swedish Code of Corporate Governance, p 4.1): The Board should have a composition appropriate for the company's operations, phase of development and other relevant circumstances. Board members elected by the shareholders' meeting should collectively exhibit diversity and breadth of qualifications, experience and background. The company should strive for gender balance on the Board. Female members elected by the AGM made up 37.5 percent of the Board.

The AGM was held on 7 May 2018 at Grevieparken, Grevie. It was attended by 435 shareholders, representing over 73 percent



of the votes, either personally or through representatives. The AGM elected Göran Grosskopf, Ulf Liljedahl, Mats Rasmussen and Malte Åkerström, all reelected, to act as Peab's Nomination Committee with Ulf Liljedahl as Chairman.

THE BOARD OF DIRECTORS AND ITS WORK

Peab's Board of Directors is ultimately responsible for the business. According to Peab's articles of association the Board of Directors must be made up of no fewer than five and no more than nine members in addition to the statutory employee representatives. The members of the Board of Directors are elected annually by the AGM. It was decided at the 2018 AGM that the Board of Directors would consist of eight members chosen by the AGM and the following persons were elected as members of the Board of Directors:

- Karl Axel Granlund, reelected
- Göran Grosskopf, reelected
- Liselott Kilaas, reelected
- Kerstin Lindell, reelected
- Fredrik Paulsson, reelected
- Mats Paulsson, reelected
- Malin Persson, reelected
- Lars Sköld, reelected

Göran Grosskopf was appointed Chairman of the Board by the AGM and Mats Paulsson was appointed vice Chairman. The members of the Board of Directors elected by the shareholders are compensated as members of the Board and, where applicable, as members of committees in accordance with the decisions taken by the AGM. Board member compensation is reported in note 10 in the Annual Report.

The following employee representatives were appointed by the employee unions at the 2018 AGM; Patrik Svensson, Kim Thomsen and Egon Waldemarsson (members), Torsten Centerdal and Annelie Söderlind (deputies).

The Board of Directors held eight meetings in 2018, of which five were ordinary Board meetings (including the constitutional meeting) and three additional Board meetings, of which two were held over the telephone and one was per capsulam.

Members of executive management have given reports at the Board meetings. The principle company accountant was present at two Board meetings. The Board's work follows the work program adopted by the Board of Directors. The Board evaluates its work on an annual basis and to evaluate the nominations to the 2018 AGM the Chairman of the Board produced and compiled an inquiry which all the Board members and deputies answered. Regarding the evaluation of the Chairman of the Board, the Chairman of the Nomination Committee has approved the inquiry's contents and compiled it. The result of the evaluation was reported at a Board meeting and Nomination Committee meeting in preparation for nomination.

THE AUDIT COMMITTEE

Members during 2018:

- Lars Sköld, Chairman
- Göran Grosskopf
- Kerstin Lindell
- Lisa Kilaas (as of 20180507)

The Audit Committee prepares the work of the Board of Directors by ensuring the quality of company financial reports and maintains regular contact with the company accountant regarding the scope and focus of their work as well as their view of company risks. In addition, the Audit Committee monitors what other services besides auditing are performed by the company accountants, it evaluates the auditing work and informs the Nomination Committee about the evaluation. It also assists the Nomination Committee in

Board meetings, attendance 2018

AGM elected members	Independent in relation to the company and executive management	Independent in relation to the major shareholders	Attendance Board meetings	Audit Committee	Presence Audit Committee	Remuneration Committee	Presence Remuneration Committee	Finance Committee	Presence Finance Committee
Göran Grosskopf	Yes	No	8/8	M	4/4	C	4/4	C	8/8
Mats Paulsson	No	No	8/8			M	4/4		
Karl-Axel Granlund	Yes	Yes	8/8			M	4/4	M	8/8
Kerstin Lindell	Yes	Yes	8/8	M	4/4				
Fredrik Paulsson	No	No	8/8					M	8/8
Malin Persson	Yes	Yes	8/8						
Lars Sköld	Yes	Yes	8/8	C	4/4				
Nina Udnes Tronstad until AGM 18050	Yes	Yes	3/4						
Liselott Kilaas from AGM 180507	Yes	Yes	4/4	M	3/3				
Employee representatives									
Patrik Svensson, ordinary			8/8						
Kim Thomsen, ordinary			8/8						
Egon Waldemarsson, ordinary			8/8						
Torsten Centerdal, deputy			7/8						
Kristina Bengtsson, deputy until 180326			1/2						
Annelie Söderlind, deputy from 180430			5/5						

C – Chairman M – Member

proposals of auditors and remuneration for auditing work. Representatives of executive management give reports on relevant issues at Audit Committee meetings. The Audit Committee met four times in 2018. The principle company accountant participated in the relevant sections of two of these meetings. The Audit Committee regularly reports to the Board of Directors.

THE FINANCE COMMITTEE

Members in 2018:

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

The Finance Committee has the mandate to make decisions in between Board meetings on financial matters such as currency, interest and investment positions in accordance with the Finance Policy established by the Board of Directors. Representatives of executive management give reports on relevant issues at Finance Committee meetings. The Finance Committee met eight times during 2018. The Finance Committee regularly reports to the Board of Directors.

THE REMUNERATION COMMITTEE

Members in 2018:

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

The Remuneration Committee prepares guidelines and the framework for Group executives regarding salaries and other terms of employment and makes proposals to the Board of Directors regarding the CEO's salary and other terms, according to the Remuneration Policy established each year by the AGM. The Remuneration Committee also decides the salaries and other terms for other members of executive management based on proposals from the CEO. Representatives of executive management give reports on relevant issues at Remuneration Committee meetings. The Remuneration Committee met four times in 2018. The Remuneration Committee regularly reports to the Board of Directors.

REMUNERATION TO EXECUTIVE MANAGEMENT

The 2018 AGM approved the Remuneration Policy for executive management. The Remuneration Policy is available on Peab's website, www.peab.com. Information about salaries and other remuneration to the CEO and members of executive management can be found in note 10 in the Annual Report, and on our website.

INCENTIVE PROGRAM

Peab has no outstanding share or share related incentive programs for the Board of Directors or executive management.

AUDITORS

Under Peab's articles of association one or two auditors are elected by the AGM. At the AGM in 2018 KPMG was elected the company auditor with the authorized public accountant Dan Kjellqvist as principle company accountant until the AGM 2019.

In addition to auditing, the accountant has only provided services for Peab in the form of accounting and tax advisement and certain analyses in connection with acquisitions and divestments.

EXECUTIVE MANAGEMENT

The President and CEO leads the company according to the framework established by the Board of Directors and is responsible for the administration and control of the Group. In 2018 executive management consisted of the President and CEO, the CFO, the COO, the Business Area Manager of Construction, the Business Area Manager of Civil Engineering and Industry and the Business Area Manager of Project Development. As of 1 November 2018 CCO was included in executive management.

Executive management meetings are held once a month and focus on managing the business, following up the business plan and strategic matters. Heads of Group staff teams and other officers are called to attend meetings when needed.

BUSINESS AREAS

Group operations are run in four business areas: Construction, Civil Engineering, Industry and Project Development. Each business area has a management team led by the Business Area Manager and consisting otherwise of operational managers in the business area and staff members. The Business Area Managers are responsible for managing each operation and for running the line organization by delegating responsibility and authorizations. Business Area Managers are responsible for ensuring their business units in the Group maintain good internal control and follow relevant policies as well as other adopted documents, processes and tools.

GROUP FUNCTIONS

The Group functions, which support both executive management and operations in the business areas, strategically and in day-to-day operations, were divided into the following teams in 2018;

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

BUSINESS MANAGEMENT

Executive management adopts comprehensive goals and strategies for the business in the Group business plan. This is then passed on to the business areas, regions and companies that make their own business plans.

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

INTERNAL CONTROL AND GOVERNING

The purpose of the governance and internal control process is to provide the Board, management and other stakeholders with a reasonable assurance that Peab's goals are met regarding business management and an appropriate and efficient organization, reliable internal and external reporting and that applicable laws, regulations and other rules are followed.

Peab's Board of Directors is responsible for ensuring that there are efficient procedures and systems managing and controlling financial reporting. The principles of this process are established in the Policy for internal governance and control and are based on COSO's (Committee of Sponsoring Organizations of the

Treadway Commission) framework for internal control and is described below.

CONTROL ENVIRONMENT

The control environment is founded on Peab's core values: Down-to-earth, Developing, Personal and Reliable and comprises our organization's structure, internal regulations and steering documents, delegation and limitation of responsibility, competence recruitment and monitoring internal governance and control. The Board is ultimately responsible for the general governance of Peab and control over the risks that accompany the business. Executive management is responsible for developing and implementing Peab's internal governance and control structure in operations, including our organization's structure, responsibility delegation and mandates, competence recruitment and follow-up. The Board, executive management and other senior officers should in word, deed and decision be models of integrity and ethics, follow Peab's core values and, in general, walk the talk.

INFORMATION AND COMMUNICATION

Executive management is responsible for communicating, in a way that is relevant and clear to our organization, Peab's goals and risk levels as well as how internal governance and control works. This is done through different information and communication forums like Peab's intranet, Peab's business management system, documented reporting channels regarding financial information etc.

RISK ANALYSIS

Risk analyses are carried out based on the established goals in different sections and levels of Peab's business. Risk analysis on an operational and project level is performed according to the process described in Peab's business management system. An overriding risk analysis that includes risk management of every identified material risk is performed annually in each business area and thereafter by executive management, after which it is reported to the Board. A detailed description of risks and risk management in Peab is found the section Risks and risk management.

CONTROL ACTIVITIES

Each year the Board adopts the Board's working program, instructions for the CEO and Board committees, Peab's Code of Conduct, Finance Policy, Information Policy and Policy for Internal Governance and Control. The AGM annually adopts the Remuneration Policy.

The other main control activities take place in daily operations based on each individual employee's responsibility for self-monitoring related to their position, defined work method, processes and steering documents that are available through Peab's business management system and Peab's intranet.

An example of steering documents are those concerning decision-making authorization for any kind of major decision, which includes requirements for special approval by executive management or a body appointed by executive management to handle the acquisition or divestment of property, operations and other major investments as well as the tender process, with predefined levels for each position. The principles for appointing board members and signatories in Group companies are adopted centrally.

Peab has a whistle-blowing system that is open for both employees and other stakeholders that makes it possible for the reporter to remain anonymous.

MONITORING

The Board regularly monitors and evaluates how effective Peab's internal governance and control structure is through the information the Board receives from executive management and Board committees. Every board meeting reviews Peab's financial situation and position as well as the resulting strategies. Before a board meeting members receive extensive financial reports regarding Peab's development. A corresponding review is made by executive management and business area management. Managing and monitoring financial reporting is evaluated at the first ordinary meeting of the Board of Directors after the end of the financial year.

The Board of Directors has assessed the need for an internal auditing department and concluded the established control structure in Peab ensures sufficient management and control of the Group. At this time there is therefore no need for an internal auditing function in the company.

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

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

DEVIATIONS FROM THE CODE

Peab has elected to make the following deviations from the code.

Code rule 9:2

The Chairman of the Board may chair the Remuneration Committee.

Other members elected by the AGM must be independent in relation to the company and executive management.

Deviation

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

Explanation of the deviation

The Board wishes to take advantage of the long and unique experience in matters of compensation for senior officers that founder and former CEO of Peab, Mats Paulsson, has. The majority of the members of the Remuneration Committee are independent in relation to the company and executive management and this is believed to guarantee the objectivity and independence of the Remuneration Committee.

Auditor's statement on the corporate governance report to the Annual General Meeting of Peab AB (publ) company id nr. 556061-4330

ENGAGEMENT AND RESPONSIBILITY

It is the Board of Directors who is responsible for the Corporate governance report for the year 2018 on pages 124 –127 and that it has been prepared in accordance with the Annual Accounts Act.

THE SCOPE OF THE AUDIT

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the Corporate governance report. This means that our examination of the Corporate governance report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

OPINIONS

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

Förslöv, March 28 2019

KPMG AB

Dan Kjellqvist
Authorized Public Accountant

PEAB CENTER STOCKHOLM
Ulriksdal

Board of Directors

Göran Grosskopf
Born 1945. Appointed 2004.
Professor, LLD and Dr Econ
Chairman of the Board of Peab AB, BrainHeart Energy AB, Mats Paulsson's Foundation, Stefan Paulsson's Cancer Fund Foundation, Forget Foundation, Stefan Paulsson Invest AB and Mats Paulsson's Foundation for research, innovation and community building.
Member of the board of Maven Wireless AB, ColoPlus AB, Pertius Kliniken AB, Ekhaga Utveckling AB and Stichting Polar Light.
Former professor of tax law and working chairman of the board of Tetra Laval Group and chairman of the board of Ingka Holding BV.
Holding: 823,500 A shares, 460,000 B shares

Mats Paulsson
Born 1944. Appointed 1992.
Vice chairman of the Board of Peab AB.
Member of the board of Ekhaga Utveckling AB, Mats Paulsson's Foundation, Medicon Village Fastighets AB, Mats Paulsson's Foundation for research, innovation and community building, Stefan Paulsson's Cancer Fund Foundation and Forget Foundation.
Formerly various management positions in Peab since 1959.
Holding: 3,861,354 A shares, 7,262,500 B shares

Karl-Axel Granlund
Born 1955. Appointed 2000.
MSc (economics), MSc (engineering)
Chairman of the board of Volito AB.
Holding: 13,000 B shares

Kerstin Lindell
Born 1967. Appointed 2014.
MSc (engineering), Ph D Polymer Chemistry, MSc (economics)
CEO of Bona AB. Vice chairman of the board of the Chamber of Commerce and Industry of Southern Sweden.
Member of the board of Hexpol AB.
Holding: 5,000 B shares

Fredrik Paulsson
Born 1972. Appointed 2009.
Member of the board and CEO of Kranpunkten i Skandinavien AB and Ekhaga Utveckling AB.
Member of the board of Skistar AB, Mats Paulsson's Foundation and Stefan Paulsson's Cancer Fund Foundation.
Holding: 445,956 A shares, 782,750 B shares and via ownership of Ekhaga Utveckling AB 25,563,264 A shares and 36,057,059 B shares

Malin Persson
Born 1968. Appointed 2016.
MSc (engineering)
CEO and owner of Accuracy AB.
Member of the board of Getinge AB, Hexpol AB, Mekonomen AB and Hexatronic AB.
Holding: 2,000 B shares

Lars Sköld
Born 1950. Appointed 2007.
Chairman of the board of Dufweholms Herrgård AB.
Member of the board of O.Timblads Målerifirma AB.
Formerly positions as CEO and President of STC Interfinans AB, CEO of Sveaskog AB and CEO of Klövern Fastigheter AB.
Holding: 20,000 B shares

Liselott Kilaas
Born 1959. Appointed 2018.
MMS, MBA IMD Business School.
Member of the board of DNV-GL, Orkla AB, Norweigan Pension Fund Nordic, Nobina AB, Memira AB and Norweigan Hydro.
Former positions: CEO of Aleris AB, member of the board of Polaris Media ASA, Telenor, I M Skaugen and Norweigan Central Bank.
Holding: None

Patrik Svensson
Born 1969. Appointed 2007.
Foreman Construction Sweden.
Employee representative Byggnads.
Holding: None

Kim Thomsen
Born 1965. Appointed 2008.
Carpenter Construction maintenance Sweden.
Employee representative Byggnads.
Holding: None

Egon Waldemarsson
Born 1954. Appointed 2016.
Planner Construction Sweden.
Employee representative Ledarna.
Holding: 6,000 B shares

Torsten Centerdal
Born 1958. Appointed 2013.
Asphalt layer Industry Sweden.
Employee representative (deputy) SEKO.
Holding: 10,000 B shares

Annelie Söderlind
Born 1964. Appointed 2018.
Foreman Industry Sweden.
Employee representative (deputy) Unionen.
Holding: None

The holdings reported were those on 31 December 2018. Holdings include those of spouses, children who are minors and private company holdings.

Executive management

Jesper Göransson
CEO and President
Born 1971
Employed since 1996
MSc (Business and Economics)
Holding: 432,000 B shares and 518,000 B shares via endowment insurance [1)]

Niclas Winkvist
CFO
Born 1966
Employed since 1995
MSc (economics)
Holding: 108,000 B shares and 197,000 B shares via endowment insurance [1)]

Roger Linnér
COO
Born 1970
Employed since 1996
MSc (engineering)
Holding: 5,000 B shares and 142,500 B shares via endowment insurance [1)]

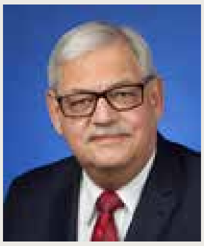
Camila Buzaglo
CCO
Born 1971
Employed since 2018
B.P.S
Holding: None

Stefan Danielsson
Business Area Construction
Born 1969
Employed since 2015
BSc (engineering)
Holding: 6,000 B shares and 32,500 B shares via endowment insurance [1)]

Lotta Brändström
Business Area Civil Engineering from 2019
Born 1966
Employed since 2017
MSc (engineering)
Holding: None

Karl-Gunnar Karlsson
Business Area Industry. Until end of 2018 even Business Area Civil Engineering
Born 1956
Employed since 2003
Technical College Graduate
Holding: 15,400 B shares and 103,440 B shares via endowment insurance [1)]

Göran Linder
Business Area Project Development
Born 1968
Employed since 2011
MSc (Business and Economics)
Holding: 27,500 B shares via endowment insurance [1)]



Auditor

KPMG AB
Dan Kjellqvist
Authorized public accountant

The holdings reported were those on 31 December 2018. Holdings include those of spouses, children who are minors and private company holdings.

[1)] According to employment contracts for senior officers, part of or the entire outcome from variable remuneration can, while the outcome of the LTI program must, be placed in an endowment insurance which primarily invests in Peab shares. Information regarding variable remuneration and the LTI program, see note 10.

The Peab share

Peab's B share is listed on the Nasdaq Stockholm, Large Cap. As of 31 December 2018 the total market capital of Peab was SEK 21.4 billion (20.9).

TRADING IN THE PEAB SHARE

As of 31 December 2018 the last day of the year the closing price of the Peab B share was SEK 72.40 (70.60), which was a three percent increase during the year. The Swedish Stock Exchange, measured by the Affärsvärlden Index, decreased in 2018 by eight percent. In 2018, the Peab B share was quoted at a maximum of SEK 85.85 (109.50) and a minimum of SEK 62.60 (70.60). About 147 million B shares (122) were traded, which was equivalent to 589,000 B shares per trading day (487,000) and a turnover rate of 56 percent.

TOTAL RETURN

The total return on the Peab share in 2018 amounted to 8.1 percent, to be compared to the SIX Return index of 4.4 percent. In the five-year period 1 January 2014 to 31 December 2018 the annual total return on Peab's B share amounted to 123.7 percent, to be compared to the SIX Return Index of 46.7 percent during the same period.

SHARES AND SHARE CAPITAL

The total number of shares at the beginning of 2018 was 296,049,730 divided into 34,319,957 A shares with 10 voting rights per share and 261,729,773 B shares with one voting right per share.

At the end of 2018 the number of A shares was 34,319,957 representing 11.6 percent (11.6) of capital and 56.7 percent (56.7) of the votes and the number of B shares was 261,729,773 representing 88.4 percent (88.4) of capital and 43.3 percent (43.3) of the votes. The share capital amounted to SEK 1,583.9 million (1,583.9). Information on share capital development over time is available at www.peab.com.

HOLDINGS OF OWN SHARES

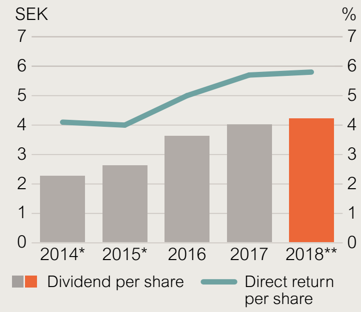
At the beginning of 2018 Peab's own B shareholding was 1,086,984 which corresponds to 0.4 percent of the total number of shares. No own shares were repurchased or divested in 2018.

DIVIDEND

A dividend of SEK 4.20 (4.00) per share is proposed for 2018. Excluding the 1,086,984 shares owned by Peab AB per 31 December 2018, which are not entitled to dividends, the proposed dividend is equivalent to a total dividend distribution of SEK 1,239 million (1,180). Calculated as a share of the Group's reported profit for the year, the proposed dividend amounts to 59 percent (57).

The direct return calculated on the proposed dividend and at the closing price on 31 December 2018 is 5.8 percent (5.7).

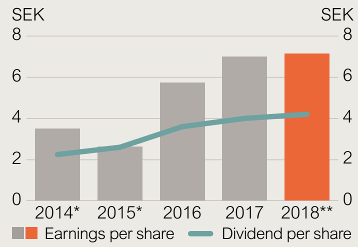
Dividend and direct return



* Not recalculated taking IFRS 15 into account
** Board of Directors' proposal for 2018

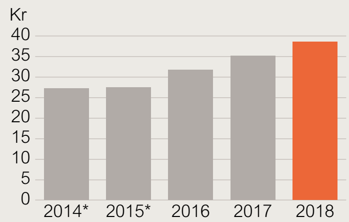
Key ratios

Earnings and dividend per share



* Not recalculated taking IFRS 15 into account
** Board of Directors' proposal for 2018

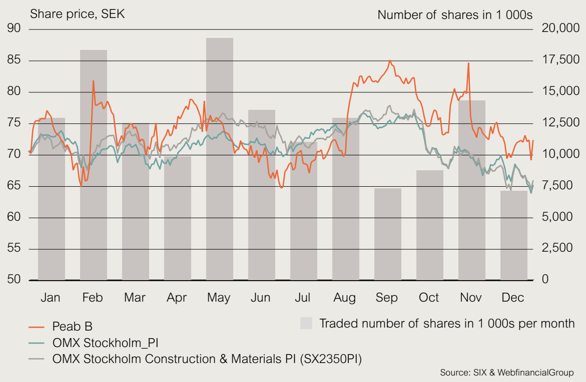
Equity per share



* Not recalculated taking IFRS 15 into account

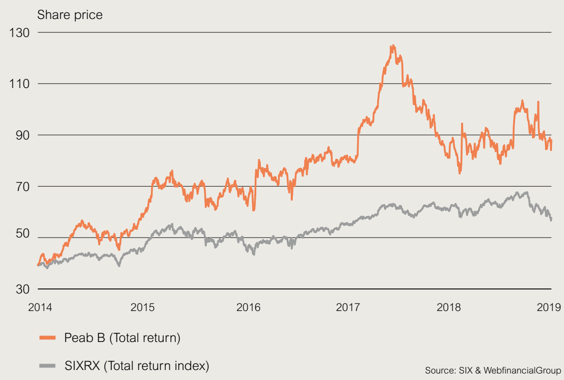
Price trend of the Peab share

1 January – 31 December 2018



Total return

31 December 2013 – 31 December 2018



List of shareholders on 31 December 2018

	A shares	B shares	Total number of shares	Proportion of capital, %	Proportion of votes, %
Ekhaga Utveckling AB	25,563,264	36,057,059	61,620,323	20.8	48.2
AB Axel Granlund	1,500,000	18,000,000	19,500,000	6.6	5.5
Mats Paulsson	3,861,354	7,262,500	11,123,854	3.8	7.6
Peab´s profit share foundation		10,408,000	10,408,000	3.5	1.7
STATE STREET BANK AND TRUST CO, W9		8,961,931	8,961,931	3.0	1.5
SEB Investment Management		8,839,689	8,839,689	3.0	1.5
Kamprad family foundation		8,600,000	8,600,000	2.9	1.4
CBNY-Norges Bank		7,282,461	7,282,461	2.5	1.2
Handelsbanken Funds		5,085,000	5,085,000	1.7	0.8
SIX SIS AG, W8IMY		4,723,125	4,723,125	1.6	0.8
BNP PARIBAS SEC SERV LUXEMBOURG, W8IMY		4,513,423	4,513,423	1.5	0.7
CBNY-DFA-INT SML CAP V		3,782,060	3,782,060	1.3	0.6
Danica Pension		3,562,438	3,562,438	1.2	0.6
JPM CHASE NA		3,386,913	3,386,913	1.1	0.6
BNY MELLON NA (FORMER MELLON), W9		3,373,516	3,373,516	1.1	0.6
BNY MELLON SA/NV (FORMER BNY), W8IMY		3,251,172	3,251,172	1.1	0.5
DEUTSCHE BANK AG, W8IMY		3,101,181	3,101,181	1.0	0.5
Other shareholders related to the Paulsson family	891,912	1,952,250	2,844,162	1.0	1.8
Other shareholders	2,503,427	118,500,071	121,003,498	40.9	23.7
Number of outstanding shares	**34,319,957**	**260,642,789**	**294,962,746**		
Peab AB		1,086,984	1,086,984	0.4	0.2
Number of registered shares	**34,319,957**	**261,729,773**	**296,049,730**	**100.0**	**100.0**

Allocation of shareholdings per 2018-12-31

Number of shares	Number of shareholders	Proportion of capital, %	Proportion of votes, %
1– 500	21,925	1.2	0.6
501– 1.000	5,25	1.5	0.7
1.001– 5.000	6,805	5.5	2.7
5.001– 10.000	1,239	3.1	1.5
10.001– 15.000	446	1.8	0.9
15.001– 20.000	226	1.4	0.7
20.001–	638	85.5	92.9
	36,529	**100.0**	**100.0**

Shares and votes per share class 2018-12-31

Share class	Number	Number of votes	Proportion of capital, %	Proportion of votes, %
A	34,319,957	10	11.6	56.7
B	261,729,773	1	88.4	43.3
Total	**296,049,730**		**100.0**	**100.0**

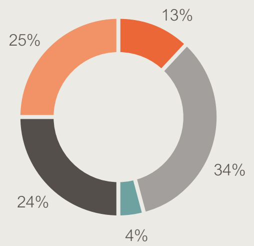
Data per share

	2018	2017
Earnings, SEK	7.12	7.01
Equity, SEK	38.47	35.02
Cash flow before financing, SEK	-3.46	7.78
Share price at year-end, SEK	72.40	70.60
Share price/equity, %	188	202
Dividend, SEK [1]	4.20	4.00
Direct return, % [2]	5.8	5.7
P/E-ratio [2]	10	10

[1] For 2018, Board of Directors´ proposal to the AGM.

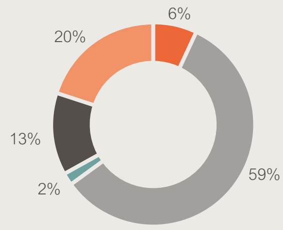
[2] Based on closing price at year-end.

Shareholder categories, proportion of capital per 2018-12-31



- Financial companies and trust funds, 13%
- Other Swedish legal entities, 34%
- Interest organizations, 4%
- Foreign shareholders, 24%
- Swedish private persons, 25%

Shareholder categories, proportion of votes per 2018-12-31



- Financial companies and trust funds, 6%
- Other Swedish legal entities, 59%
- Interest organizations, 2%
- Foreign shareholders, 13%
- Swedish private persons, 20%

Five-year overview

Group, MSEK	2018	2017	2016	2015 [1]	2014 [1]
Income statement items					
Net sales	52,233	49,981	46,054	44,376	43,630
Operating profit	2,573	2,418	2,044	1,009	1,752
Pre-tax profit	2,518	2,458	1,996	906	1,230
Profit for the year	2,100	2,067	1,685	798	1,027
Balance sheet items					
Fixed assets	11,317	11,226	9,901	9,323	9,284
Current assets	25,999	20,899	21,448	18,718	19,101
Total assets	**37,316**	**32,125**	**31,349**	**28,041**	**28,385**
Equity	11,348	10,332	9,340	8,076	7,997
Long-term liabilities	6,294	3,614	3,864	4,505	4,719
Current liabilities	19,674	18,179	18,145	15,460	15,669
Total equity and liabilities	**37,316**	**32,125**	**31,349**	**28,041**	**28,385**
Key ratios					
Operating margin, percent	4.9	4.8	4.4	2.3	4.0
Equity, average during the year	10,731	9,705	8,579	8,088	7,832
Return on equity, percent	19.6	21.3	19.6	9.9	13.1
Capital employed, at year-end	18,360	14,074	14,362	14,476	14,762
Capital employed, average during the year	16,761	13,972	14,122	14,224	15,482
Return on capital employed, percent	15.9	18.7	15.9	8.2	12.1
Equity/assets ratio, percent	30.4	32.2	29.8	28.8	28.2
Net debt	3,551	1,216	1,862	3,118	3,886
Debt/equity ratio, multiple	0.3	0.1	0.2	0.4	0.5
Interest coverage ratio, multiple	21.6	21.8	12.9	5.5	4.8
Capital expenditures					
Goodwill	23	61	40	-17	26
Other intangible assets	98	113	34	5	-2
Investment property	-262	265	–	–	–
Buildings and land	-31	181	200	-94	36
Machinery and equipment	1,193	1,292	1,175	627	532
Shares and participations	169	-563	303	-210	-263
Project and development properties	2,103	702	324	291	-99
Orders [2]					
Orders received	51,087	48,999	41,445	37,812	31,690
Order backlog	45,819	40,205	33,572	26,991	24,922
Personnel					
Number of employees, at year-end	14,614	14,344	13,869	13,300	13,213
Average number of employees	14,661	14,578	13,712	13,036	13,176
Data per share					
Earnings before and after dilution, SEK	7.12	7.01	5.71	2.71	3.48
Cash flow, SEK	-3.46	7.78	8.99	6.06	9.50
Equity, SEK	38.47	35.02	31.67	27.38	27.11
Share price at year-end, SEK	72.40	70.60	72.30	64.85	54.95
Dividend, SEK 3)	4.20	4.00	3.60	2.60	2.25
Number of shares at year-end, millions	295.0	295.0	295.0	295.0	295.0
Average number of outstanding shares, millions	295.0	295.0	295.0	295.0	295.0

[1] Not recalculated according to IFRS 15.
[2] As of 2017 certain sections of Industry's orders received and order backlog are presented.
[3] For 2018, the Board of Director's proposal to the AGM.

Alternative performance measures and definitions

Alternative performance measures are used to describe the development of operations and to enhance comparability between periods. These are not defined under IFRS but correspond to the methods applied by executive management and Board of Directors to measure the company's financial performance. Alternative performance measures should not be viewed as a substitute for financial information presented in accordance with IFRS but rather as a complement. For more information and calculations, see www.peab.com/alternative-performance-measures.

Financial

AVAILABLE LIQUIDITY
Liquid funds and short-term investments along with unutilized credit facilities. Shows the Group´s available liquidity.

CAPITAL EMPLOYED FOR THE BUSINESS AREAS
Total assets in the business area at the end of the year reduced by deferred tax recoverables and internal receivables from the internal bank Peab Finans with deductions for non-interest-bearing liabilities and deferred tax liabilities. The measurement is used to measure capital utilization and its effectiveness for the business areas, and is only presented as a net amount per business area.

CAPITAL EMPLOYED FOR THE GROUP
Total assets at the end of the year less non-interest-bearing operating liabilities and provisions. The measurement is used to measure capital utilization and its effectiveness.

CASH FLOW PER SHARE
Cash flow per share calculated as the total of the cash flow from current operations and cash flow from investment activities divided by the average number of outstanding shares during the year.

DIRECT RETURN, SHARES
Dividend as a percentage of the share price at year-end. Measures the direct return of the proposed dividend i relation to the price at year-end.

EARNINGS PER SHARE
Profit for the period attributable to shareholders in parent company divided by the average number of outstanding shares during the period.

EQUITY/ASSETS RATIO
Equity as a percentage of total assets at the end of the year. Shows financial position.

EQUITY PER SHARE
Equity attributable to shareholders in parent company divided by the number of outstanding shares at the end of the period.

INTEREST COVERAGE RATIO
Pre-tax profit items plus interest expenses in relation to interest expenses. The measurement shows how the interest costs can be covered.

NET DEBT
Interest-bearing liabilities including provisions for pensions less liquid funds and interest-bearing assets.

NET DEBT/EQUITY RATIO
Interest-bearing net debt in relation to equity. Shows financial position.

NET INVESTMENTS
The change in the period of the recognized value of current assets (CB-OB) plus depreciation and write-downs.

OPERATING MARGIN
Operating profit as a percentage of net sales.

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

ORDERS RECEIVED
The sum of orders received during the period. Measures how new orders replace produced work.

P/E RATIO
Share price at year-end divided by earnings per share.

RETURN ON CAPITAL EMPLOYED
The pre-tax profit of the rolling 12 months period with the addition of financial expenses in percent of the average (last four quarters) capital employed. The measurement is used to measure capital efficiency and to allocate capital for new investments and show the Group's earning capacity independent of financing.

RETURN ON EQUITY
The profit of the rolling 12 months period attributable to shareholders in parent company divided by the average (last four quarters) equity attributable to shareholders of shares in the parent company. The measurement is used to create efficient business and a rational capital structure and show how the Group has increased shareholders' equity.

Construction-related

CONTRACT AMOUNT
The amount stated in the contract for contract work excluding VAT.

DEVELOPMENT RIGHTS
Estimated amount of construction possible on a piece of land. A development right is the maximum level of construction allowed on a property according to a zoning plan. The scope of the future zoning plan is estimated for up and coming zoning plans. In order to have the right of disposition over a development right ownership of, or the option to own, the land is required. Development rights for commercial property are measured in square meters.

FIXED PRICE
Contract to be carried out for a fixed price without the contractor being able to alter it, unless the client makes changes to the contract or makes supplementary orders.

PARTNERING/COLLABORATION
A type of structured collaboration in the construction industry in which the developer, consultants, contractors and other key players work together to achieve a construction goal. The collaboration is founded on trust where each person's professional skills supplement the others' throughout the construction process. The basic idea is that the developer gathers together all the expertise needed to realize the project early on. We avoid different players only being involved in the process for a limited time. In partnering/collaboration we take advantage of everyone's know-how all the time as we work together from start to finish.

PROJECT AND DEVELOPMENT PROPERTY
Holdings of undeveloped land and decontamination property for future development, real estate with buildings for project development or improvement and thereafter sales within Peab's normal business cycle.

PROJECT DEVELOPMENT
Finding project or development properties and developing these into complete projects.

TURNKEY CONTRACT
Contract work where the contractor, in addition to building, is also responsible for planning the project.

Welcome to Peab's Annual General Meeting

Time and location

The Annual General Meeting of Peab AB will be held at 3 p.m. on Thursday 9 May 2019, Grevieparken in Grevie, Sweden.

Notification

Notification of participation in the Annual General Meeting must be submitted at the latest at 2 p.m. on Friday 3 May 2019. Notification may be submitted by telephone to +46 431 893 50, by mail to Peab AB (publ), Annual General Meeting, c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, or via the company's website at www.peab.com. To participate in the Annual General Meeting shareholders must be registered in the share register kept by Euroclear Sweden AB by Friday 3 May 2019 at the latest. Shareholders who have registered their shares in trust must have registered such shares in their own names at the latest by this date. Shareholders should request trustees to undertake such registering a few days in advance.

Dividend

The Board of Directors proposes to the Annual General Meeting an ordinary dividend of SEK 4.20 per share for 2018. The proposed record day is Monday 13 May 2019. If the Annual General Meeting approves the proposal submitted, dividends will be distributed from Euroclear Sweden AB on Thursday 16 May 2019.

Financial information

At www.peab.com we continually provide current information on the company, financial results and how our share is developing. Financial reports and publications can be downloaded there as well. They can also be ordered by contacting: Peab AB, Margretetorpsvägen 84, SE-269 73 Förslöv or Tel +46 431-890 00.

FOLLOW PEAB QUARTER BY QUARTER

When Peab publishes our quarterly reports we also present the financial results for the previous quarter and a description of the current situation. The link to the presentations can be found at www.peab.com/reports.

SHAREHOLDER CONTACT

Niclas Winkvist
CFO
Tel +46 431-890 00
niclas.winkvist@peab.se

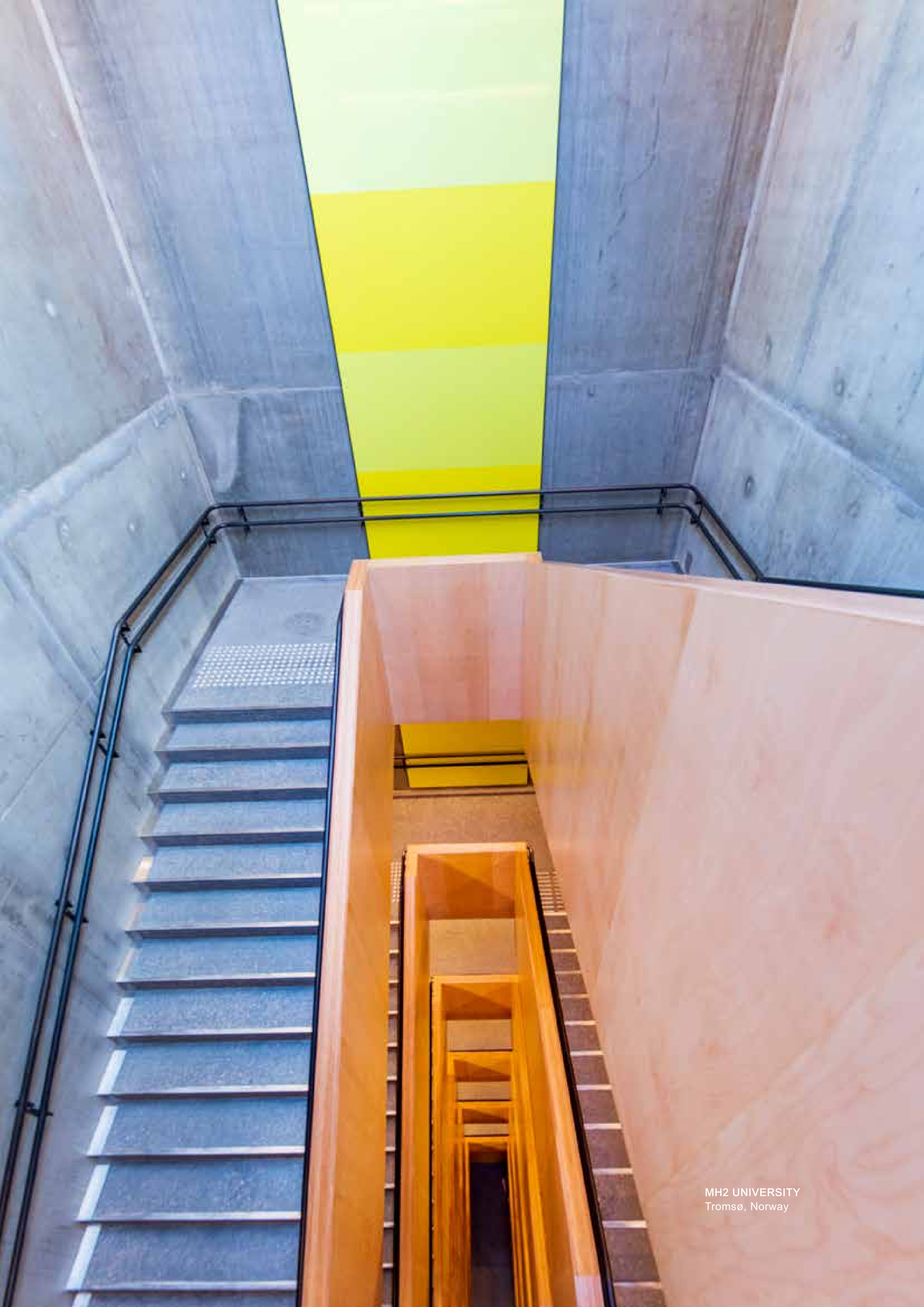
Camila Buzaglo
CCO
Tel +46 431-890 00
camila.buzaglo@peab.se

Annual calendar 2019

First Quarter Report	9 May
Annual General Meeting	9 May
Second Quarter Report	19 July
Third Quarter Report	24 October
Year-end Report	6 February 2020
Annual and Sustainability Report	April 2020

Analysts who follow Peab

Company	Name	Email
ABG Sundal Collier	Tobias Kaj	tobias.kaj@abgsc.se
Carnegie	Erik Granström	erik.granstrom@carnegie.se
DNB Nor	Mattias Montgomery	mattias.montgomery@dnb.se
Handelsbanken	Johan Edberg	joed02@handelsbanken.se
Kepler Cheuvreux	Albin Sandberg	asandberg@keplercheuvreux.com
Nordea	Niclas Höglund	niclas.hoglund@nordea.com
SEB Enskilda	Stefan Andersson	stefan.andersson@enskilda.se


MH2 UNIVERSITY
Tromsø, Norway

BYSTED

Peab is the Nordic Community Builder with approximately 15,000 employees and net sales of approximately SEK 52 billion. The Group has strategically located offices in Sweden, Norway and Finland. Group headquarters are in Förslöv on the Bjäre Peninsula in Skåne. The share is listed on Nasdaq Stockholm.

Peab AB (publ) • Margretetorpsvägen 84 • SE-269 73 Förslöv • Tel +46 431-89000 peab.com

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