

Half-year report

January - June 2016



Strong level of orders received and improved profit

April - June 2016

- Operative net sales SEK 12,781 million (11,451)
- Operative operating profit SEK 624 million (507)
- Operative operating margin 4.9 percent (4.4)
- Pre-tax profit SEK 609 million (480)
- Earnings per share SEK 1.74 (1.35)
- Orders received SEK 10,165 million (9,414)
- Cash flow before financing SEK 6 million (-384)

January - June 2016

- Operative net sales SEK 21,473 million (20,452)
- Operative operating profit SEK 812 million (678)
- Operative operating margin 3.8 percent (3.3)
- Pre-tax profit SEK 755 million (586)
- Earnings per share SEK 2.16 (1.64)
- Orders received SEK 22,051 million (18,973)
- Order backlog SEK 33,457 million (27,162)
- Cash flow before financing SEK 916 million (237)
- Net debt SEK 3,154 million (4,315)
- Equity/assets ratio 27.5 percent (27.5)

Comments from the CEO



Our business model with four complementary business areas, which all have stable development and profitability, gives Peab a good position in the current market. A positive second quarter has led to improvements in the form of higher net sales and margin for the first half-year. This was particularly apparent in Project Development which reported higher profit in a continued strong market.

MARKET CONDITIONS

The positive development regarding start-ups in building construction investments in Sweden has continued in the beginning of 2016 and an upturn is expected for the entire year. Housing and public premise construction are the main motors in market growth. The level of building construction in Norway and Finland is expected to remain the same in 2016. The market conditions for civil engineering in Sweden and Norway are considered good with continued growth.

ORDER SITUATION

The level of orders received has continued to grow in the second quarter and amounted to SEK 22.1 billion (19.0) in the first half-year. Orders have increased in all the business areas. This has led to a larger order backlog which at the end of June was SEK 33.5 billion (27.2).

BUSINESS AREA DEVELOPMENT

Net sales contracted in business area Construction during the first half-year while net sales during the second quarter were on par with last year. The operating margin contracted slightly during the first half-year but over a twelve month rolling period the level remained the same compared to entire year 2015.

Net sales in business area Civil Engineering was on par with last year during the first half-year but the operating margin was slightly lower. There are a number of infrastructure projects still in the early stages where the first half-year has been taken up by preparatory work, and production accrual will first occur in the second half-year. Both net sales and profit increased in business area Industry during the first half-year. Sales volumes increased in Concrete, Gravel and Rock as well as Asphalt. Business area Project Development reported higher net sales and improved profit in both Housing Development and Property Development. Business in Property Development included the partial divestment of a hotel property and the development rights for offices at Hyllie Stationstorg in Malmö. The effect on profit was SEK 104 million.

GROUP DEVELOPMENT

Operative net sales amounted to SEK 21,473 million (20,452) during the period. Operative operating profit improved to SEK 812 million (678), which meant an operative operating margin of 3.8 percent (3.3). Cash flow continued to be strong and cash flow before financing increased to SEK 916 million (237). Net debt was SEK 3,154 million (4,315). Reduced net debt together with low interest rates entail better net interest and an increase in pre-tax profit to SEK 755 million (586).

OUTLOOK FOR THE FUTURE

Greater order backlog with longer production time, a well-dimensioned development rights portfolio, positive market forecasts and a strong financial position spells good conditions for Peab in the coming years. At the same time there are a number of challenges that come with a strong business cycle. A shortage of resources, primarily in big city regions, higher costs, among others, for subcontractors and higher prices for land are examples of challenges we face.

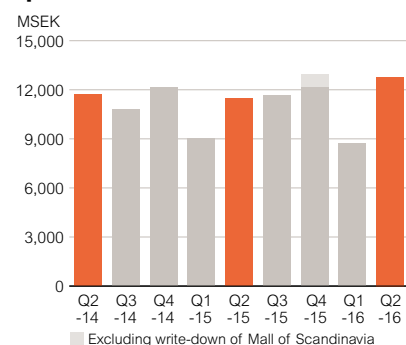
We continue to work on our ambition to be the best company in the industry. We have established three target areas to achieve this:

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

*Jesper Göransson
CEO and President*

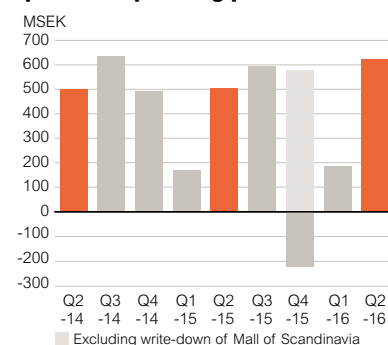
Half-year report January - June 2016

Operative net sales



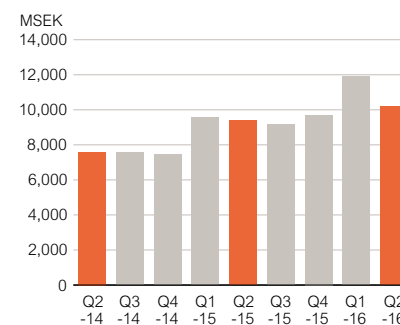
Group operative net sales for the first half-year 2016 amounted to SEK 21,473 million (20,452), which was an increase of five percent. Even after adjustments for acquired and divested units net sales increased with five percent compared to the same period last year.

Operative operating profit



Operative operating profit for the first half-year 2016 amounted to SEK 812 million compared to SEK 678 million for the same period last year.

Orders received



Orders received for the first half-year 2016 amounted to SEK 22,051 million compared to SEK 18,973 million for the same period last year. Order backlog amounted to SEK 33,457 million compared to SEK 26,991 million at the end of last year.

Group

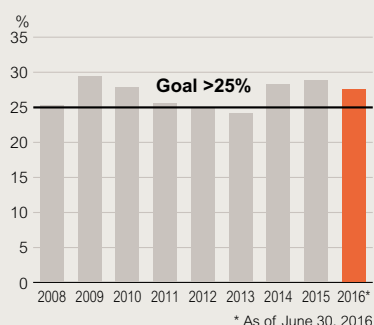
MSEK	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jul-Jun 2015/2016	Jan-Dec 2015
Operative net sales ¹⁾	12,781	11,451	21,473	20,452	45,273	44,252
Net sales	12,571	11,568	21,102	20,444	45,034	44,376
Operative operating profit ¹⁾	624	507	812	678	1,186	1,052
Operative operating margin, % ¹⁾	4.9	4.4	3.8	3.3	2.6	2.4
Operating profit	628	506	785	646	1,148	1,009
Operating margin, %	5.0	4.4	3.7	3.2	2.5	2.3
Pre-tax profit	609	480	755	586	1,075	906
Profit for the period	514	397	637	485	950	798
Earnings per share, SEK	1.74	1.35	2.16	1.64	3.23	2.71
Return on equity, %	11.7 ²⁾	14.1 ²⁾	11.7 ²⁾	14.1 ²⁾	11.7	9.9
Net debt	3,154	4,315	3,154	4,315	3,154	3,118
Equity/assets ratio, %	27.5	27.5	27.5	27.5	27.5	28.8
Number of employees	14,398	13,723	14,398	13,723	14,398	13,300

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

²⁾ Calculated on rolling 12 months.

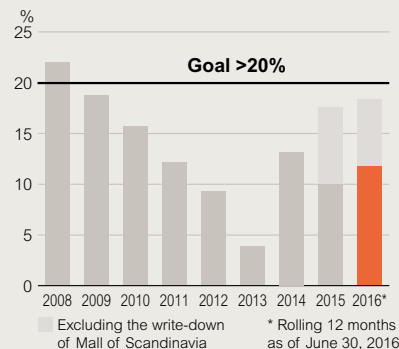
Financial goals

Equity/assets ratio



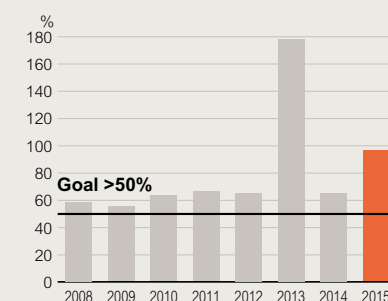
The target figure for the equity/assets ratio is at least 25 percent. On 30 June 2016 the equity/assets ratio was 27.5 percent compared to 28.8 percent at the end of last year.

Return on equity



The target figure for return on equity is a yield of at least 20 percent. The return on equity calculated on a rolling 12 months was 11.7 percent (14.1). Excluding the write-down of the project Mall of Scandinavia of SEK -800 million during the fourth quarter 2015 the return on equity was 18.3 percent.

Dividends



The target figure for dividends is at least 50 percent of profit after tax. Dividend in 2015 of SEK 2.60 (2.25) per share corresponded to 96 percent (65) of profit for the year.

NET SALES AND PROFIT ¹⁾

April - June 2016

Group operative net sales for the second quarter 2016 amounted to SEK 12,781 million (11,451), which was an increase of twelve percent. Adjustments in housing reporting affected net sales by SEK -210 million (117). Group net sales for the second quarter 2016 increased to SEK 12,571 million (11,568). Of the quarter's net sales SEK 2,118 million (1,959) were attributable to sales and production outside Sweden.

Net sales contracted by two percent in business area Construction while increasing by four percent in Civil Engineering. Business area Industry reported an increase of 16 percent in net sales, with almost all segments showing growth. Net sales increased in Project Development as a result of property transactions.

Operative operating profit for the second quarter 2016 amounted to SEK 624 million (507) and the operative operating margin improved to 4.9 percent (4.4).

The margin in business area Construction was 2.4 percent (2.7) and 3.8 percent (4.8) in business area Civil Engineering. The operating margin in business area Industry was somewhat higher than the corresponding quarter last year. Project Development reported improved operating profit and operating margin as a result of the still strong housing market as well as the partial divestment of a hotel property and the development rights for offices at Hyllie Stationstorg in Malmö, generating a positive effect on profit of SEK 104 million.

Eliminations and reversal of internal profit in our own projects has affected the result net by SEK 0 million (-27). Elimination is reversed in connection with the external divestment of a project. Adjustments in housing reporting affected operating profit by SEK 4 million (-1). Operating profit for the second quarter 2016 was SEK 628 million (506). The operating margin amounted to 5.0 percent (4.4).

Depreciation and write-downs for the second quarter were SEK 239 million (197).

Net financial items amounted to SEK -19 million (-26). Net interest improved to SEK -21 million (-30), primarily as a result of lower net debt.

Pre-tax profit was SEK 609 million (480).

Profit for the second quarter improved to SEK 514 million (397).

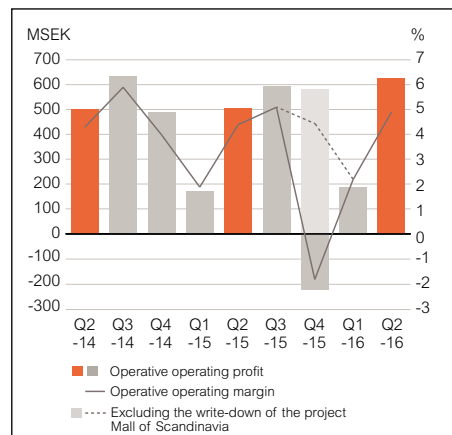
January - June 2016

Group operative net sales for first half-year 2016 amounted to SEK 21,473 million (20,452), which was an increase of five percent. Even after adjustments for acquired and divested units net sales increased with five percent compared to the same period last year. Adjustments in housing reporting affected net sales by SEK -371 million (-8). Group net sales for the first half-year 2016 increased to SEK 21,102 million (20,444).

Net sales in business area Construction contracted by five percent. The reduction is in part due to the fact that the production tempo in the project Mall of Scandinavia, which was completed in the fourth quarter of 2015, was very high in the comparable period. Net sales in business area Civil Engineering remained the same. Net sales in business area Industry increased by eleven percent. Net sales in Project Development increased as a result of property transactions.

Of the period's net sales SEK 3,388 million (3,320) were attributable to sales and production outside Sweden.

Operative operating profit and operative operating margin



Operative operating profit for the first half-year 2016 amounted to SEK 812 million (678) and the operative operating margin improved to 3.8 percent (3.3). The operative operating margin for the latest rolling 12 month period was 2.6 percent compared to 2.4 percent for the entire year 2015. Excluding the write-down of SEK -800 million for the project Mall of Scandinavia during the fourth quarter of 2015 the operative operating margin for the latest rolling 12 month period was 4.3 percent compared to 4.1 percent for the entire year of 2015.

The margin in business area Construction was 2.3 percent (2.4) and 3.0 percent (3.3) in Civil Engineering. Business area Industry reported greater profit than the corresponding period last year. Project Development reported improved operating profit and operating margin as a result of the still strong housing market as well as the partial divestment of a hotel property and the development rights for offices at Hyllie Stationstorg in Malmö, generating a positive effect on profit of SEK 104 million.

Eliminations and reversal of internal profit in our own projects has affected the result net profit by SEK -4 million (-43). Elimination is reversed in connection with the external divestment of a project. Adjustments in housing reporting affected operating profit by SEK -27 million (-32). Operating profit for the first half-year 2016 was SEK 785 million (646). The operating margin amounted to 3.7 percent (3.2).

Depreciation and write-downs for the period were SEK 438 million (399).

Net financial items amounted to SEK -30 million (-60). Net interest improved to SEK -40 million (-59), primarily as a result of lower net debt.

Pre-tax profit was SEK 755 million (586).

Profit for the period improved to SEK 637 million (485).

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 quarters during the year.

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

The equity/assets ratio on 30 June 2016 was 27.5 percent compared to 28.8 percent at year-end. Interest-bearing net debt amounted to SEK 3,154 million compared to SEK 3,118 million at the end of 2015. Net debt has been affected by dividends of SEK 767 million (664). The average interest rate in the loan portfolio, including derivatives, was 2.3 percent (2.9) on 30 June 2016.

Group liquid funds, including unutilized credit facilities, were SEK 5,244 million at the end of the period compared to SEK 4,953 million on 31 December 2015.

At the end of the period Group contingent liabilities, excluding joint and several liabilities in trading and limited partnerships, amounted to SEK 11,227 million compared to SEK 9,569 million on 31 December 2015. SEK 3,874 million (3,778) of contingent liabilities was surety given for credit lines for tenant-owned apartments under production and SEK 4,941 (3,465) was guarantees for advances and down-payments for tenant-owned apartments.

INVESTMENTS AND DIVESTMENTS

During the second quarter SEK 435 million (189) was invested in tangible and intangible fixed assets. During January-June 2016 SEK 651 million (188) was invested in tangible and intangible fixed assets. The comparable period contained the disposal of operations as well as operations property.

Net divestments in project and development properties, which are recognized as inventory items, totaled SEK 184 million (net invested SEK 128 million) during the second quarter. Net divestments in project and development properties totaled SEK 10 million (net invested SEK 393 million) during January-June 2016.

CASH FLOW**April - June 2016**

Cash flow from current operations during the second quarter was SEK 480 million (-142). The improvement is primarily due to less capital tied-up in working capital as well as the partial divestment of property in Hyllie.

Cash flow from investment activities was SEK -474 million compared to SEK -242 million for the comparable period and consisted mainly of larger investments in machinery.

Cash flow before financing during the second quarter amounted to SEK 6 million compared to SEK -384 million for the same quarter last year, of which the partial divestment of property in Hyllie was SEK 508 million.

Cash flow from financing operations during the second quarter amounted to SEK -358 million (425), of which SEK 767 million (664) consisted of paid dividends.

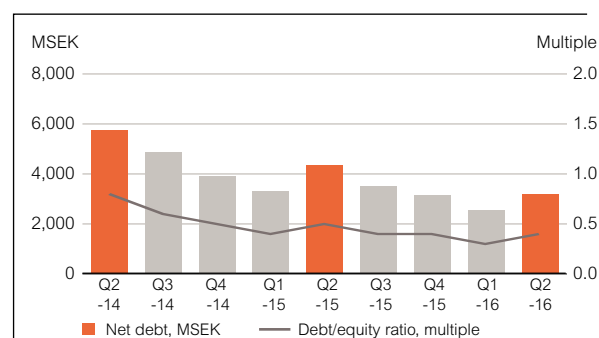
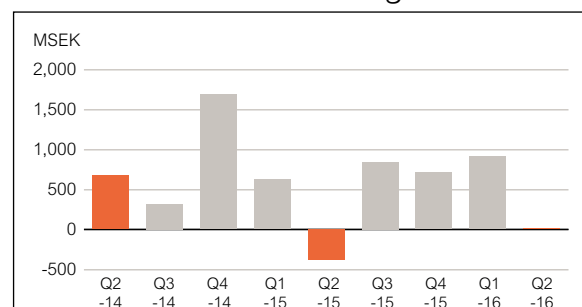
January - June 2016

Cash flow from current operations was SEK 1,342 million (374). The improvement is primarily due to less capital tied-up in working capital as well as the partial divestment of property in Hyllie.

Cash flow from investment activities was SEK -426 million compared to SEK -137 million for the comparable period. The deviation is partially due to larger investments in machinery and that the comparable period contained the disposal of operations as well as operations property.

Cash flow before financing amounted to SEK 916 million compared to SEK 237 million for the same period last year, of which cash flow from the partial divestment of property in Hyllie was SEK 508 million.

Cash flow from financing operations amounted to SEK -1,670 million (-656) of which SEK 767 million (664) consisted of paid dividends.

Net debt**Cashflow before financing**

ORDERS RECEIVED AND ORDER BACKLOG

April - June 2016

Orders received for the second quarter 2016 amounted to SEK 10,165 million compared to SEK 9,414 million for the same period last year. The level of orders received has risen in Construction and Civil Engineering. There is a broad spread geographically and a wide range of products in orders received for the second quarter.

January - June 2016

Orders received for the first half-year 2016 amounted to SEK 22,051 million compared to SEK 18,973 million for the same period last year. The level of orders received has risen in all the business areas. Two major highway projects are included in the orders received in business area Civil Engineering, E6 Trondheim in Nor-

way and reconstruction of E45 outside Gothenburg, each worth around SEK 1 billion. There continues to be a broad spread geographically of housing projects in orders received for the first half-year of 2016.

Order backlog yet to be produced at the end of the period amounted to SEK 33,457 million compared to SEK 27,162 million at the end of June last year.

Of the total order backlog, 60 percent (53) is expected to be produced after 2016 (2015). Swedish operations accounted for 83 percent (87) of the order backlog.

No orders received or order backlog is given for the business area Industry.

Orders received and order backlog

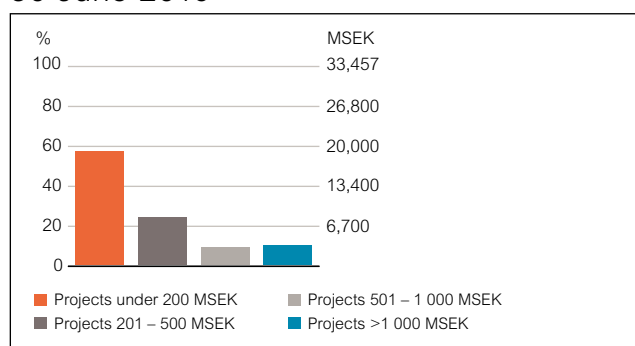
Orders received MSEK	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jul-Jun 2015/2016	Jan-Dec 2015
Construction	7,576	6,116	14,876	12,705	28,170	25,999
Civil Engineering	3,470	2,341	7,691	5,433	12,691	10,433
Project Development	1,238	1,543	3,011	2,758	6,751	6,498
Eliminations	-2,119	-586	-3,527	-1,923	-6,722	-5,118
Group	10,165	9,414	22,051	18,973	40,890	37,812

Order backlog MSEK	30 Jun 2016	30 Jun 2015	31 Dec 2015
Construction	23,642	18,566	19,529
Civil Engineering	10,203	8,205	7,292
Project Development	4,966	3,734	4,357
Eliminations	-5,354	-3,343	-4,187
Group	33,457	27,162	26,991

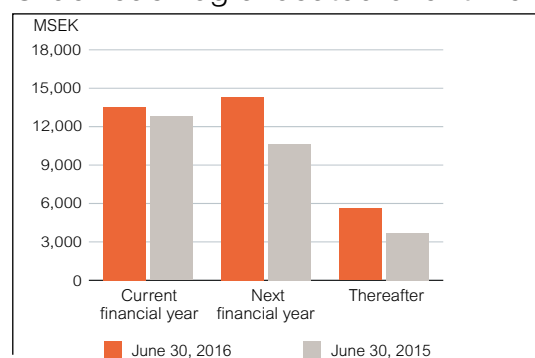
EXAMPLES OF MAJOR PROJECTS AND CONTRACTS OBTAINED IN THE SECOND QUARTER:

- Upgrade of the Tåsen tunnel in central Oslo. The client is the Norwegian Public Roads Administration and the contract amounts to NOK 152 million.
- Highway 70 between Enköping and Simtuna rebuild into a divided highway with a median barrier. The customer is the Swedish Transport Administration and the contract is worth SEK 182 million.
- Construction of a new sports hall and elementary school in central Malmö. The customer is the Malmö City, Stadsfastigheter, and the contract is worth SEK 293 million.
- Construction of an extension of Hyvinge Hospital north of Helsinki in Finland. The customer is Ki Oy Hyvinkään Sairaalanmäki and the value of the contract is EUR 31 million.
- Construction of three apartment buildings in Bardufoss, Norway. The customer is Forsvarsbygg and the value of the contract is NOK 103 million.
- Construction of a new office building in Råsunda, Solna. The customer is Fabege and the contract is worth SEK 438 million.
- Renovation and construction of an extension at Morö backe School in Skellefteå. The customer is Skellefteå Municipality and the value of the contract is SEK 223 million.
- Construction of 105 tenant-owned apartments in Umeå. The customer is HSB Produktion and the value of the contract is SEK 136 million.

Project allocation of order backlog, 30 June 2016



Order backlog allocated over time



COMMENTS ON THE 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 profit 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 this 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. The underlying sales value of property projects on our own balance sheet that are sold in the form of a company via shares is recognized as net sales and the booked value on the balance sheet is recognized as an expense.

Group functions

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

Net sales and operating profit per business area

MSEK	Net sales						Operating profit					
	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jul-Jun 2015/2016	Jan-Dec 2015	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jul-Jun 2015/2016	Jan-Dec 2015
Construction	6,420	6,548	11,619	12,231	24,033	24,645	152	175	268	295	548	575
Civil Engineering	2,765	2,670	4,794	4,780	10,462	10,448	105	127	142	159	364	381
Industry	3,356	2,896	5,250	4,741	11,309	10,800	202	172	190	174	664	648
Project Development	2,368	1,555	3,744	2,971	8,378	7,605	194	74	272	121	549	398
– of which Property Development	1,031	202	1,107	279	2,462	1,634	102	-9	106	-20	136	10
– of which Housing Development	1,337	1,353	2,637	2,692	5,916	5,971	92	83	166	141	413	388
Group functions	225	214	429	416	849	836	-29	-14	-56	-28	-128	-100
Eliminations	-2,353	-2,432	-4,363	-4,687	-8,958	-9,282	0	-27	-4	-43	-11	-50
Operative excluding write-down ¹⁾	12,781	11,451	21,473	20,452	46,073	45,052	624	507	812	678	1,986	1,852
Construction - write-down of project Mall of Scandinavia	-	-	-	-	-800	-800	-	-	-	-	-800	-800
Operative ¹⁾	12,781	11,451	21,473	20,452	45,273	44,252	624	507	812	678	1,186	1,052
Adjustment for housing reporting ²⁾	-210	117	-371	-8	-239	124	4	-1	-27	-32	-38	-43
Legal	12,571	11,568	21,102	20,444	45,034	44,376	628	506	785	646	1,148	1,009

Operating margin per business area

%	Operating margin					
	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jul-Jun 2015/2016	Jan-Dec 2015
Construction	2.4	2.7	2.3	2.4	2.3	2.3
Civil Engineering	3.8	4.8	3.0	3.3	3.5	3.6
Industry	6.0	5.9	3.6	3.7	5.9	6.0
Project Development	8.2	4.8	7.3	4.1	6.6	5.2
– of which Property Development	9.9	-4.5	9.6	-7.2	5.5	0.6
– of which Housing Development	6.9	6.1	6.3	5.2	7.0	6.5
Group functions						
Eliminations						
Operative excluding write-down ¹⁾	4.9	4.4	3.8	3.3	4.3	4.1
Construction - write-down of project Mall of Scandinavia						
Operative ¹⁾	4.9	4.4	3.8	3.3	2.6	2.4
Adjustment for housing reporting ²⁾						
Legal	5.0	4.4	3.7	3.2	2.5	2.3

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 11 regions in Sweden, two in Norway and two in Finland. There are three specialized housing production areas 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

April- June 2016

Net sales for the second quarter 2016 shrunk by two percent and amounted to SEK 6,420 million (6,548). The reduction is primarily due to the fact that the project Mall of Scandinavia, which was completed during the fourth quarter of 2015, had a high production rate during the comparable period. Net sales consists of a higher proportion of housing construction.

Operating profit for the second quarter amounted to SEK 152 million (175) and the operating margin was 2.4 percent (2.7).

January - June 2016

Net sales for the first half-year 2016 shrunk by five percent and amounted to SEK 11,619 million (12,231). The reduction is primarily due to the fact that the project Mall of Scandinavia, which was completed during the fourth quarter of 2015, had a high production rate during the comparable period. Net sales consists of a higher proportion of housing construction.

Operating profit for the period amounted to SEK 268 million (295) and the operating margin was 2.3 percent (2.4). The operating margin for the latest 12 month rolling period was -1.1 percent compared to -0.9 percent for the entire year of 2015. Excluding the write-down of SEK -800 million for the project Mall of Scandinavia during the fourth quarter of 2015 the operating margin for the latest rolling 12 month period was unchanged with 2.3 percent compared to the entire year of 2015.

ORDERS RECEIVED AND ORDER BACKLOG

April - June 2016

Orders received increased by 24 percent during the second quarter compared to same quarter last year and amounted to SEK 7,576 million (6,116). Orders received were well diversified in terms of products and geography.

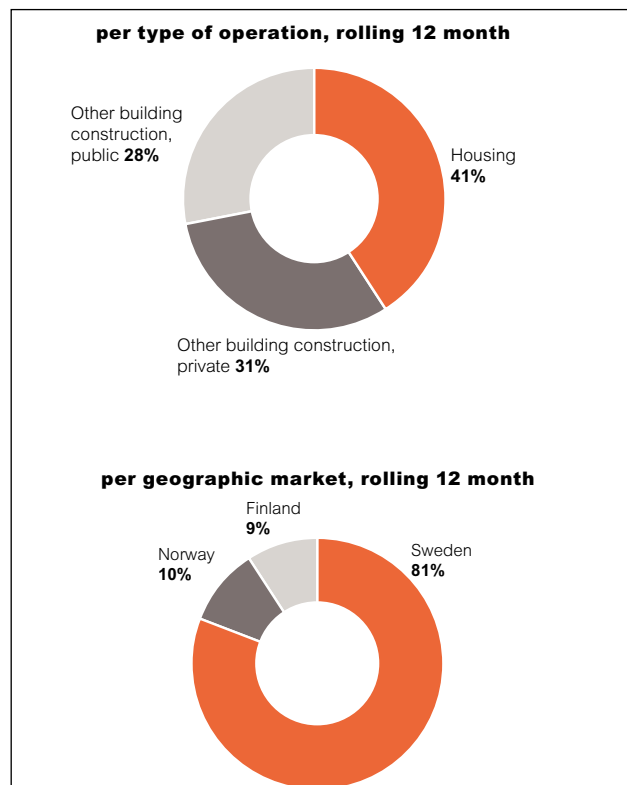
January - June 2016

Orders received increased by 17 percent during the period compared to same period last year and amounted to SEK 14,876 million (12,705).

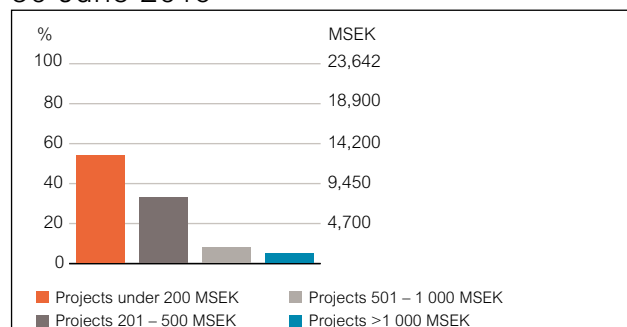
Orders received were well diversified in terms of products and geography.

Order backlog 30 June 2016 amounted to SEK 23,642 million (18,566).

Net sales



Project allocation of order backlog, 30 June 2016



Key ratios

	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jul-Jun 2015/2016	Jan-Dec 2015
Net sales, MSEK	6,420	6,548	11,619	12,231	23,233	23,845
Operating profit, MSEK	152	175	268	295	-252	-225
Operating margin, %	2.4	2.7	2.3	2.4	-1.1	-0.9
Orders received, MSEK	7,576	6,116	14,876	12,705	28,170	25,999
Order backlog, MSEK	23,642	18,566	23,642	18,566	23,642	19,529
Number of employees	6,727	6,515	6,727	6,515	6,727	6,320

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.

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

April - June 2016

Net sales for the second quarter 2016 amounted to SEK 2,765 million (2,670) which was an increase of four percent.

Operating profit for the second quarter 2016 amounted to SEK 105 million (127) and the operating margin improved to 3.8 percent (4.8).

January - June 2016

Net sales for the first half-year 2016 were unchanged and amounted to SEK 4,794 million (4,780). There are a number of infrastructure projects still in the early stages where the first half-year has been taken up by preparatory work, and production accrual will first occur in the second half-year.

Operating profit for the first half-year 2016 amounted to SEK 142 million (159) and the operating margin was 3.0 percent (3.3). The operating margin for the latest 12 month rolling period was 3.5 percent compared to 3.6 percent for the entire year of 2015.



ORDERS RECEIVED AND ORDER BACKLOG

April - June 2016

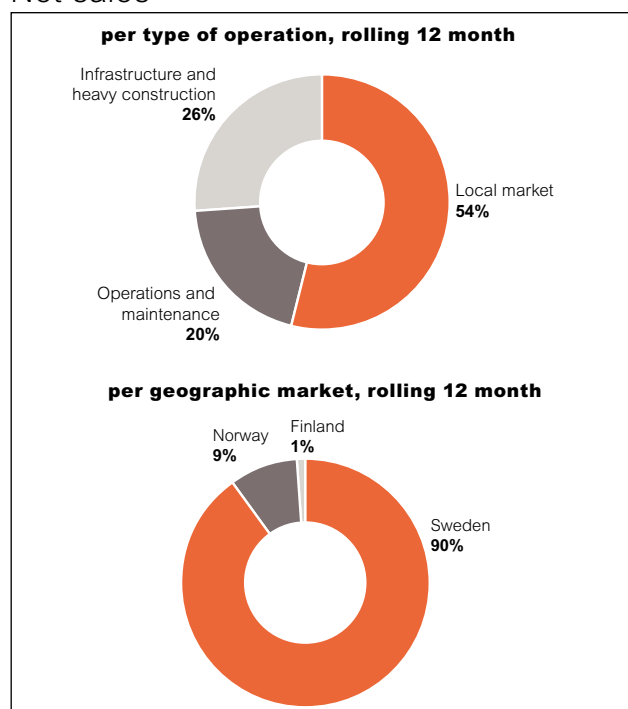
Orders received increased by 48 percent during the second quarter 2016 and amounted to SEK 3,470 million (2,341).

January - June 2016

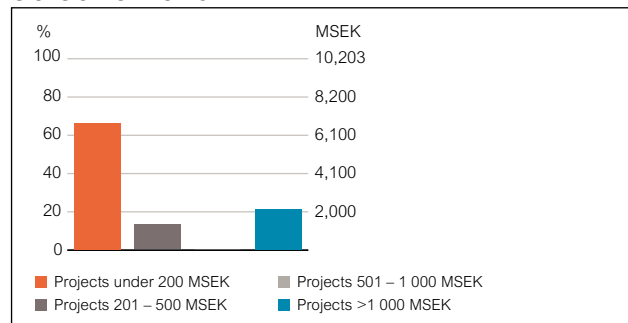
Orders received increased by 42 percent during the first half-year 2016 and amounted to SEK 7,691 million (5,433). The increase is primarily due to Infrastructure through two major highway projects, E6 Trondheim in Norway and reconstruction of E45 outside Gothenburg, each worth around SEK 1 billion.

Order backlog on 30 June 2016 amounted to SEK 10,203 million (8,205).

Net sales



Project allocation of order backlog, 30 June 2016



Key ratios

	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jul-Jun 2015/2016	Jan-Dec 2015
Net sales, MSEK	2,765	2,670	4,794	4,780	10,462	10,448
Operating profit, MSEK	105	127	142	159	364	381
Operating margin, %	3.8	4.8	3.0	3.3	3.5	3.6
Orders received, MSEK	3,470	2,341	7,691	5,433	12,691	10,433
Order backlog, MSEK	10,203	8,205	10,203	8,205	10,203	7,292
Number of employees	3,386	3,227	3,386	3,227	3,386	3,019

BUSINESS AREAS INDUSTRY

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

Business area Industry is run in seven product areas; Asphalt, Concrete, Gravel and rock, Transportation and machines, Foundations, Rentals and Construction system (Industrial Construction). All of them work on the Nordic construction and civil engineering markets.

NET SALES AND PROFIT

April - June 2016

Net sales for the second quarter 2016 increased by 16 percent and amounted to SEK 3,356 (2,896) with increases in most of the segments. Operating profit for the second quarter 2016 amounted to SEK 202 million (172). The operating margin increased to 6.0 percent (5.9). Sales volumes increased in Concrete, Gravel and Rock as well as Asphalt in the second quarter.

January - June 2016

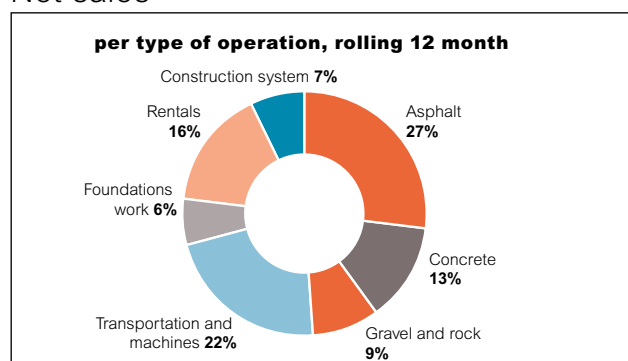
Net sales for the first half-year 2016 increased by eleven percent and amounted to SEK 5,250 million (4,741) with increases in most

of the segments. After adjustments for acquired and divested units net sales increased by ten percent compared to the same period last year. Operating profit for the first half-year 2016 amounted to SEK 190 million (174) and the operating margin was 3.6 percent (3.7). The operating margin for the latest rolling 12 month period was 5.9 percent compared to 6.0 percent for the entire year of 2015. Sales volumes increased in Concrete, Gravel and Rock as well as Asphalt in the first half-year.

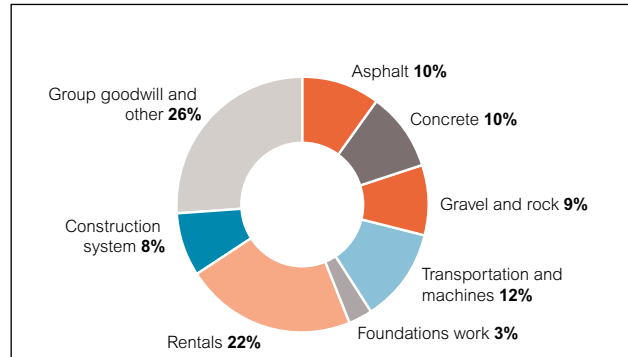
Capital employed in Industry at the end of the period amounted to SEK 5,282 million (5,085).



Net sales



Capital employed, 30 June 2016



Key ratios

	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jul-Jun 2015/2016	Jan-Dec 2015
Net sales, MSEK	3,356	2,896	5,250	4,741	11,309	10,800
Operating profit, MSEK	202	172	190	174	664	648
Operating margin, %	6.0	5.9	3.6	3.7	5.9	6.0
Capital employed, MSEK	5,282	5,085	5,282	5,085	5,282	4,885
Number of employees	3,501	3,256	3,501	3,256	3,501	3,204
Concrete, thousands of m ³ ¹⁾	302	250	493	436	1,047	990
Asphalt, thousands of tons ¹⁾	854	750	878	777	2,454	2,353
Gravel and rock, thousands of tons ¹⁾	3,568	3,114	5,413	4,878	11,540	11,005

¹⁾ Refers to sold volume

BUSINESS AREA PROJECT DEVELOPMENT

Business area Project Development is responsible for the Group's acquisition, development and sales 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 Peab 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 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 and divestiture of commercial property in wholly owned and partly owned companies. As a property developer Peab has broad range of expertise in enriching and developing areas and land for commercial space or uses such as offices, malls, hotels, industries and sports facilities.

Projects in wholly owned companies consist of everything from land for development in the process of being zoned to completed projects ready for divestment.

Peab's primary ambition is to work with development projects based on the development rights 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****April - June 2016**

Operative net sales for the second quarter 2016 in business area Project Development amounted to SEK 2,368 million (1,555). Operative operating profit increased to SEK 194 million (74).

January - June 2016

Operative net sales for the first half-year 2016 in business area Project Development amounted to SEK 3,744 million (2,971). Operative operating profit increased to SEK 272 million (121).

Capital employed in Project Development at the end of the period amounted to SEK 10,354 million (11,077).

Capital employed

MSEK	30 Jun 2016	30 Jun 2015	31 Dec 2015
Development rights for housing	4,038	3,035	3,831
Commercial development rights	547	654	543
Projects under construction, Property Development	827	1,457	944
Investment properties, Property Development	1,111	1,519	1,244
Participation in joint ventures	771	922	693
Financial statements and others	3,060	3,490	3,583
Total	10,354	11,077	10,838

Key ratios

	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jul-Jun 2015/2016	Jan-Dec 2015
Operative net sales ¹⁾ , MSEK	2,368	1,555	3,744	2,971	8,378	7,605
of which Property Development	1,031	202	1,107	279	2,462	1,634
of which Housing Development ¹⁾	1,337	1,353	2,637	2,692	5,916	5,971
Operative operating profit ¹⁾ , MSEK	194	74	272	121	549	398
of which Property Development	102	-9	106	-20	136	10
of which Housing Development ¹⁾	92	83	166	141	413	388
Operative operating margin ¹⁾ , %	8.2	4.8	7.3	4.1	6.6	5.2
of which Property Development	9.9	-4.5	9.6	-7.2	5.5	0.6
of which Housing Development ¹⁾	6.9	6.1	6.3	5.2	7.0	6.5
Capital employed at the end of period, MSEK	10,354	11,077	10,354	11,077	10,354	10,838
Orders received Housing Development, MSEK	1,238	1,543	3,011	2,758	6,751	6,498
Order backlog Housing Development, MSEK	4,966	3,734	4,966	3,734	4,966	4,357
Number of employees	324	260	324	260	324	285

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

HOUSING DEVELOPMENT

April - June 2016

Operative net sales for the second quarter 2016 in Housing Development amounted to SEK 1,337 million (1,353). Operative operating profit amounted to SEK 92 million (83) and the operative operating margin improved to 6.9 percent (6.1).

The number of start-ups of our own developed homes has increased and amounted to 623 units (534). The number of sold homes during the second quarter 2016 was 457 (380).

January - June 2016

Operative net sales for the first half-year 2016 in Housing Development amounted to SEK 2,637 million (2,692). Operative operating profit amounted to SEK 166 million (141) and the operative operating margin improved to 6.3 percent (5.2). The operative operating margin was 7.0 percent during the latest rolling 12 month period compared to 6.5 percent for the entire year of 2015.

The number of start-ups of our own developed homes has increased and amounted to 1,165 units (1,022) with a good geographic spread. The number of sold homes during the first half-year 2016 was 953 (930). The number of own developed homes in production at the end of the period was 4,000 (4,329). The level of sold homes in production was 76 percent compared to 82 percent at year-end. The number of repurchased homes per 30 June 2016 was 61 (71).

Development rights for housing

Number, approx.	30 Jun 2016	30 Jun 2015	31 Dec 2015
Development rights on our own balance sheet	17,300	14,900	17,400
Development rights via joint ventures	4,400	7,700	4,400
Development rights via options etc.	6,300	7,100	6,800
Total	28,000	29,700	28,600

Own housing development construction

	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jul-Jun 2015/2016	Jan-Dec 2015
Number of housing starts during the period	623	534	1,165	1,022	2,506	2,363
Number of sold homes during the period	457	380	953	930	2,318	2,295
Total number of homes under construction, at the end of the period	4,000	4,329	4,000	4,329	4,000	4,043
Share of sold homes under construction, at the end of the period	76%	83%	76%	83%	76%	82%
Number of repurchased homes in the balance sheet, at the end of the period	61	71	61	71	61	61



PROPERTY DEVELOPMENT

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

April - June 2016

During the second quarter 2016 net sales in Property Development were SEK 1,031 million (202) and operating profit was SEK 102 million (-9). The quarter included the partial divestment of a hotel property and the development rights for offices at Hyllie Stationstorg in Malmö. The underlying property value amounted to SEK 777 million and the effect on profit was SEK 104 million.

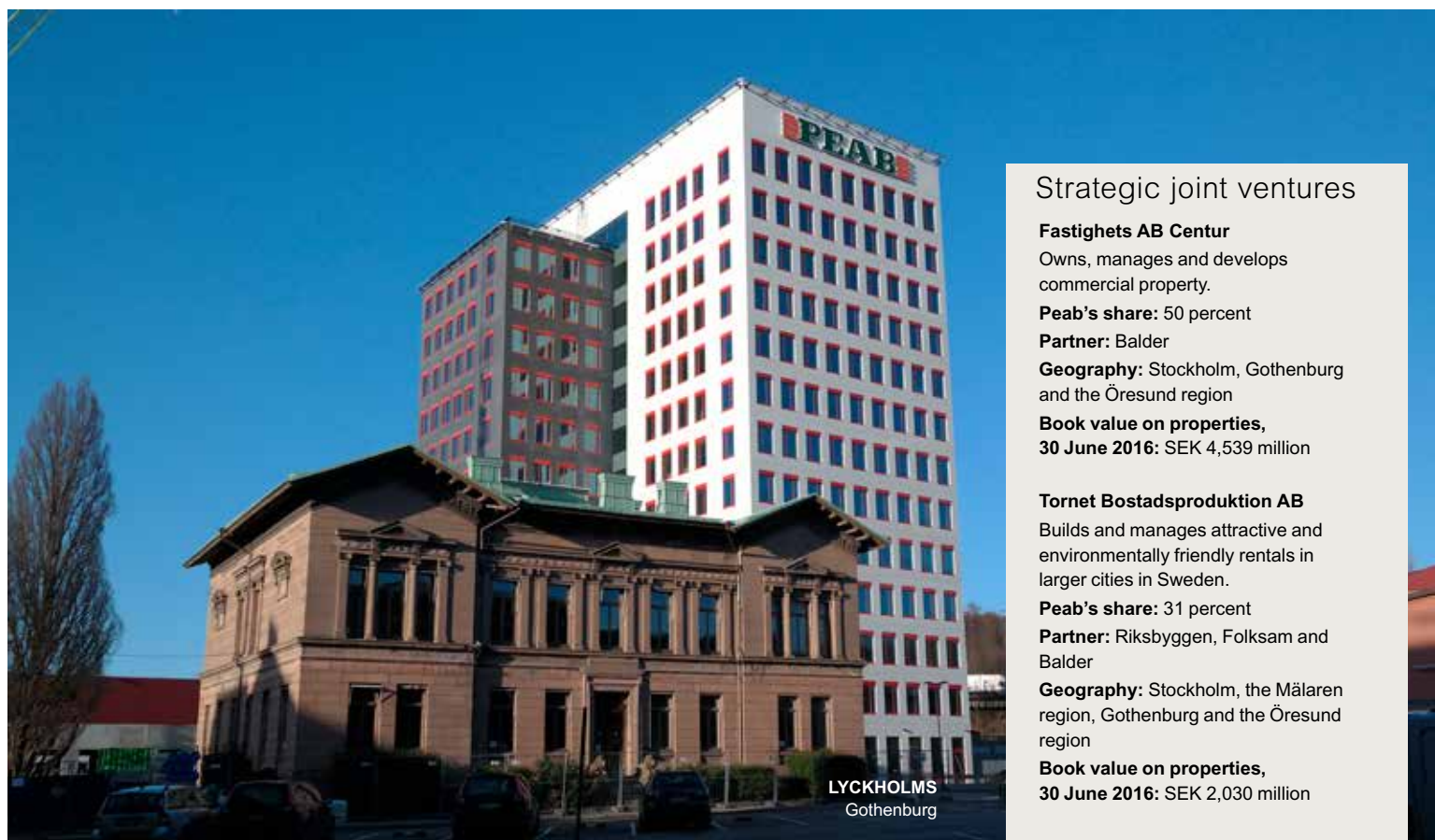
Profit from both wholly owned and partially owned companies has improved in relation to the previous year.

January- June 2016

During the first half-year 2016 net sales in Property Development were SEK 1,107 million (279) and operating profit was SEK 106 million (-20). The period included the partial divestment of a hotel property and the development rights for offices at Hyllie Stationstorg in Malmö. The underlying property value amounted to SEK 777 million and the effect on profit was SEK 104 million. The total effect of property divestments amounted to SEK 105 million (-3).

Profit from both wholly owned and partially owned companies has improved in relation to the previous year.

Projects under construction included in the capital employed in Property Development were, among others, an office building in Ulriksdal and a hotel in Västerås. Investment properties include, among others, an office building in Helsinki and one office building in Sigtuna. Financial statements and others include borrowing to partly owned companies and working capital.



Strategic joint ventures

Fastighets AB Centur

Owns, manages and develops commercial property.

Peab's share: 50 percent

Partner: Balder

Geography: Stockholm, Gothenburg and the Öresund region

Book value on properties, 30 June 2016: SEK 4,539 million

Tornet Bostadsproduktion AB

Builds and manages 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, 30 June 2016: SEK 2,030 million

THE CONSTRUCTION MARKET

Sweden

After last year's significant GNP growth 2016 continued positively. GNP growth is largely due to high domestic demand resulting from an increase in consumption by households and the public sector. Both private and public consumption is expected to grow during the current and the coming years because of the recent surge in refugees, continued record low interest rates and a greater degree of employment. The higher level of orders received and capacity utilization in industry can generate the need to invest which, together with a continued high level of housing construction, would lift gross investments during the next two years. 2016 started out strong with a considerable increase in building construction compared to the beginning of last year. Growth in the market is primarily attributable to the construction of housing and public premises. Building construction of office and retail space also developed positively at the beginning of the year. Industrifakta expects a rise in both housing construction and total building construction in 2016, followed by equally strong growth in 2017. Investments in civil engineering are expected to move sideways in 2016, followed by a turn upwards in 2017.

Norway

GNP development in the beginning of 2016 was slightly positive. The drop in prices for oil appears to have thus far primarily affected the petroleum industry, while the effects on other businesses have been limited. The total building construction in Norway was off to a sketchy start signaling relatively weak development and unchanged volumes in 2016 and 2017. Both construction of private premises in the form of office and retail space and total building construction is expected to decline. According to Industrifakta's forecast industrial and public premise building construction will develop positively in 2016 but will wane after that. While building construction is expected to develop weakly in 2016, the future looks much brighter for civil engineering which will continue to grow strongly.

Finland

2016 began better than expected and the signs point to continued weak positive growth over the next couple of years. Household consumption is the main driving force and it is affected positively by unemployment stabilizing and a low interest rate.

After the increase in total building construction in 2015 Industrifakta expects a slight turn downward which will affect both 2016 and 2017. Single home and private premise construction of office and retail space is the major negative factor while there are good opportunities for positive development in apartment building renovation in 2016 and 2017. The cautious recovery of Finland's economy is also reflected in civil engineering construction, which will remain stable this year and the next.

Housing

	2016	2017	2018
Sweden	↗	↗	↗
Norway	↘	↘	→
Finland	→	→	↗

*Forecast for started-up housing investments, new and renovations
Source: Industrifakta*

Other building construction

	2016	2017	2018
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

	2016	2017	2018
Sweden	→	↗	-
Norway	↑	↗	-
Finland	→	→	-

*Forecast for civil engineering investments
Source: Industrifakta*



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 2015 Annual Report.

HOLDINGS OF OWN SHARES

At the beginning of 2016 Peab's own B shareholding was 1,086,984 which corresponds to 0.4 percent of the total number of shares. No changes have taken place during the first half-year 2016.

THE PEAB SHARE

Peab's B share is listed on the Nasdaq Stockholm, Large Cap list. As of 16 August 2016, the price of the Peab share was SEK 72.25, an increase of eleven percent during 2016. Since year-end the Swedish stock market was unchanged according to the general index in the business magazine "Affärsvärlden". During 2016 the Peab share has been quoted at a maximum of SEK 76.00 and a minimum of SEK 54.60.

IMPORTANT EVENTS DURING THE PERIOD

The Annual General Meeting on 10 May 2016 approved the Board of Director's proposal to transfer 50 percent of the shares in Peab's fully owned subsidiary Peab FU Linné AB with the subsidiaries Annehem Hyllie Point 3 AB and Annehem Hyllie Point 4 AB to Volito Fastigheter AB. Peab FU Linné AB and the subsidiaries own the properties Vårdshuset 5 and Vårdshuset 4 that contain a hotel and development rights for offices. The property is situated at Hyllie Stationstorg in Malmö, Sweden.

The purchase price for the transfer is based on an underlying property value of SEK 777 million, of which SEK 565 million refer to Vårdshuset 5 (the hotel) and SEK 212 million to Vårdshuset 4 (development rights for offices etc.). The Board of Directors believed that based on the fairness opinion and value evaluations conducted that the terms for the negotiated transfer, including the purchase price, were on par with market terms and that the underlying contracts contain the customary guarantees and conditions.

Karl-Axel Granlund, member of the Board of Directors of Peab AB is also indirectly the principle owner of Volito AB and therefore indirectly controls Volito Fastigheter AB. The Board of Directors therefore considered the transfer to be a transaction with related parties that according to the Leo Law and general good practice on the stock market should be submitted to the Annual General Meeting for approval.

The transaction had a positive effect on Peab's profit of SEK 104 million in the second quarter of 2016 and net debt in Peab contracted by around SEK 500 million.



Report on the Group income statement in summary

MSEK	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jul-Jun 2015/2016	Jan-Dec 2015
Net sales	12,571	11,568	21,102	20,444	45,034	44,376
Production costs	-11,305	-10,458	-19,133	-18,661	-41,623	-41,151
Gross profit	1,266	1,110	1,969	1,783	3,411	3,225
Sales and administrative expenses	-675	-625	-1,239	-1,172	-2,363	-2,296
Profit from participation in joint ventures	3	3	2	2	-3	-3
Other operating income	36	20	58	50	114	106
Other operating costs	-2	-2	-5	-17	-11	-23
Operating profit	628	506	785	646	1,148	1,009
Financial income	40	40	105	73	189	157
Financial expenses	-58	-65	-134	-129	-257	-252
Profit from participation in joint ventures	-1	-1	-1	-4	-5	-8
Net finance	-19	-26	-30	-60	-73	-103
Pre-tax profit	609	480	755	586	1,075	906
Tax	-95	-83	-118	-101	-125	-108
Profit for the period	514	397	637	485	950	798
Profit for the period, attributable to:						
Shareholders in parent company	514	397	637	485	950	798
Non-controlling interests	0	0	0	0	0	0
Profit for the period	514	397	637	485	950	798
Key ratios						
Earnings per share before and after dilution, SEK	1.74	1.35	2.16	1.64	3.23	2.71
Average number of outstanding shares, million	295.0	295.0	295.0	295.0	295.0	295.0
Return on capital employed, %			9.6 ¹⁾	12.8 ¹⁾	9.6	8.2
Return on equity, %			11.7 ¹⁾	14.1 ¹⁾	11.7	9.9

1) Calculated on rolling 12 months

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

MSEK	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jul-Jun 2015/2016	Jan-Dec 2015
Profit for the period	514	397	637	485	950	798
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	49	-36	91	-25	-39	-155
Translation differences transferred to profit for the period	0	-	0	-	1	1
Changes for the period in fair value of available-for-sale financial assets	-23	21	-22	54	14	90
Changes in fair value of cash flow hedges for the period	14	23	9	6	31	28
Shares in joint ventures' other comprehensive income	0	-1	0	-1	0	-1
Tax referring to items that can be reclassified or have been reclassified to income for the period	1	-8	5	-4	-9	-18
	41	-1	83	30	-2	-55
Items that cannot be reclassified to income for the period						
Revaluation of defined benefit pension plans	0	-	0	-	0	0
Tax referring to items that cannot be reclassified to income for the period	0	-	0	-	0	0
	0	-	0	-	0	0
Other comprehensive income for the period	41	-1	83	30	-2	-55
Total comprehensive income for the period	555	396	720	515	948	743
Total comprehensive income for the period, attributable to:						
Shareholders in parent company	555	396	720	515	948	743
Non-controlling interests	0	0	0	0	0	0
Total comprehensive income for the period	555	396	720	515	948	743

Report on balance sheet for the Group in summary

MSEK	30 Jun 2016	30 Jun 2015	31 Dec 2015
Assets			
Intangible assets	2,004	2,023	1,994
Tangible assets	3,922	3,669	3,654
Interest-bearing long-term receivables	2,190	1,663	2,199
Other financial fixed assets	1,393	1,500	1,374
Deferred tax recoverables	97	140	102
Total fixed assets	9,606	8,995	9,323
Project and development properties	6,669	6,893	6,742
Inventories	399	405	363
Work-in-progress	1,397	1,182	1,010
Interest-bearing current receivables	183	451	210
Other current receivables	10,799	10,176	9,520
Short-term holdings	–	20	8
Liquid funds	152	369	865
Total current assets	19,599	19,496	18,718
Total assets	29,205	28,491	28,041
Equity and liabilities			
Equity	8,021	7,848	8,076
Liabilities			
Interest-bearing long-term liabilities	1,996	2,967	3,301
Deferred tax liabilities	414	507	455
Other long-term liabilities	728	716	749
Total long-term liabilities	3,138	4,190	4,505
Interest-bearing current liabilities	3,683	3,851	3,099
Other current liabilities	14,363	12,602	12,361
Total current liabilities	18,046	16,453	15,460
Total liabilities	21,184	20,643	19,965
Total equity and liabilities	29,205	28,491	28,041
Key ratios			
Capital employed	13,700	14,666	14,476
Equity/assets ratio, %	27.5	27.5	28.8
Net debt	3,154	4,315	3,118
Equity per share, SEK	27.19	26.60	27.38
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	30 Jun 2016	30 Jun 2015	31 Dec 2015
Equity attributable to shareholders in parent company			
Opening equity on 1 January	8,076	7,997	7,997
Profit for the period	637	485	798
Other comprehensive income for the period	83	30	-55
Comprehensive income for the period	720	515	743
Cash dividend	-767	-664	-664
Acquisition of non-controlling interests, previous controlling interests	-8	–	–
Closing equity	8,021	7,848	8,076
Non-controlling interests			
Opening equity on 1 January	0	0	0
Comprehensive income for the period	0	0	0
Disposal of partially owned subsidiaries, end of controlling interest	0	–	–
Closing equity	–	0	0
Total closing equity	8,021	7,848	8,076

Report on Group cash flow in summary

MSEK	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jul-Jun 2015/2016	Jan-Dec 2015
Cash flow from current operations before changes in working capital	699	580	1,110	965	2,499	2,354
Cash flow from changes in working capital						
Increase (-) / Decrease (+) of project and development properties	322	-297	160	-398	519	-39
Increase (-) / Decrease (+) of inventories	-242	249	-395	-34	-203	158
Increase (-) / Decrease (+) of current receivables / current liabilities	-299	-674	467	-159	978	352
Cash flow from changes in working capital	-219	-722	232	-591	1,294	471
Cash flow from current operations	480	-142	1,342	374	3,793	2,825
Acquisition of subsidiaries/ businesses	-42	-19	-73	-19	-84	-30
Disposal of subsidiaries/ businesses	0	-	6	75	6	75
Acquisition of fixed assets	-546	-356	-789	-611	-1,769	-1,591
Sales of fixed assets	114	133	430	418	520	508
Cash flow from investment operations	-474	-242	-426	-137	-1,327	-1,038
Cash flow before financing	6	-384	916	237	2,466	1,787
Cash flow from financing operations	-358	425	-1,670	-656	-2,677	-1,663
Cash flow for the period	-352	41	-754	-419	-211	124
Cash at the beginning of the period	481	354	873	812	389	812
Exchange rate differences in cash	23	-6	33	-4	-26	-63
Cash at the end of the period	152	389	152	389	152	873

Parent company

The parent company Peab AB's net sales for first-half year 2016 amounted to SEK 120 million (126) and mainly consisted of internal Group services. Profit after tax amounted to SEK -125 million (149).

The parent company's assets mainly consist of participations in Group companies amounting to SEK 11,776 million (11,894) and shares in Lemminkäinen Oyj worth SEK 301 million (264). The assets have been financed from equity of SEK 5,000 million (5,941) and long-term liabilities amounting to SEK 7,169 million (6,389).

The parent company's liquid funds amounted to SEK 0 million (1) at the end of the period. 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	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jul-Jun 2015/2016	Jan-Dec 2015
Net sales	66	66	120	126	261	267
Administrative expenses	-122	-94	-210	-119	-375	-284
Operating profit	-56	-28	-90	7	-114	-17
Result from financial investments						
Profit from participation in Group companies	-	200	-	200	-200	0
Other financial items	-32	-36	-66	-77	-138	-149
Result after financial investments	-88	136	-156	130	-452	-166
Appropriations	-	-	-	-	220	220
Pre-tax profit	-88	136	-156	130	-232	54
Tax	18	18	31	19	21	9
Profit for the period	-70	154	-125	149	-211	63

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

MSEK	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jul-Jun 2015/2016	Jan-Dec 2015
Profit for the period	-70	154	-125	149	-211	63
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	-17	20	-9	42	36	87
Total comprehensive income for the period	-87	174	-134	191	-175	150

Report on balance sheet for the parent company in summary

MSEK	30 Jun 2016	30 Jun 2015	31 Dec 2015
Assets			
Machinery and equipment	1	1	1
Participation in Group companies	11,776	11,894	11,776
Participation in joint ventures	–	70	–
Other securities held as fixed assets	301	265	310
Deferred tax recoverables	88	72	88
Total fixed assets	12,166	12,302	12,175
Accounts receivable	0	0	1
Receivables from Group companies	39	69	1,263
Tax assets	39	33	4
Other current receivables	1	0	3
Prepaid expenses and accrued income	15	8	7
Liquid funds	0	1	8
Total current assets	94	111	1,286
Total assets	12,260	12,413	13,461
Equity and liabilities			
Equity	5,000	5,941	5,900
Untaxed reserves	0	0	0
Liabilities to Group companies	7,143	6,368	6,465
Other provisions	26	21	25
Total long-term liabilities	7,169	6,389	6,490
Accounts payable	22	9	24
Liabilities to Group companies	6	11	992
Other liabilities	3	12	7
Accrued expenses and deferred income	60	51	48
Total current liabilities	91	83	1,071
Total liabilities	7,260	6,472	7,561
Total equity and liabilities	12,260	12,413	13,461
Pledged assets and contingent liabilities for the parent company			
Pledged assets	–	–	–
Contingent liabilities	24,650	22,277	23,012

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 that have been adopted by EU of the valid standards, 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.

The parent company reports have been prepared according to the Swedish Company Accounts Act and RFR 2, Accounting rules for legal entities. New standards and interpretations have not had any material effect on Group accounting.

The quarterly report has otherwise been prepared according to the same accounting principles and conditions described in the Annual Report 2015.

NOTE 2 OPERATING SEGMENT**Group Jan-Jun 2016**

MSEK	Con- struction	Civil Engineering	Industry	Project Development	Group functions	Eliminations	Total opera- tive for the Group ¹⁾	Adjustment for housing reporting ²⁾	Group
External sales	9,800	4,190	3,716	3,727	40	0	21,473	-371	21,102
Internal sales	1,819	604	1,534	17	389	-4,363	–		–
Total income	11,619	4,794	5,250	3,744	429	-4,363	21,473	-371	21,102
Operating profit	268	142	190	272	-56	-4	812	-27	785
Operating margin, %	2.3	3.0	3.6	7.3			3.8		3.7
Net finance									-30
Pre-tax profit									755
Tax									-118
Profit for the period									637
Capital employed (closing balance)			5,282	10,354					

Group Jan-Jun 2015

MSEK	Con- struction	Civil Engineering	Industry	Project Development	Group functions	Eliminations	Total opera- tive for the Group ¹⁾	Adjustment for housing reporting ²⁾	Group
External sales	9,969	4,260	3,234	2,947	42	0	20,452	-8	20,444
Internal sales	2,262	520	1,507	24	374	-4,687	–		–
Total income	12,231	4,780	4,741	2,971	416	-4,687	20,452	-8	20,444
Operating profit	295	159	174	121	-28	-43	678	-32	646
Operating margin, %	2.4	3.3	3.7	4.1			3.3		3.2
Net finance									-60
Pre-tax profit									586
Tax									-101
Profit for the period									485
Capital employed (closing balance)			5,085	11,077					

Group Jan-Dec 2015

MSEK	Con- struction	Civil Engineering	Industry	Project Development	Group functions	Eliminations	Total opera- tive for the Group ¹⁾	Adjustment for housing reporting ²⁾	Group
External sales	19,668	9,394	7,565	7,565	60	0	44,252	124	44,376
Internal sales	4,177	1,054	3,235	40	776	-9,282	–		–
Total income	23,845	10,448	10,800	7,605	836	-9,282	44,252	124	44,376
Operating profit	-225	381	648	398	-100	-50	1,052	-43	1,009
Operating margin, %	-0.9	3.6	6.0	5.2			2.4		2.3
Net finance									-103
Pre-tax profit									906
Tax									-108
Profit for the year									798
Capital employed (closing balance)			4,885	10,838					

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

During the fourth quarter 2015 the project Mall of Scandinavia in Solna was written down by SEK -800 million, which affected both net sales and operating profit in business area Construction.

For more information about each segment, see pages 7–13.

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 2015, note 34. The fair value of financial assets and liabilities is estimated to be, in principle, the same as their booked values.

Group	30 Jun 2016				30 Jun 2015				31 Dec 2015				
	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	301		32	333	264		73	337	310		49	359	
<i>Whereof shareholding in listed company</i>	301			301	264			264	310			310	
<i>Whereof investment in an unlisted fund</i>			32	32			73	73			49	49	
Other current receivables		1		1		0		0		5		5	
<i>Whereof currency swaps</i>		1		1		0		0		5		5	
Total assets	301	1	32	334	264	0	73	337	310	5	49	364	
Liabilities													
Other long-term liabilities		135		135		165		165		144		144	
<i>Whereof commodity hedge</i>		1		1		1		1		7		7	
<i>Whereof interest rate swaps</i>		134		134		164		164		137		137	
Other current liabilities		2		2		1		1		1		1	
<i>Whereof currency swaps</i>		2		2		1		1		1		1	
Total liabilities	-	137	-	137	-	166	-	166	-	145	-	145	
Parent company													
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	301			301	264			264	310			310	
<i>Whereof shareholding in listed company</i>	301			301	264			264	310			310	
Total assets	301	-	-	301	264	-	-	264	310	-	-	310	

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

Group	Other securities held as fixed assets		
	MSEK	30 Jun 2016	30 Jun 2015
Opening balance	49	66	66
Investments during the period	2	3	13
Dividends received	-37	-	-50
Reported in profit for the period *	22	4	28
Reported in other comprehensive income	-4	-	-8
Closing balance	32	73	49

* Reported in net financial items

FUTURE FINANCIAL INFORMATION

- Quarterly Report January-September 2016 10 November 2016
- Year-end Report 2016 10 February 2017
- Annual Report 2016 April 2017

The Board of directors and the CEO pledge that the half-year report provides a fair and true overview of the parent company's and the Group's business, position and results as well as describes the significant risks and uncertainty factors faced by the parent company and the companies included in the Group.

Förslöv, 17 August 2016

*Göran Grosskopf
Chairman*

*Mats Paulsson
Vice chairman*

*Karl-Axel Granlund
Board member*

*Fredrik Paulsson
Board member*

*Lars Sköld
Board member*

*Nina Udnes Tronstad
Board member*

*Kerstin Lindell
Board member*

*Malin Persson
Board member*

*Kim Thomsen
Board member*

*Patrik Svensson
Board member*

*Egon Waldermansson
Board member*

*Jesper Göransson
CEO and President*

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

Quarterly data

Group

	Apr-Jun 2016	Jan-Mar 2016	Oct-Dec 2015	Jul-Sep 2015	Apr-Jun 2015	Jan-Mar 2015	Oct-Dec 2014	Jul-Sep 2014	Apr-Jun 2014
MSEK									
Net sales	12,571	8,531	12,224	11,708	11,568	8,876	12,213	10,811	11,604
Production costs	-11,305	-7,828	-11,793	-10,697	-10,458	-8,203	-11,046	-9,756	-10,544
Gross profit	1,266	703	431	1,011	1,110	673	1,167	1,055	1,060
Sales and administrative expenses	-675	-564	-674	-450	-625	-547	-637	-453	-616
Profit from participation in joint ventures	3	-1	-7	2	3	-1	-54	7	11
Other operating income	36	22	37	19	20	30	29	15	57
Other operating costs	-2	-3	-4	-2	-2	-15	-6	-1	-7
Operating profit	628	157	-217	580	506	140	499	623	505
Financial income	40	65	60	24	40	33	23	29	28
Financial expenses	-58	-76	-65	-58	-65	-64	-369	-63	-108
Profit from participation in joint ventures	-1	0	-2	-2	-1	-3	-2	-3	-3
Net finance	-19	-11	-7	-36	-26	-34	-348	-37	-83
Pre-tax profit	609	146	-224	544	480	106	151	586	422
Tax	-95	-23	88	-95	-83	-18	15	-114	-88
Profit for the period	514	123	-136	449	397	88	166	472	334
Profit for the period, attributable to:									
Shareholders in parent company	514	123	-136	449	397	88	166	472	334
Non-controlling interests	0	0	0	0	0	0	-	-	-
Profit for the period	514	123	-136	449	397	88	166	472	334
Key ratios									
Earnings per share, SEK	1.74	0.42	-0.46	1.53	1.35	0.30	0.56	1.60	1.13
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)	13,700	13,406	14,476	14,169	14,666	13,822	14,762	15,988	16,486
Equity (closing balance)	8,021	8,241	8,076	8,217	7,848	8,116	7,997	7,980	7,507

Quarterly data

Business areas

	Apr-Jun 2016	Jan-Mar 2016	Oct-Dec 2015	Jul-Sep 2015	Apr-Jun 2015	Jan-Mar 2015	Oct-Dec 2014	Jul-Sep 2014	Apr-Jun 2014
MSEK									
Net sales									
Construction	6,420	5,199	6,978	5,436	6,548	5,683	6,832	5,262	6,865
Civil Engineering	2,765	2,029	2,992	2,676	2,670	2,110	2,905	2,555	2,525
Industry	3,356	1,894	2,948	3,111	2,896	1,845	2,865	3,205	2,888
Project Development	2,368	1,376	2,275	2,359	1,555	1,416	2,024	2,027	1,981
- of which Property Development	1,031	76	308	1,047	202	77	172	895	233
- of which Housing Development	1,337	1,300	1,967	1,312	1,353	1,339	1,852	1,132	1,748
Group functions	225	204	209	211	214	202	265	188	190
Eliminations	-2,353	-2,010	-2,474	-2,121	-2,432	-2,255	-2,733	-2,460	-2,758
Operative excluding write-down ¹⁾	12,781	8,692	12,928	11,672	11,451	9,001	12,158	10,777	11,691
Construction – write-down of project Mall of Scandinavia	–	–	-800	–	–	–	–	–	–
Operative ¹⁾	12,781	8,692	12,128	11,672	11,451	9,001	12,158	10,777	11,691
Adjustment for housing reporting ²⁾	-210	-161	96	36	117	-125	55	34	-87
Legal	12,571	8,531	12,224	11,708	11,568	8,876	12,213	10,811	11,604
Operating profit									
Construction	152	116	145	135	175	120	147	128	162
Civil Engineering	105	37	126	96	127	32	104	90	115
Industry	202	-12	178	296	172	2	161	313	196
Project Development	194	78	193	84	74	47	112	121	50
- of which Property Development	102	4	25	5	-9	-11	11	67	-46
- of which Housing Development	92	74	168	79	83	58	101	54	96
Group functions	-29	-27	-46	-26	-14	-14	-12	-13	-23
Eliminations	0	-4	-16	9	-27	-16	-21	-4	2
Operative excluding write-down ¹⁾	624	188	580	594	507	171	491	635	502
Construction – write-down of project Mall of Scandinavia	–	–	-800	–	–	–	–	–	–
Operative ¹⁾	624	188	-220	594	507	171	491	635	502
Adjustment for housing reporting ²⁾	4	-31	3	-14	-1	-31	8	-12	3
Legal	628	157	-217	580	506	140	499	623	505
Operating profit, %									
Construction	2.4	2.2	2.1	2.5	2.7	2.1	2.2	2.4	2.4
Civil Engineering	3.8	1.8	4.2	3.6	4.8	1.5	3.6	3.5	4.6
Industry	6.0	-0.6	6.0	9.5	5.9	0.1	5.6	9.8	6.8
Project Development	8.2	5.7	8.5	3.6	4.8	3.3	5.5	6.0	2.5
- of which Property Development	9.9	5.3	8.1	0.5	-4.5	-14.3	6.4	7.5	-19.7
- of which Housing Development	6.9	5.7	8.5	6.0	6.1	4.3	5.5	4.8	5.5
Group functions									
Eliminations									
Operative excluding write-down ¹⁾	4.9	2.2	4.5	5.1	4.4	1.9	4.0	5.9	4.3
Construction – write-down of project Mall of Scandinavia									
Operative ¹⁾	4.9	2.2	-1.8	5.1	4.4	1.9	4.0	5.9	4.3
Adjustment for housing reporting ²⁾									
Legal	5.0	1.8	-1.8	5.0	4.4	1.6	4.1	5.8	4.4
Order situation, MSEK									
Orders received	10,165	11,886	9,704	9,135	9,414	9,559	7,458	7,564	7,591
Order backlog at the end of the period	33,457	31,550	26,991	28,050	27,162	26,750	24,922	27,547	27,499

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

FINANCIAL DEFINITIONS

Capital employed for the Group

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

Capital employed for the business areas

Total assets reduced by deferred tax receivables and internal receivables from the internal bank Peab Finans with deductions for non-interest-bearing liabilities and deferred tax liabilities.

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 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 and interest-bearing assets.

Net investments

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

Orders received

The sum of orders received during the period.

Order backlog

The value of the remaining income in ongoing production plus orders received yet to be produced.

Return on equity

The profit for the period of the rolling 12 months period attributable to shareholders of shares in the parent company divided by the average (last four quarters) equity attributable to shareholders of shares in the parent company.

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.

Operating margin

Operating profit as a percentage of net sales.

Available liquidity

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



A locally engaged community builder

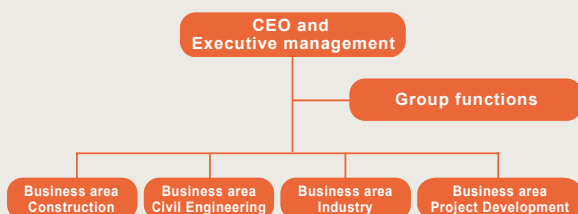
Peab is one of the leading Nordic construction and civil engineering companies with more than 14,000 employees and net sales of over SEK 45 billion. The Group's four business areas have strategically located offices in Sweden, Norway and Finland. Through local familiarity and four specialized and coordinated business areas Peab handles small, local and large, more complex projects.

BUSINESS CONCEPT

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

ORGANIZATION

Peab is characterized by a simple, flat 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.



CORE VALUES

Down-to-earth, Developing, Personal and Reliable – Peab's fundamental core values that our brand is built on. Our core values describe what kind of people we are, what we stand for, how we work, what we can achieve and how we want to be seen. We work actively with our core values in every part of our business because how we are and how we work is fundamental to our success. It is also the basis of our development of customer and supplier relations, our employees and our business from a long-term, sustainable perspective.

BUSINESS PLAN OBJECTIVES 2015-2017

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

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

