Increased net sales, improved profit and strengthened financial position

- Operative net sales SEK 11,096 million (8,692)
- Operative operating profit SEK 316 million (188)
- Operative operating margin 2.8 percent (2.2)
- Pre-tax profit SEK 311 million (146)
- Earnings per share SEK 0.94 (0.42)
- Orders received SEK 11,114 million (11,886)
- Order backlog SEK 35,679 million (31,550)
- Cash flow before financing SEK 1,788 million (910)
- Net debt SEK 416 million (2,512)
- Equity/assets ratio 32.5 percent (30.6)

PEAB
THE NORDIC COMMUNITY BUILDER

Comments from the CEO

Through our four complementary and cooperating business areas Peab presents an increase in net sales and improved profit in the first quarter. The continued strong cash flow from operations during the quarter has been used to invest in the business and to further strengthen our financial position.

MARKET CONDITIONS

After very strong development during 2016 in building construction start-ups in Sweden construction is expected to even off on a high level in 2017, primarily as a result of capacity limitation in the market. Slightly fewer building construction start-ups are expected in Norway and Finland during 2017. Market conditions in civil engineering in Sweden and Norway are deemed good.

ORDER SITUATION

The amount of orders received for the first quarter 2017 was SEK 11.1 billion (11.9). Order backlog was SEK 35.7 billion (31.6).

BUSINESS AREA DEVELOPMENT

Net sales in business area Construction increased compared to the first quarter of 2016 with a slightly higher result. The first quarter is normally seasonally weak, especially for Civil Engineering and Industry. However, net sales increased in business area Civil Engineering with an unchanged result. Net sales also increased in business area Industry but result was slightly lower. Net sales in business area Project Development increased and operating profit improved. The operating margin in Housing Development continued to improve. Capital gains from the divestiture of a joint venture company affected Property Development positively by SEK 75 million.

GROUP DEVELOPMENT

As previously communicated the transactions with Fabege regarding the sales of a number of assets in Arenastaden and Ulriksdal in Solna have been settled during the quarter. The transactions have not had any net effect on the result but are included in net sales by SEK 577 million. Operative net sales during the period were SEK 11,096 million (8,692), which was an increase by 28 percent. Operative operating profit improved to SEK 316 million (188), which entailed an operative operating margin of 2.8 percent (2.2). Cash flow continued to be strong and cash flow before financing increased to SEK 1,788 million (910), including the Arenastaden transactions of around SEK 835 million. This lowered net debt to SEK 416 million compared to SEK 1,862 million at the end of the year. The reduced net debt led to improved net interest.

OUTLOOK FOR THE FUTURE

Our business model with four complementary and cooperating business areas means we are well-equipped to take on the opportunities and challenges in the market. We have a platform with many positive factors that point in the right direction for Peab. Order backlog is in good shape with a nice mix of projects, a well-dimensioned development rights portfolio, continued positive market prospects and a financial position which is becoming successively stronger. At the same time there are a number of challenges to deal with such as capacity limitations in the form of resource shortages, primarily in big city regions, increases in costs for subcontractors and rising land prices.

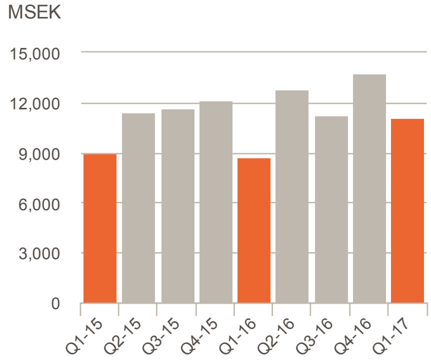
We continue to work on our ambition to be the best company in the industry. We have established three target areas to achieve this:

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

Jesper Göransson
CEO and President

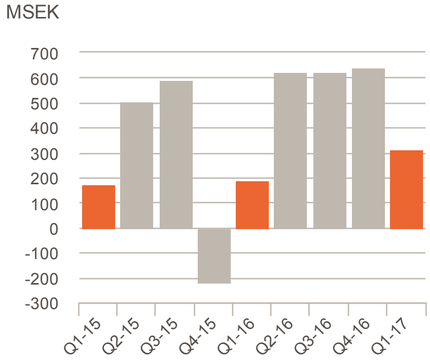
Quarterly report January – March 2017

Operative net sales



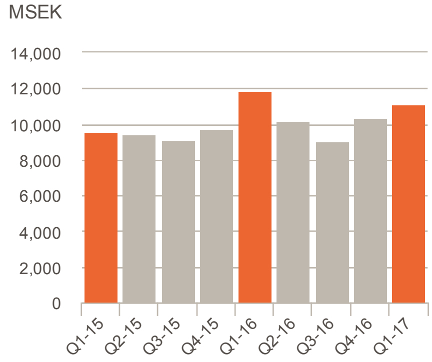
Group operative net sales for the first quarter 2017 amounted to SEK 11,096 million (8,692), which was an increase of 28 percent. After adjustments for acquired and divested units net sales increased by 27 percent compared to the same period last year.

Operative operating profit



Operative operating profit for the first quarter 2017 amounted to SEK 316 million compared to SEK 188 million for the same period last year.

Orders received



Orders received for the first quarter 2017 amounted to SEK 11,114 million compared to SEK 11,886 million for the same period last year. Order backlog amounted to SEK 35,679 million compared to SEK 33,572 million at the end of last year.

Group

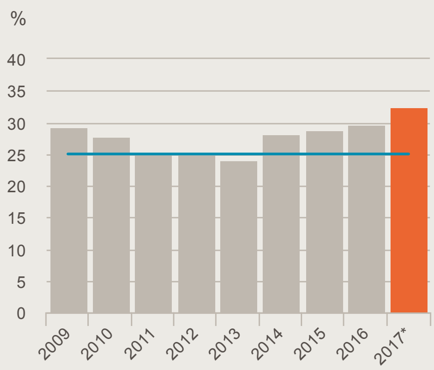
MSEK	Jan-Mar 2017	Jan-Mar 2016	Apr-Mar 2016/2017	Jan-Dec 2016
Operative net sales 1)	11,096	8,692	48,893	46,489
Net sales	11,151	8,531	48,957	46,337
Operative operating profit 1)	316	188	2,203	2,075
Operative operating margin, % 1)	2.8	2.2	4.5	4.5
Operating profit	320	157	2,261	2,098
Operating margin, %	2.9	1.8	4.6	4.5
Pre-tax profit	311	146	2,215	2,050
Profit for the period	277	123	1,881	1,727
Earnings per share, SEK	0.94	0.42	6.37	5.85
Return on equity, %	21.1 2)	10.3 2)	21.1	20.1
Net debt	416	2,512	416	1,862
Equity/assets ratio, %	32.5	30.6	32.5	29.7
Number of employees	14,100	13,444	14,100	13,869

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

2) Calculated on rolling 12 months.

Financial goals

Equity/assets ratio

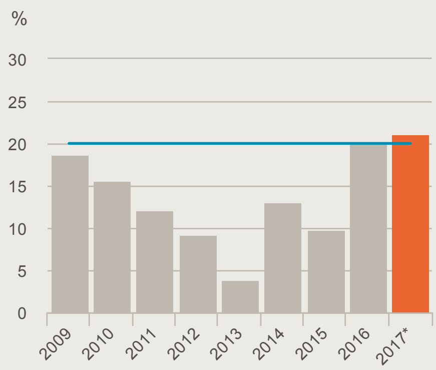


* As of March 31 2017

Goal > 25%

The goal for the equity/assets ratio is at least 25 percent. On 31 March 2017 the equity/assets ratio was 32.5 percent compared to 29.7 percent at the end of last year.

Return on equity

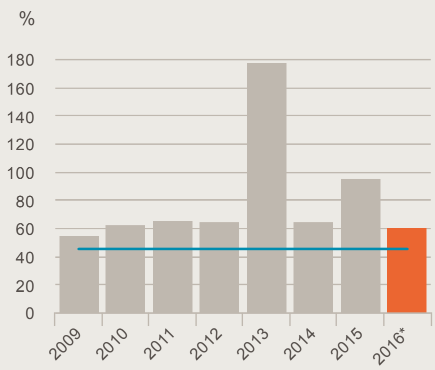


* Rolling 12 months as of March 31 2017

Goal > 20%

The goal for return on equity is a yield of at least 20 percent. The return on equity calculated on a rolling 12 months was 21.1 percent (10.3). For full year 2016 the return on equity amounted to 20.1 percent.

Dividends



* Board of Directors proposal for 2016 to the AGM

Goal > 50%

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

Net sales and profit 1)

Group operative net sales for first quarter 2017 amounted to SEK 11,096 million (8,692), which was an increase of 28 percent. After adjustments for acquired and divested units net sales increased by 27 percent. Adjustments in housing reporting affected net sales by SEK 55 million (-161). Group net sales for the first quarter 2017 increased to SEK 11,151 million (8,531).

Net sales have increased in every business area largely due to the favorable construction and civil engineering market. Net sales grew by 23 percent in business area Construction in all the business area's regions. Net sales increased by 18 percent in business area Civil Engineering in the segments Local market and Infrastructure. Net sales in business area Industry also rose by 18 percent, where product areas Concrete, Gravel and Rock as well as Rentals generated the largest increases. Net sales in Project Development increased in both Housing Development and Property Development. A number of assets were divested in Arenastaden and Ulriksdal in Solna to Fabege in Property Development, which affected net sales by SEK 577 million.

Of the period's net sales SEK 1,953 million (1,270) were attributable to sales and production outside Sweden.

Operative operating profit for the first quarter 2017 amounted to SEK 316 million (188) and the operative operating margin improved to 2.8 percent (2.2). The operative operating margin for the latest rolling 12 month period was unchanged at 4.5 percent compared to the entire year 2016.

The margin in business area Construction was unchanged at 2.2 percent compared to the same quarter last year. The margin in business area Civil Engineering was 1.6 percent (1.8). The result was slightly lower in business area Industry compared to the same period last year. Operating profit in Project Development improved. The margin in Housing Development improved to 8.3 percent (5.7). Capital gains of SEK 75 million from the divestment of a joint venture company which held a number of development properties in Skåne was included in Property Development. The transactions concerning Arenastaden and Ulriksdal had no net effect on profit. The divestitures in Ulriksdal has a positive effect of SEK 180 million on profits while the divestitures of the assets in Arenastaden had a negative effect of SEK 180 million.

Eliminations and reversal of internal profit in our own projects has affected the result net by SEK -10 million (-4). Elimination is reversed in connection with the external divestment of a project. Adjustments in housing reporting affected operating profit by SEK 4 million (-31). Operating profit for the first quarter 2017 was SEK 320 million (157). The operating margin amounted to 2.9 percent (1.8).

Depreciation and write-downs for the period were SEK -217 million (-199).

Net financial items amounted to SEK -9 million (-11). Net interest improved to SEK -15 million (-19), primarily as a result of lower net debt.

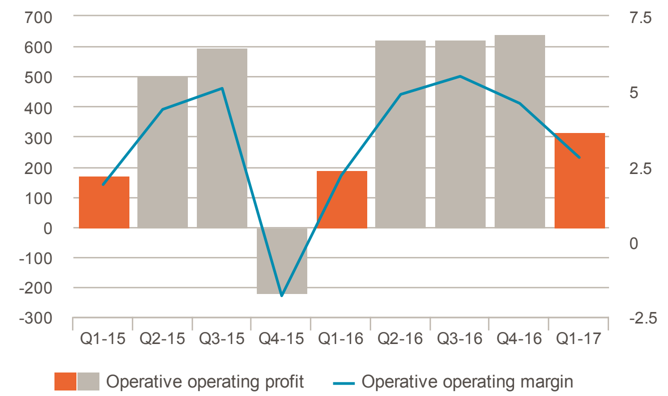
Pre-tax profit was SEK 311 million (146).

Profit for the period improved to SEK 277 million (123).

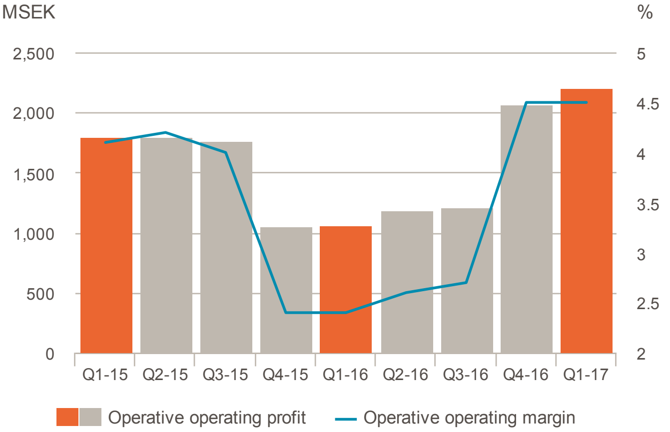
SEASONAL VARIATIONS

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

Operative operating profit and operative operating margin, per quarter



Operative operating profit and operative operating margin, rolling 12 months



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

Financial position and cash flow

RECLASSICATION OF PROPERTY

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

FINANCIAL POSITION

The equity/assets ratio on 31 March 2017 was 32.5 percent compared to 29.7 percent at year-end. Interest-bearing net debt amounted to SEK 416 million compared to SEK 1,862 million at the end of 2016. The average interest rate in the loan portfolio, including derivatives, was 3.1 percent (2.6) on 31 March 2017.

Group liquid funds, including unutilized credit facilities, were SEK 6,314 million at the end of the period compared to SEK 6,062 million on 31 December 2016.

At the end of the period Group contingent liabilities, excluding joint and several liabilities in trading and limited partnerships, amounted to SEK 8,405 million compared to SEK 6,903 million on 31 December 2016. SEK 6,100 million (4,498) of contingent liabilities was surety given for credit lines for tenant-owned apartments under production.

INVESTMENTS AND DIVESTMENTS

During the period SEK 305 million (216) was net invested in tangible and intangible fixed assets.

Net divestments in project and development properties, which are recognized as inventory items, totaled SEK 285 million (net invested 174) during the period. Most of the divestments were properties sold in Ulriksdal.

CASH FLOW

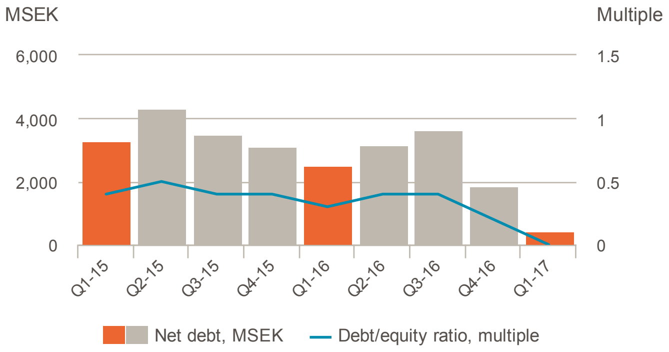
Cash flow from current operations was SEK 1,571 million (862). The increase stems from less capital tied up in working capital.

Cash flow from investment activities was SEK 217 million (48).

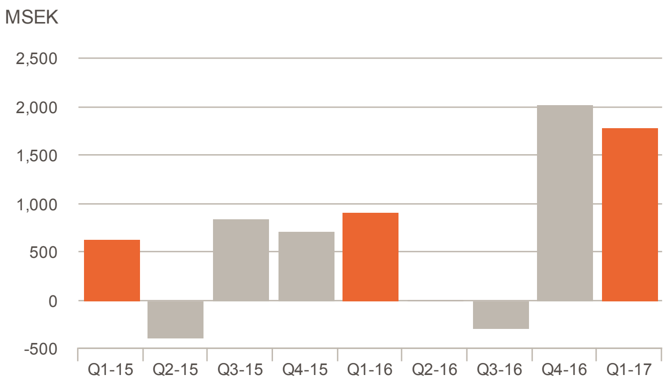
Cash flow before financing amounted to SEK 1,788 million compared to SEK 910 million for the same period last year, of which the transactions in Arenastaden were included by around SEK 835 million.

Cash flow from financing operations amounted to SEK -1,117 million (-1,312) and is due to amortization of borrowing debts.

Net debt and debt/equity ratio



Cashflow before financing



Order situation

Orders received for the first quarter 2017 amounted to SEK 11,114 million compared to SEK 11,886 million for the same period last year. The level of orders received has risen in business area Construction but contracted in Civil Engineering and Project Development. No orders received or order backlog is given for the business area Industry.

There continues to be a broad spread geographically of housing projects in orders received for first quarter 2017.

Order backlog yet to be produced at the end of the period increased to SEK 35,679 million compared to SEK 31,550 million at the end of the same period last year. Of the total order backlog, 40 percent (45) is expected to be produced after 2017 (2016). Swedish operations accounted for 82 percent (84) of the order backlog.

Orders received

MSEK	Jan-Mar 2017	Jan-Mar 2016	Apr-Mar 2016/2017	Jan-Dec 2016
Construction	7,865	7,300	28,448	27,883
Civil Engineering	3,800	4,221	11,668	12,089
Project Development	1,375	1,773	7,847	8,245
Eliminations	-1,926	-1,408	-7,290	-6,772
Group	**11,114**	**11,886**	**40,673**	**41,445**

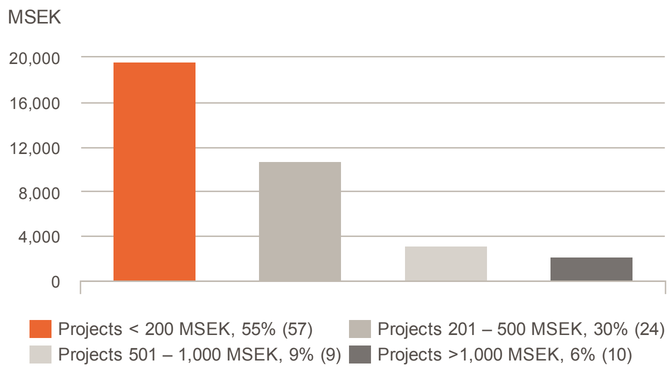
Order backlog

MSEK	31 Mar 2017	31 Mar 2016	31 Dec 2016
Construction	25,716	21,666	24,160
Civil Engineering	10,052	9,476	8,679
Project Development	6,705	4,895	6,853
Eliminations	-6,794	-4,487	-6,120
Group	**35,679**	**31,550**	**33,572**

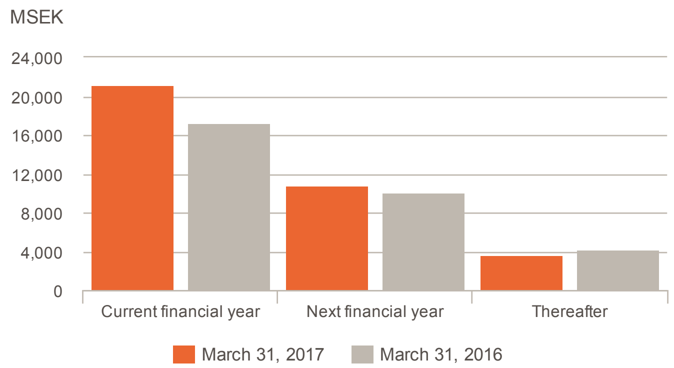
We received several major contracts and agreements during the first quarter, including:

- Construction of the office building The Point in Hyllie, Malmö. The customer is Point Hyllie Holding, owned equally by Peab and Volito. The contract is worth SEK 450 million.
- Renovation and extension of Norrland University Hospital in Umeå. The customer is the Västerbotten County Council and the contract is worth SEK 282 million.
- Construction of 146 new apartments in city district Munkebäck in Gothenburg. The customer is Riksbyggen and the contract is worth SEK 281 million.
- Construction of 200 new apartments in city district Munkebäck in Gothenburg. The customer is Tornet and the contract is worth SEK 374 million.
- Construction of a new school in Kristianstad. The customer is Kristianstad Municipality and the contract is worth SEK 128 million.
- Construction of housing project Signaturen and Sjöfront trinn II at Kaldnes Pier in Tönsberg, Norway. The customer is Selvaag Bolig and the contract is worth NOK 147 million.
- Construction of Peab's new office building in Ulriksdal, Solna. The office building is an investment of SEK 453 million, of which Peab's own construction contract makes up SEK 317 million. The order is included in orders received for business area Construction in the first quarter of 2017. The order will be eliminated at Group level.
- Construction of a new student center in Linköping. The customer is Akademiska Hus AB and the contract is worth SEK 327 million.

Project allocation of order backlog, 31 March 2017



Order backlog allocated over time



Overview business areas

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

RECOGNITION OF INTERNAL PROJECTS BETWEEN BUSINESS AREAS CONSTRUCTION AND PROJECT DEVELOPMENT

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

PRESENTATION OF PROPERTY PROJECTS ON OUR OWN BALANCE SHEET

Property projects on our own balance sheet, reported as project and development property, that are sold in the form of a company via shares the underlying sales value is recognized as net sales and the booked value on the balance sheet is recognized as an expense. For property projects reported as operations property or investment property the net effect on the result is recognized as other operating income or other operating cost.

GROUP FUNCTIONS

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

Net sales and operating profit per business area

	Net sales				Operating profit				Operating margin			
MSEK	**Jan-Mar 2017**	**Jan-Mar 2016**	**Apr-Mar 2016/2017**	**Jan-Dec 2016**	**Jan-Mar 2017**	**Jan-Mar 2016**	**Apr-Mar 2016/2017**	**Jan-Dec 2016**	**Jan-Mar 2017**	**Jan-Mar 2016**	**Apr-Mar 2016/2017**	**Jan-Dec 2016**
Construction	6,386	5,199	25,308	24,121	139	116	565	542	2.2%	2.2%	2.2%	2.2%
Civil Engineering	2,388	2,029	11,099	10,740	39	37	357	355	1.6%	1.8%	3.2%	3.3%
Industry	2,237	1,894	12,504	12,161	-23	-12	742	753	-1.0%	-0.6%	5.9%	6.2%
Project Development	2,203	1,376	8,466	7,639	218	78	762	622	9.9%	5.7%	9.0%	8.1%
– of which Property Development	*659*	*76*	*1,968*	*1,385*	*90*	*4*	*175*	*89*	*13.7%*	*5.3%*	*8.9%*	*6.4%*
– of which Housing Development	*1,544*	*1,300*	*6,498*	*6,254*	*128*	*74*	*587*	*533*	*8.3%*	*5.7%*	*9.0%*	*8.5%*
Group functions	235	204	928	897	-47	-27	-142	-122				
Eliminations	-2,353	-2,010	-9,412	-9,069	-10	-4	-81	-75				
Operative 1)	**11,096**	**8,692**	**48,893**	**46,489**	**316**	**188**	**2,203**	**2,075**	**2.8%**	**2.2%**	**4.5%**	**4.5%**
Adjustment for housing reporting 2)	55	-161	64	-152	4	-31	58	23				
Legal	**11,151**	**8,531**	**48,957**	**46,337**	**320**	**157**	**2,261**	**2,098**	**2.9%**	**1.8%**	**4.6%**	**4.5%**

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

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

Business area Construction

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

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

NET SALES AND PROFIT

Net sales for the first quarter 2017 increased by 23 percent and amounted to SEK 6,386 million (5,199). The increase is spread over all regions. The housing production portion continues to grow as well as other building construction for the public sector.

Operating profit for the period amounted to SEK 139 million (116) and the operating margin was unchanged at 2.2 percent. Even the operating margin for the latest 12 month rolling period was unchanged at 2.2 percent compared to the entire year of 2016.

ORDERS RECEIVED AND ORDER BACKLOG

Orders received increased by eight percent during the period compared to same period last year and amounted to SEK 7,865 million (7,300). Orders received were well diversified in terms of products and geography although there is still a large portion of housing.

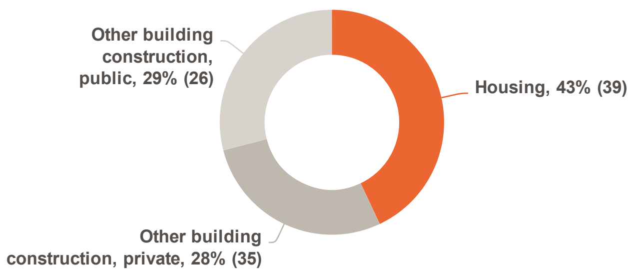
Order backlog 31 March 2017 increased to SEK 25,716 million compared with SEK 21,666 million at the end of March 2016.

Key ratios

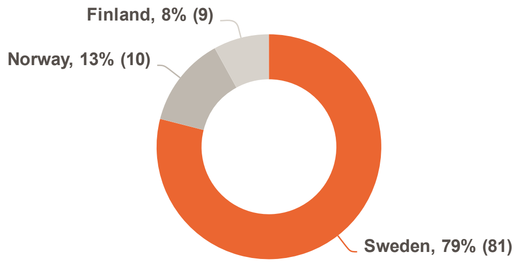
	Jan-Mar 2017	Jan-Mar 2016	Apr-Mar 2016/2017	Jan-Dec 2016
Net sales, MSEK	6,386	5,199	25,308	24,121
Operating profit, MSEK	139	116	565	542
Operating margin, %	2.2	2.2	2.2	2.2
Orders received, MSEK	7,865	7,300	28,448	27,883
Order backlog, MSEK	25,716	21,666	25,716	24,160
Number of employees	6,612	6,412	6,612	6,600

Net sales

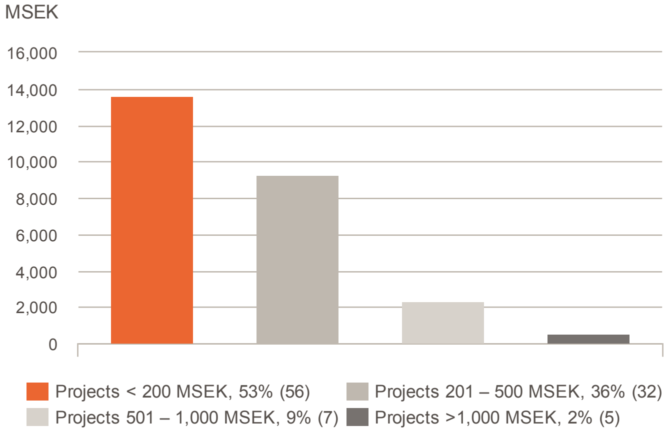
per product area, rolling 12 months



per geographic market, rolling 12 months



Project allocation of order backlog, 31 March 2017



Business area Civil Engineering

Business area Civil Engineering is a leading civil engineering supplier in Sweden with operations in Norway and Finland as well. The business area builds and maintains roads, railroads, bridges and other infrastructure. Peab's civil engineering operations are primarily directed at the local market and are organized in geographic regions and specialized product areas. As of 1 January 2017 Foundation Work has been moved to Civil Engineering from business area Industry.

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

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

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

NET SALES AND PROFIT

The first quarter is seasonally the weakest quarter in Civil Engineering. Net sales for the first quarter 2017 amounted to SEK 2,388 million (2,029) which was an increase of 18 percent. After adjustments for acquired units net sales increased by 17 percent compared to the same period last year. The increase during the first quarter stems from product areas Local market and Infrastructure.

Operating profit for the first quarter 2017 amounted to SEK 39 million (37) and the operating margin improved to 1.6 percent (1.8). The operating margin for the latest 12 month rolling period was 3.2 percent compared to 3.3 percent for the entire year of 2016.

ORDERS RECEIVED AND ORDER BACKLOG

Orders received decreased by ten percent during the first quarter 2017 and amounted to SEK 3,800 million (4,221). Two major road projects worth SEK 1 billion each were included in the corresponding period last year.

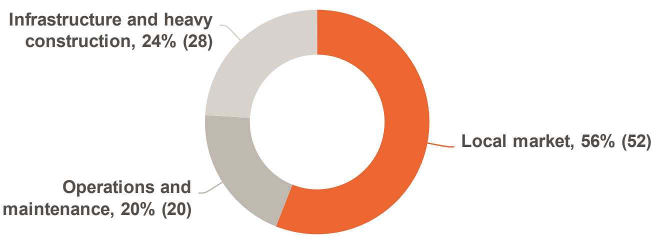
Order backlog on 31 March 2017 amounted to SEK 10,052 million (9,476).

Key ratios

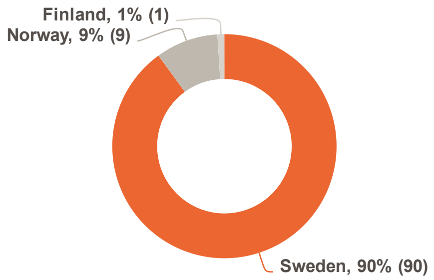
	Jan-Mar 2017	Jan-Mar 2016	Apr-Mar 2016/2017	Jan-Dec 2016
Net sales, MSEK	2,388	2,029	11,099	10,740
Operating profit, MSEK	39	37	357	355
Operating margin, %	1.6	1.8	3.2	3.3
Orders received, MSEK	3,800	4,221	11,668	12,089
Order backlog, MSEK	10,052	9,476	10,052	8,679
Number of employees	3,229	3,039	3,229	3,080

Net sales

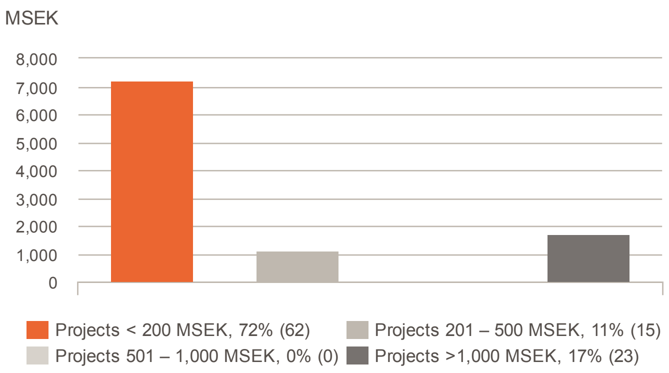
per product area, rolling 12 months



per geographic market, rolling 12 months



Project allocation of order backlog, 31 March 2017



Business area Industry

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

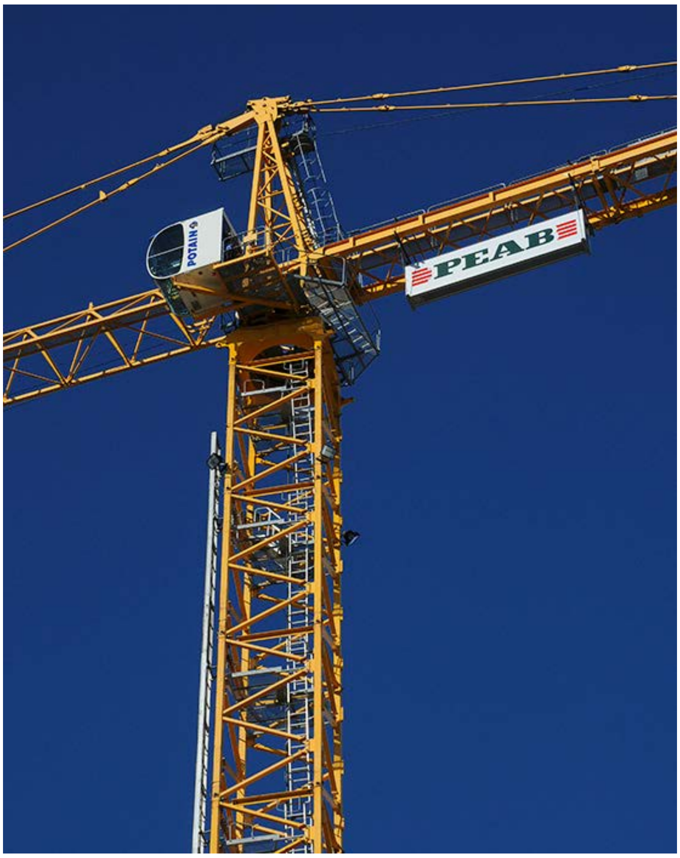
Business area Industry is run in six product areas; Asphalt, Concrete, Gravel and Rock, Transportation and Machines, Rentals and Construction System. As of 1 January 2017 Foundation Work has been moved to Civil Engineering. All of the product areas work on the Nordic construction and civil engineering markets.

NET SALES AND PROFIT

The first quarter is seasonally the weakest quarter in Industry. Net sales for the first quarter 2017 increased by 18 percent and amounted to SEK 2,237 (1,894). After adjustments for acquired units net sales increased by 17 percent compared to the same period last year. The increase during the first quarter stems mainly from product areas Concrete, Gravel and Rock and Rentals.

Operating profit for the first quarter 2017 amounted to SEK -23 million (-12). Product areas Concrete, Gravel and Rock, Rentals and Transportation and Machines report a slightly better result in comparison with the corresponding period last year. As a result of seasonal variations the result in Asphalt is negative for the first quarter. The operating margin contracted to -1,0 percent (-0,6). The operating margin was 5.9 percent during the latest rolling 12 month period compared to 6.2 percent for the entire year of 2016.

Capital employed in Industry at the end of the period amounted to SEK 5,068 million (4,748).



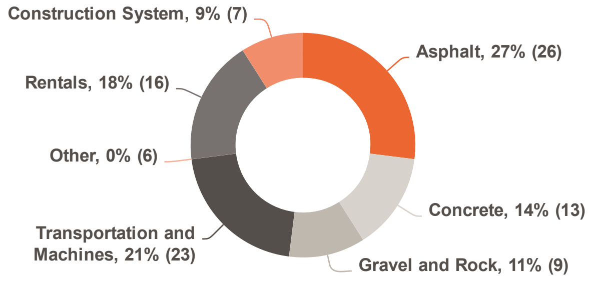
Key ratios

	Jan-Mar 2017	Jan-Mar 2016	Apr-Mar 2016/2017	Jan-Dec 2016
Net sales, MSEK	2,237	1,894	12,504	12,161
Operating profit, MSEK	-23	-12	742	753
Operating margin, %	-1.0	-0.6	5.9	6.2
Capital employed at the end of the period, MSEK	5,068	4,748	5,068	5,416
Number of employees	3,416	3,216	3,416	3,385
Concrete, thousands of m^3 1)	258	191	1,168	1,101
Asphalt, thousands of tons 1)	29	24	2,594	2,589
Gravel and Rock, thousands of tons 1)	2,637	1,845	13,901	13,109

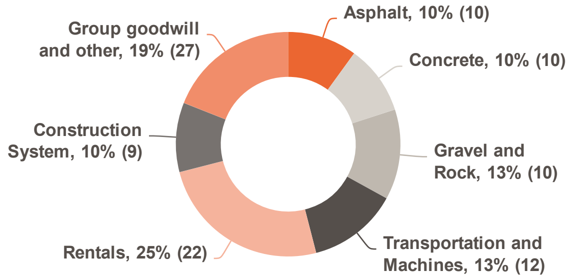
1) Refers to sold volume

Net sales

per product area, rolling 12 months



Capital employed, 31 March 2017



Business area Project Development

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

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

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

Operations in Property Development revolve around the acquisition, development, maintenance and management as well as the divestiture of commercial property.

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

NET SALES AND PROFIT

Operative net sales for the first quarter 2017 in business area Project Development amounted to SEK 2,203 million (1,376). Operative operating profit increased to SEK 218 million (78).

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

Capital employed in Project Development at the end of the period amounted to SEK 8,782 million (10,043).

HAMNEN AND STRANDPROMENADEN
Sundbyberg

Capital employed

MSEK	31 Mar 2017	31 Mar 2016	31 Dec 2016
Operations property	933	–	–
Investment property	703	–	–
Project and development property	5,472	6,903	7,007
of which housing development rights	*4,241*	*3,804*	*4,125*
of which commercial development rights	*504*	*539*	*675*
of which projects under construction	*249*	*796*	*736*
of which completed projects	*321*	*1,609*	*1,246*
of which other	*157*	*155*	*225*
Participation in joint ventures	697	722	682
Loans to joint ventures	1,483	1,833	1,694
Working capital and other	-506	585	898
Total	**8,782**	**10,043**	**10,281**

Key ratios

	Jan-Mar 2017	Jan-Mar 2016	Apr-Mar 2016/2017	Jan-Dec 2016
Operative net sales 1), MSEK	2,203	1,376	8,466	7,639
of which Property Development	*659*	*76*	*1,968*	*1,385*
of which Housing Development 1)	*1,544*	*1,300*	*6,498*	*6,254*
Operative operating profit 1), MSEK	218	78	762	622
of which Property Development	*90*	*4*	*175*	*89*
of which Housing Development 1)	*128*	*74*	*587*	*533*
Operative operating margin 1), %	9.9	5.7	9.0	8.1
of which Property Development	*13.7*	*5.3*	*8.9*	*6.4*
of which Housing Development 1)	*8.3*	*5.7*	*9.0*	*8.5*
Capital employed at the end of the period, MSEK	8,782	10,043	8,782	10,281
Orders received Housing Development, MSEK	1,375	1,773	7,847	8,245
Order backlog Housing Development, MSEK	6,705	4,895	6,705	6,853
Number of employees	349	302	349	321

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

HOUSING DEVELOPMENT

Continued strong demand on the housing market has had a positive effect on both net sales and operating profit for the first quarter. Operative net sales for the first quarter 2017 in Housing Development amounted to SEK 1,544 million (1,300). Operative operating profit increased to SEK 128 million (74) and the operative operating margin improved to 8.3 percent (5.7). The operative operating margin improved to 9.0 percent during the latest rolling 12 month period compared to 8.5 percent for the entire year of 2016.

The number of start-ups of our own developed homes has increased during the first quarter and amounted to 549 units (542) with a good geographic spread. The number of sold homes during the first quarter 2017 was 515 (496). The number of own developed homes in production at the end of the period was 4,486 (4,074). The level of sold homes in production was unchanged with 69 percent compared to year-end 2016. The number of repurchased homes per 31 March 2017 was 44 (56).

Development rights for housing

Number, approx.	31 Mar 2017	31 Mar 2016	31 Dec 2016
Development rights on our own balance sheet	17,000	17,100	17,300
Development rights via joint ventures	4,200	4,300	3,900
Development rights via options etc.	7,600	6,600	7,200
Total	**28,800**	**28,000**	**28,400**

Own housing development construction

	Jan-Mar 2017	Jan-Mar 2016	Apr-Mar 2016/2017	Jan-Dec 2016
Number of housing starts during the period	549	542	2,658	2,651
Number of sold homes during the period	515	496	2,063	2,044
Total number of homes under construction, at the end of the period	4,486	4,074	4,486	4,381
Share of sold homes under construction, at the end of the period	69%	81%	69%	69%
Number of repurchased homes in the balance sheet, at the end of the period	44	56	44	50

HAMNEN, STRANDPROMENADEN
Sundbyberg

PROPERTY DEVELOPMENT

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

During the first quarter 2017 net sales in Property Development were SEK 659 million (76) and operating profit was SEK 90 million (4). Operating profit included capital gains of SEK 75 million from the divestment of Peab's participation in joint venture companies to Catena. Peab and Catena have for a long time collaborated on four development properties in Skåne owned as 50/50 companies, which have now been divested.

In December 2016 Peab and Fabege agreed that Peab would in January 2017 sell a number of assets in Arenastaden and Ulriksdal in Solna. The transactions took place on 12 January 2017 and the divestments in Ulriksdal affected net sales by SEK 577 million. The transactions had no net effect on profit since the divestitures in Ulriksdal had a positive effect of SEK 180 million on profits while the divestitures of the assets in Arenastaden had a negative effect of SEK 180 million.

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

In capital employed in Property Development operations property are included for a booked value of SEK 933 million and consist in part of an office building in Helsinki, Finland and office buildings in a business park in Ängelholm. Investment property amounts to SEK 703 million and consists primarily of a hotel in Västerås under construction, commercial premises in Sigtuna and Märsta as well as a business park in Ljungbyhed.

Peab has decided to invest SEK 453 million in a new office building in Ulriksdal in Solna. The office building will be nine stories tall with around 12,500 m^2 office space and is the first of five to be built in Ulriksdal. The office building will be ready to move into in the fourth quarter of 2019.


RACKETCENTRUM
Jönköping


RACKETCENTRUM
Jönköping

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 that effect booked values in joint venture companies are not reported in Peab's profit.

Point Hyllie Holding AB has decided to build The Point, a 29-story office building in city district Hyllie in Malmö. The Point will have 20,000 m^2 in office space and the ground floor will contain shops, a lobby and lounge. Construction began in April 2017 and the building will be ready to move into at the end of 2019.

Significant joint ventures

FASTIGHETS AB CENTUR

Own, manage and develop commercial property and housing.

Peab's share: 50 percent
Partner: Balder
Geography: Stockholm, Gothenburg and the Öresund region
Book value on properties 31 March 2017: SEK 4,809 million (4,432)

TORNET BOSTADS-PRODUKTION AB

Build and manage attractive and environmentally friendly rentals in larger cities in Sweden.

Peab's share: 31 percent
Partner: Riksbyggen, Folksam and Balder
Geography: Stockholm, the Mälaren region, Gothenburg and the Öresund region
Book value on properties 31 March 2017: SEK 2,363 million (1,886)

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
Book value on properties 31 March 2017: SEK 1,865 million (1,869)

POINT HYLLIE HOLDING AB

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

Peab's share: 50 percent
Partner: Volito Fastigheter AB
Geography: Hyllie, Malmö
Book value on properties 31 March 2017: SEK 706 million (–)

The construction market

SWEDEN

Sweden's economy continued to develop at a good clip during 2016 and forecasts indicate that 2017 will also deliver good growth figures. Many indicators have continued to improve recently and the general mood is very positive in both the manufacturing and construction industries. Nonetheless, private and public consumption along with housing construction are the primary factors behind the current growth. Although there is a risk of negative effects from rising interest rates and the housing market possibly overheating, neither is expected to materialize in the coming year. After the very strong development in building construction start-ups last year, growth is expected to halt on a high level and instead develop sideways 2017-2018, primarily due to capacity limitations in labor and material supplies. Civil engineering is affected negatively this year by the slowdown in extending fiber lines. Next year civil engineering is expected to accelerate again, largely due to investments in energy such as heating plants and distribution networks as well as the start of construction on the subway extension in Stockholm.

NORWAY

The Norwegian economy is expected to show a GNP increase by around half a percent in 2016. Recovery will most likely start out slowly. Growth in 2017 is expected to land at around one percent. The oil-related section of the economy affects recovery negatively while mainland investments and private consumption continue to be the primary driving forces. Total building construction investments grew by five percent in 2016 and according to Industrifakta's assessment a downturn is expected this year, affecting housing and premises, followed by a leveling out in 2018. The civil engineering market grew relatively well in 2016 and the development is expected to continue in 2017.

FINLAND

The Finnish economy seems to have stabilized around growth of one percent in the coming years, after several years of negative growth. The recovery is driven primarily by household consumption, but as international demand grows and Finland's competitive capacity is strengthened, exports are expected to accelerate and contribute to growth. Finnish building construction investments were robust in 2016 with an upturn in almost every sector. The opposite development is expected this year, but an upturn can already occur in 2018. Civil engineering construction, which is estimated to have increased somewhat last year, is expected to hover on a higher level than what has been usual during the past five years.

Housing

	2017	2018	2019
Sweden	→	→	↘
Norway	↘	↘	↘
Finland	→	→	→

Forecast for started-up housing investments, new and renovations

Source: Industrifakta

Other building construction

	2017	2018	2019
Sweden	↘	→	→
Norway	↘	→	↗
Finland	↘	↗	↘

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

Source: Industrifakta

Civil engineering

	2017	2018	2019
Sweden	→	↗	–
Norway	↗	↗	–
Finland	↗	→	–

Forecast for civil engineering investments

Source: Industrifakta

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

Other information

RISKS AND UNCERTAINTY FACTORS

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

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

For further information on risks and uncertainty factors, see the 2016 Annual Report.

HOLDINGS OF OWN SHARES

At the beginning of 2017 Peab's own B shareholding was 1,086,984 which corresponds to 0.4 percent of the total number of shares. No changes have taken place during the first quarter 2017.

THE PEAB SHARE

Peab's B share is listed on the Nasdaq Stockholm, Large Cap list. As of 9 May 2017, the price of the Peab share was SEK 98.80, an increase of 37 percent during 2017. During the same period, the Swedish stock market increased by eleven percent according to the general index in the business magazine "Affärsvärlden". During 2017 the Peab share has been quoted at a maximum of SEK 99.00 and a minimum of SEK 70.60.

Report on the Group income statement in summary

MSEK	Jan-Mar 2017	Jan-Mar 2016	Apr-Mar 2016/2017	Jan-Dec 2016
Net sales	11,151	8,531	48,957	46,337
Production costs	-10,279	-7,828	-44,399	-41,948
Gross profit	**872**	**703**	**4,558**	**4,389**
Sales and administrative expenses	-657	-564	-2,521	-2,428
Other operating income	118	23	244	149
Other operating costs	-13	-5	-20	-12
Operating profit	**320**	**157**	**2,261**	**2,098**
Financial income	20	65	150	195
Financial expenses	-29	-76	-196	-243
Net finance	**-9**	**-11**	**-46**	**-48**
Pre-tax profit	**311**	**146**	**2,215**	**2,050**
Tax	-34	-23	-334	-323
Profit for the period	**277**	**123**	**1,881**	**1,727**
Profit for the period, attributable to:				
Shareholders in parent company	277	123	1,881	1,727
Non-controlling interests	–	0	0	0
Profit for the period	**277**	**123**	**1,881**	**1,727**
Key ratios				
Earnings per share before and after dilution, SEK	0.94	0.42	6.37	5.85
Average number of outstanding shares, million	295.0	295.0	295.0	295.0
Return on capital employed, %	17.0 [1)]	8.6 [1)]	17.0	16.2
Return on equity, %	21.1 [1)]	10.3 [1)]	21.1	20.1

1) Calculated on rolling 12 months

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

MSEK	Jan-Mar 2017	Jan-Mar 2016	Apr-Mar 2016/2017	Jan-Dec 2016
Profit for the period	**277**	**123**	**1,881**	**1,727**
Other comprehensive income				
Items that can be reclassified or have been reclassified to income for the period				
Translation differences for the period from translation of foreign operations	-19	42	105	166
Translation differences transferred to profit for the period	-2	–	-3	-1
Changes for the period in fair value of available-for-sale financial assets	-47	1	105	153
Changes in fair value of cash flow hedges for the period	15	-5	51	31
Shares in joint ventures' other comprenhensive income	0	0	1	1
Tax referring to items that can be reclassified or have been reclassified to income for the period	-5	4	-8	1
	-58	**42**	**251**	**351**
Items that cannot be reclassified to income for the period				
Revaluation of defined benefit pension plans	–	0	0	0
Tax referring to items that cannot be reclassified to income for the period	–	0	0	0
	–	**0**	**0**	**0**
Other comprehensive income for the period	**-58**	**42**	**251**	**351**
Total comprehensive income for the period	**219**	**165**	**2,132**	**2,078**
Total comprehensive income for the period, attributable to:				
Shareholders in parent company	219	165	2,132	2,078
Non-controlling interests	–	0	0	0
Total comprehensive income for the period	**219**	**165**	**2,132**	**2,078**

Report on financial position for the Group in summary

MSEK	31 Mar 2017	31 Mar 2016	31 Dec 2016
Assets			
Intangible assets	2,038	1,994	2,036
Tangible assets	5,616	3,686	4,277
Interest-bearing long-term receivables	1,724	1,981	1,762
Other financial fixed assets	1,412	1,330	1,757
Deferred tax recoverables	65	108	69
Total fixed assets	**10,855**	**9,099**	**9,901**
Project and development properties	5,472	6,903	7,007
Inventories	390	376	364
Work-in-progress	1,059	1,159	1,203
Interest-bearing current receivables	77	191	336
Other current receivables	9,914	8,714	11,736
Liquid funds	1,725	481	1,062
Total current assets	**18,637**	**17,824**	**21,708**
Total assets	**29,492**	**26,923**	**31,609**
Equity and liabilities			
Equity	**9,599**	**8,241**	**9,380**
Liabilities			
Interest-bearing long-term liabilities	2,570	1,862	2,728
Deferred tax liabilities	340	455	372
Other long-term liabilities	755	728	776
Total long-term liabilties	**3,665**	**3,045**	**3,876**
Interest-bearing current liabilities	1,372	3,303	2,294
Other current liabilities	14,856	12,334	16,059
Total current liabilities	**16,228**	**15,637**	**18,353**
Total liabilities	**19,893**	**18,682**	**22,229**
Total equity and liabilities	**29,492**	**26,923**	**31,609**
Key ratios			
Capital employed	13,541	13,406	14,402
Equity/assets ratio, %	32.5	30.6	29.7
Net debt	416	2,512	1,862
Equity per share, SEK	32.54	27.94	31.80
Number of outstanding shares at the end of the period, million	295.0	295.0	295.0

Report on changes in Group’s equity in summary

MSEK	31 Mar 2017	31 Mar 2016	31 Dec 2016
Equity attributable to shareholders in parent company			
Opening equity on 1 January	**9,380**	**8,076**	**8,076**
Profit for the period	277	123	1,727
Other comprehensive income for the period	-58	42	351
Comprehensive income for the period	**219**	**165**	**2,078**
Cash dividend	–	–	-767
Acquisition of non-controlling interests, previous controlling interests	–	–	-7
Closing equity	**9,599**	**8,241**	**9,380**
Non-controlling interests			
Opening equity on 1 January	**0**	**0**	**0**
Comprehensive income for the period	–	0	0
Disposal of partially owned subsidiaries, end of controlling interest	–	–	0
Closing equity	**0**	**0**	**0**
Total closing equity	**9,599**	**8,241**	**9,380**

Report on Group cash flow in summary

MSEK	Jan-Mar 2017	Jan-Mar 2016	Apr-Mar 2016/2017	Jan-Dec 2016
Cash flow from current operations before changes in working capital	**289**	**411**	**2,781**	**2,903**
Increase (-) / Decrease (+) of project and development properties	281	-162	297	-146
Increase (-) / Decrease (+) of inventories	117	-153	112	-158
Increase (-) / Decrease (+) of current receivables / current liabilities	884	766	974	856
Cash flow from changes in working capital	**1,282**	**451**	**1,383**	**552**
Cash flow from current operations	**1,571**	**862**	**4,164**	**3,455**
Acquisition of subsidiaries / businesses	-8	-31	-114	-137
Disposal of subsidiaries / businesses	–	6	-1	5
Acquisition of fixed assets	-296	-243	-1,590	-1,537
Sales of fixed assets	521	316	1,070	865
Cash flow from investment operations	**217**	**48**	**-635**	**-804**
Cash flow before financing	**1,788**	**910**	**3,529**	**2,651**
Cash flow from financing operations	-1,117	-1,312	-2,418	-2,613
Cash flow for the period	**671**	**-402**	**1,111**	**38**
Cash at the beginning of the period	1,062	873	481	873
Exchange rate differences in cash	-8	10	133	151
Cash at the end of the period	**1,725**	**481**	**1,725**	**1,062**

Parent company

The parent company Peab AB's net sales for the first quarter 2017 amounted to SEK 58 million (54) and mainly consisted of internal Group services. Profit after tax amounted to SEK -58 million (-55).

The parent company's assets mainly consist of participations in Group companies amounting to SEK 11,805 million (11,776) and shares in Lemminkäinen Oyj worth SEK 432 million (318). The assets have been financed from equity of SEK 6,418 million (5,854) and long-term liabilities amounting to SEK 5,430 million (6,318).

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

Report on the parent company income statement in summary

MSEK	Jan-Mar 2017	Jan-Mar 2016	Apr-Mar 2016/2017	Jan-Dec 2016
Net sales	58	54	246	242
Administrative expenses	-98	-88	-414	-404
Operating profit	**-40**	**-34**	**-168**	**-162**
Result from financial investments				
Profit from participation in Group companies	–	–	0	0
Other financial items	-33	-34	-137	-138
Result after financial items	**-73**	**-68**	**-305**	**-300**
Appropriations	–	–	1,855	1,855
Pre-tax profit	**-73**	**-68**	**1,550**	**1,555**
Tax	15	13	-332	-334
Profit for the period	**-58**	**-55**	**1,218**	**1,221**

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

MSEK	Jan-Mar 2017	Jan-Mar 2016	Apr-Mar 2016/2017	Jan-Dec 2016
Profit for the period	**-58**	**-55**	**1,218**	**1,221**
Other comprehensive income				
Items that can be reclassified or have been reclassified to income for the period				
Changes for the period in fair value of available-for-sale financial assets	-48	8	114	170
Total comprehensive income for the period	**-106**	**-47**	**1,332**	**1,391**

Report on financial position for the parent company in summary

MSEK	31 Mar 2017	31 Mar 2016	31 Dec 2016
Assets			
Machinery and equipment	1	1	1
Participation in Group companies	11,805	11,776	11,811
Other securities held as fixed assets	432	318	480
Deferred tax recoverables	98	88	99
Total fixed assets	**12,336**	**12,183**	**12,391**
Accounts receivable	1	0	1
Receivables from Group companies	70	67	2,444
Tax assets	25	19	–
Other current receivables	44	2	4
Prepaid expenses and accrued income	12	15	10
Liquid funds	0	0	0
Total current assets	**152**	**103**	**2,459**
Total assets	**12,488**	**12,286**	**14,850**
Equity and liabilities			
Equity	**6,418**	**5,854**	**6,524**
Untaxed reserves	**522**	**0**	**522**
Other provisions	29	25	28
Total provisions	**29**	**25**	**28**
Liabilities to Group companies	5,430	6,318	7,281
Total long-term liabilities	**5,430**	**6,318**	**7,281**
Accounts payable	19	20	28
Liabilities to Group companies	6	13	58
Tax liabilities	–	–	339
Other liabilities	5	7	7
Accrued expenses and deferred income	59	49	63
Total current liabilities	**89**	**89**	**495**
Total liabilities	**5,519**	**6,407**	**7,776**
Total equity and liabilities	**12,488**	**12,286**	**14,850**

Note 1 – Accounting principles

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

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

The quarterly report has otherwise been prepared according to the same accounting principles and conditions described in the Annual Report 2016 except the new additional consolidated accounting principles for Investment property which are described below.

ADDITIONAL ACCOUNTING PRINCIPLES

Investment property

Property is classified as project and development property, operations property and investment property. Investment properties are properties owned for the purpose of income from rent or appreciation or a combination of both. After a revision of Peab's property portfolio it was decided that some property previously reported as project and development property, i.e. inventory properties, will instead be classified as operations property or investment property, in the case where there is no plan to divest the property and it is expected to remain in the Group for the foreseeable future. Individual properties are reclassified forwardly from the point in time the purpose of the holding changes.

Investment property, like operations property, is recognized in consolidated accounts at acquisition value minus accumulated depreciation and any write-downs. The acquisition value includes the purchase price and costs directly attributable to putting the asset in place in the condition required for utilization. Borrowing costs are included in the acquisition value of internally produced investment property.

Income from rent of investment property is recognized linearly in profit/loss for the year based on the terms in the leasing contract. Income from divestiture of investment property is normally recognized on the date of taking possession unless the risks and benefits have been taken over by the purchaser at an earlier date.

Depreciation principles

Depreciation is made linearly over the estimated useful life of the asset. The Group applies component depreciation, which means that depreciation is calculated on the estimated useful life of components. Components are primarily divided into buildings and land. The component land is not depreciated since its useful life is considered endless. Buildings, however, consist of several components that have useful lives which vary between 20 – 100 years.

Disclosure of fair value

The fair value of investment properties is disclosed in the Annual Report. The valuation is based on an internal valuation model. Annual external market valuations for a number of objects are also obtained as a complement to this valuation.

NEW IFRSS AND INTERPRETATIONS THAT HAVE NOT YET BEEN APPLIED

IFRS 15 Revenue from contracts with customers, will as of 2018 replace current standards related to revenue recognition. Peab does not intend to prematurely apply IFRS 15 and is currently in the final phase of analyzing its effects. At this point in time no material effects have been identified but the analysis must be completed before any possible final effects can be quantified.

IFRS 9 Financial instruments, will replace IAS 39 Financial instruments: Recognition and measurement, as of 2018. Peab is working on an analysis of the consequences IFRS 9 will have on the Group's result and position. The standard will have some effect on the recognition of credit losses since it requires loss reserves for anticipated credit losses. Peab does not plan to prematurely apply IFRS 9.

IFRS 16 Leases, will replace IAS 17 as of 1 January 2019. Peab does not plan to prematurely apply the standard. Peab's balance sheet total is expected to increase through activating contracts that are currently classified as operational. Peab estimates that the balance sheet total will increase by around two to five percent but the analysis must be completed before any possible final effects can be quantified.

Further information on the effect of new IFRS standards on the Group's result and position is found in the Annual Report 2016.

Note 2 – Operating segment

Group Jan-Mar 2017 MSEK	Con-struction	Civil Engineering	Industry	Project Development	Group functions	Eliminations	Total operative for the Group 1)	Adjustment for housing reporting 2)	Group
External sales	5,351	2,068	1,464	2,191	22	0	11,096	55	11,151
Internal sales	1,035	320	773	12	213	-2,353	–		–
Total income	**6,386**	**2,388**	**2,237**	**2,203**	**235**	**-2,353**	**11,096**	**55**	**11,151**
Operating profit	**139**	**39**	**-23**	**218**	**-47**	**-10**	**316**	**4**	**320**
Operating margin, %	**2.2**	**1.6**	**-1.0**	**9.9**			**2.8**		**2.9**
Net finance									-9
Pre-tax profit									**311**
Tax									-34
Profit for the period									**277**
Capital employed (closing balance)			**5,068**	**8,782**					

Group Jan-Mar 2016 MSEK	Con-struction	Civil Engineering	Industry	Project Development	Group functions	Eliminations	Total operative for the Group 1)	Adjustment for housing reporting 2)	Group
External sales	4,300	1,804	1,202	1,368	18	0	8,692	-161	8,531
Internal sales	899	225	692	8	186	-2,010	–		–
Total income	**5,199**	**2,029**	**1,894**	**1,376**	**204**	**-2,010**	**8,692**	**-161**	**8,531**
Operating profit	**116**	**37**	**-12**	**78**	**-27**	**-4**	**188**	**-31**	**157**
Operating margin, %	**2.2**	**1.8**	**-0.6**	**5.7**			**2.2**		**1.8**
Net finance									-11
Pre-tax profit									**146**
Tax									-23
Profit for the period									**123**
Capital employed (closing balance)			**4,748**	**10,043**					

Group Jan-Dec 2016 MSEK	Con-struction	Civil Engineering	Industry	Project Development	Group functions	Eliminations	Total operative for the Group 1)	Adjustment for housing reporting 2)	Group
External sales	20,459	9,461	8,876	7,589	104	0	46,489	-152	46,337
Internal sales	3,662	1,279	3,285	50	793	-9,069	–		–
Total income	**24,121**	**10,740**	**12,161**	**7,639**	**897**	**-9,069**	**46,489**	**-152**	**46,337**
Operating profit	**542**	**355**	**753**	**622**	**-122**	**-75**	**2,075**	**23**	**2,098**
Operating margin, %	**2.2**	**3.3**	**6.2**	**8.1**			**4.5**		**4.5**
Net finance									-48
Pre-tax profit									**2,050**
Tax									-323
Profit for the year									**1,727**
Capital employed (closing balance)			**5,416**	**10,281**					

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

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

Note 3 – Financial assets and liabilities valued at fair value

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

Level 1: prices that reflect quoted prices on an active market for identical assets.
Level 2: based on direct or indirect inputs observable to the market not included in level 1.
Level 3: based on inputs unobservable to the market.

For a description of how fair value has been calculated see the Annual Report 2016, note 34. The fair value of financial assets and liabilities is estimated to be, in principle, the same as their booked values.

Group	31 Mar 2017				31 Mar 2016				31 Dec 2016			
MSEK	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets												
Other securities held as fixed assets	432		55	487	318		29	347	480		54	534
Whereof shareholding in listed company	*432*			*432*	*318*			*318*	*480*			*480*
Whereof investment in an unlisted fund			*55*	*55*			*29*	*29*			*54*	*54*
Other current receivables		1		1				–		12		12
Whereof currency swaps		*1*		*1*				*–*		*12*		*12*
Total assets	**432**	**1**	**55**	**488**	**318**	**–**	**29**	**347**	**480**	**12**	**54**	**546**
Liabilities												
Other long-term liabilities		80	26	106		149		149		95	23	118
Whereof commodity hedging with futures				*–*		*8*		*8*				*–*
Whereof interest rate swaps		*80*		*80*		*141*		*141*		*95*		*95*
Whereof contingent consideration			*26*	*26*				*–*			*23*	*23*
Other current liabilities		3		3		1		1		0		0
Whereof currency swaps		*3*		*3*		*1*		*1*		*0*		*0*
Total liabilities	**–**	**83**	**26**	**109**	**–**	**150**	**–**	**150**	**–**	**95**	**23**	**118**

Parent company	31 Mar 2017				31 Mar 2016				31 Dec 2016			
MSEK	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets												
Other securities held as fixed assets	432			432	318			318	480			480
Whereof shareholding in listed company	*432*			*432*	*318*			*318*	*480*			*480*
Total assets	**432**	**–**	**–**	**432**	**318**	**–**	**–**	**318**	**480**	**–**	**–**	**480**

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

Group	Other securities held as fixed assets		
MSEK	**31 Mar 2017**	**31 Mar 2016**	**31 Dec 2016**
Opening balance	**54**	**49**	**49**
Investments during the period	1	1	38
Dividends received	–	-37	-51
Reported in profit for the period *	–	20	22
Reported in other comprehensive income	–	-4	-4
Closing balance	**55**	**29**	**54**

* Reported in net financial items

Group	Contingent consideration		
MSEK	**31 Mar 2017**	**31 Mar 2016**	**31 Dec 2016**
Opening balance	**23**	**–**	**–**
Acquisitions for the period	3		24
Reported in profit for the period			
Other operating income	–		-1
Interest expense (discount) *	0		0
Closing balance	**26**	**–**	**23**

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

* Reported in net financial items

Future financial information

• Quarterly report January-June 2017	18 August 2017
• Quarterly report January-September 2017	9 November 2017
• Year-end Report 2017	13 February 2018
• Annual Report 2017	April 2018

Förslöv, 10 May 2017

Jesper Göransson
CEO and President

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

Quarterly data

Group

MSEK	Jan-Mar 2017	Oct-Dec 2016	Jul-Sep 2016	Apr-Jun 2016	Jan-Mar 2016	Oct-Dec 2015	Jul-Sep 2015	Apr-Jun 2015	Jan-Mar 2015
Net sales	11,151	13,879	11,356	12,571	8,531	12,224	11,708	11,568	8,876
Production costs	-10,279	-12,552	-10,263	-11,305	-7,828	-11,793	-10,697	-10,458	-8,203
Gross profit	**872**	**1,327**	**1,093**	**1,266**	**703**	**431**	**1,011**	**1,110**	**673**
Sales and administrative expenses	-657	-709	-480	-675	-564	-674	-450	-625	-547
Other operating income	118	59	30	37	23	39	21	22	30
Other operating costs	-13	-4	-3	0	-5	-13	-2	-1	-16
Operating profit	**320**	**673**	**640**	**628**	**157**	**-217**	**580**	**506**	**140**
Financial income	20	66	24	40	65	60	24	40	33
Financial expenses	-29	-71	-37	-59	-76	-67	-60	-66	-67
Net finance	**-9**	**-5**	**-13**	**-19**	**-11**	**-7**	**-36**	**-26**	**-34**
Pre-tax profit	**311**	**668**	**627**	**609**	**146**	**-224**	**544**	**480**	**106**
Tax	-34	-107	-98	-95	-23	88	-95	-83	-18
Profit for the period	**277**	**561**	**529**	**514**	**123**	**-136**	**449**	**397**	**88**
Profit for the period, attributable to:									
Shareholders in parent company	277	561	529	514	123	-136	449	397	88
Non-controlling interests	–	0	0	0	0	0	0	0	0
Profit for the period	**277**	**561**	**529**	**514**	**123**	**-136**	**449**	**397**	**88**
Key ratios									
Earnings per share, SEK	0.94	1.90	1.79	1.74	0.42	-0.46	1.53	1.35	0.30
Average number of outstanding shares, million	295.0	295.0	295.0	295.0	295.0	295.0	295.0	295.0	295.0
Capital employed (closing balance)	13,541	14,402	15,002	13,700	13,406	14,476	14,169	14,666	13,822
Equity (closing balance)	9,599	9,380	8,695	8,021	8,241	8,076	8,217	7,848	8,116

Business areas

MSEK	Jan-Mar 2017	Oct-Dec 2016	Jul-Sep 2016	Apr-Jun 2016	Jan-Mar 2016	Oct-Dec 2015	Jul-Sep 2015	Apr-Jun 2015	Jan-Mar 2015
Net sales									
Construction	6,386	6,992	5,510	6,420	5,199	6,978	5,436	6,548	5,683
Civil Engineering	2,388	3,292	2,654	2,765	2,029	2,992	2,676	2,670	2,110
Industry	2,237	3,462	3,449	3,356	1,894	2,948	3,111	2,896	1,845
Project Development	2,203	2,385	1,510	2,368	1,376	2,275	2,359	1,555	1,416
– of which Property Development	*659*	*148*	*130*	*1,031*	*76*	*308*	*1,047*	*202*	*77*
– of which Housing Development	*1,544*	*2,237*	*1,380*	*1,337*	*1,300*	*1,967*	*1,312*	*1,353*	*1,339*
Group functions	235	242	226	225	204	209	211	214	202
Eliminations	-2,353	-2,578	-2,128	-2,353	-2,010	-2,474	-2,121	-2,432	-2,255
Operative excluding write-down 1)	**11,096**	**13,795**	**11,221**	**12,781**	**8,692**	**12,928**	**11,672**	**11,451**	**9,001**
Construction – write-down of project Mall of Scandinavia	–	–	–	–	–	-800	–	–	–
Operative 1)	**11,096**	**13,795**	**11,221**	**12,781**	**8,692**	**12,128**	**11,672**	**11,451**	**9,001**
Adjustment for housing reporting 2)	55	84	135	-210	-161	96	36	117	-125
Legal	**11,151**	**13,879**	**11,356**	**12,571**	**8,531**	**12,224**	**11,708**	**11,568**	**8,876**
Operating profit									
Construction	139	147	127	152	116	145	135	175	120
Civil Engineering	39	120	93	105	37	126	96	127	32
Industry	-23	227	336	202	-12	178	296	172	2
Project Development	218	257	93	194	78	193	84	74	47
– of which Property Development	*90*	*20*	*-37*	*102*	*4*	*25*	*5*	*-9*	*-11*
– of which Housing Development	*128*	*237*	*130*	*92*	*74*	*168*	*79*	*83*	*58*
Group functions	-47	-60	-6	-29	-27	-46	-26	-14	-14
Eliminations	-10	-50	-21	0	-4	-16	9	-27	-16
Operative excluding write-down 1)	**316**	**641**	**622**	**624**	**188**	**580**	**594**	**507**	**171**
Construction – write-down of project Mall of Scandinavia	–	–	–	–	–	-800	–	–	–
Operative 1)	**316**	**641**	**622**	**624**	**188**	**-220**	**594**	**507**	**171**
Adjustment for housing reporting 2)	4	32	18	4	-31	3	-14	-1	-31
Legal	**320**	**673**	**640**	**628**	**157**	**-217**	**580**	**506**	**140**
Operating profit, %									
Construction	2.2	2.1	2.3	2.4	2.2	2.1	2.5	2.7	2.1
Civil Engineering	1.6	3.6	3.5	3.8	1.8	4.2	3.6	4.8	1.5
Industry	-1.0	6.6	9.7	6.0	-0.6	6.0	9.5	5.9	0.1
Project Development	9.9	10.8	6.2	8.2	5.7	8.5	3.6	4.8	3.3
– of which Property Development	*13.7*	*13.5*	*-28.5*	*9.9*	*5.3*	*8.1*	*0.5*	*-4.5*	*-14.3*
– of which Housing Development	*8.3*	*10.6*	*9.4*	*6.9*	*5.7*	*8.5*	*6.0*	*6.1*	*4.3*
Group functions									
Eliminations									
Operative excluding write-down 1)	**2.8**	**4.6**	**5.5**	**4.9**	**2.2**	**4.5**	**5.1**	**4.4**	**1.9**
Construction – write-down of project Mall of Scandinavia									
Operative 1)	**2.8**	**4.6**	**5.5**	**4.9**	**2.2**	**-1.8**	**5.1**	**4.4**	**1.9**
Adjustment for housing reporting 2)									
Legal	**2.9**	**4.8**	**5.6**	**5.0**	**1.8**	**-1.8**	**5.0**	**4.4**	**1.6**
Order situation, MSEK									
Orders received	11,114	10,367	9,027	10,165	11,886	9,704	9,135	9,414	9,559
Order backlog at the end of the period	35,679	33,572	34,248	33,457	31,550	26,991	28,050	27,162	26,750

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

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

Alternative performance measures and financial definitions

Alternative performance measures are used to describe the development of operations and to enhance comparability between periods. These are not defined under IFRS but correspond to the methods applied by 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.

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

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

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

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

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

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

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

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

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

Operating margin
Operating profit as a percentage of net sales.

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

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.

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

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

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

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

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

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

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

Operative net sales

SEK 49 billion

Employees

14,000

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**.

Organization

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

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

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

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

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